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INDEPENDENT AUDITORS' REPORT

To the Unit Holders of
VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Opinion

We have audited the financial statements of Victoria Mutual Wealth Management Unit Trust: Property Fund ("the Fund"), set out on pages 4 to 39 which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in unit holders' funds and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at December 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Unit Holders of
VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Unit Holders of
VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also (continued):

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Chartered Accountants
Kingston, Jamaica

September 30, 2022

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Statement of Financial Position
As at December 31, 2021
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Cash and cash equivalents		62,592	60,641
Resale agreements	4	45,153	1,300,000
Investment securities	5	4,153,780	3,284,445
Investment property	6	4,277,984	3,830,727
Margin loans receivable	7	427,440	599,608
Interest receivable		43,077	9,215
Accounts receivable	8	157,448	72,312
Due from related parties	9	564,631	43,541
Total assets		9,732,105	9,200,489
LIABILITIES			
Due to related parties	9	33,628	687,518
Secured loan payable	10	2,126,385	2,023,342
Accounts payable	11	73,325	83,596
Total liabilities		2,233,338	2,794,456
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		7,498,768	6,406,033
Represented by:			
UNIT HOLDERS' FUNDS	12	7,498,768	6,406,033
Number of units in issue at December 31 (rounded in thousands)	12	4,854,548	4,636,663
Value per unit ($)	16	1.5447	1.3816

The financial statements on pages 4 to 39 were approved for issue on September 30, 2022 by the Board of Directors of Victoria Mutual Wealth Management Limited, the Fund Manager, and signed on its behalf by:

Director
Courtney Campbell

Director
Rezworth Burchenson

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Statement of Comprehensive Income
Year ended December 31, 2021
(Expressed in Jamaica dollars unless otherwise indicated)

	2021 $'000	2020 $'000
Net interest income and other income:		
Interest income from investment securities	123,112	42,040
Interest income calculated using the effective interest method	56,817	5,160
Interest expense	(110,876)	(53,652)
Net interest (expense)/income	69,053	(6,452)
Rental income	224,111	202,751
Realised loss on sale of investment securities	(83,016)	-
Net change in fair value of investment property	129,825	40,943
Net change in fair value of investment securities	610,760	(140,850)
Operating revenue net of interest expense	950,733	96,392
Other income	61,725	48,321
	1,012,458	144,713
Administration expenses:		
Auditors' remuneration – current year	11,248	4,980
Auditors' remuneration – prior year	6,347	-
Irrecoverable General Consumption Tax	23,424	20,641
Management fees	102,063	94,349
Trustee fees	8,154	8,324
Registrar fees	16,909	15,550
Professional fees	15,269	12,476
Other expenses	57,735	24,298
	241,149	180,618
Increase/(decrease) in net assets attributable to Unit Holders	771,309	(35,905)

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Statement of Changes in Unit Holders' Funds
Year ended December 31, 2021
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Unit Holders' Funds at the beginning of the year		6,406,033	6,363,261
Increase/(decrease) in net assets attributable to Unit Holders		771,309	(35,905)
Contributions and redemptions by holders of redeemable units:			
Issue of redeemable units during the year	12	535,827	514,926
Redemption of units during the year	12	(214,401)	(436,249)
		321,426	78,677
Unit Holders' Funds at the end of the year		7,498,768	6,406,033

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Statement of Cash Flows
Year ended December 31, 2021
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Increase/(decrease) in net assets attributable to Unit Holders		771,309	(35,905)
Adjustments for:			
Interest income		(179,929)	(47,200)
Interest expense		110,876	53,652
Net rental income		(224,111)	(202,751)
Change in fair value of investment securities		(129,825)	(40,943)
Change in fair value of investment property		(610,760)	140,850
Realised loss on sale of investment securities		83,016	-
		(179,424)	(132,297)
Changes in:			
Due to related parties		(653,890)	649,279
Accounts payable		(10,271)	3,622
Accounts receivable		11,491	(632)
Due from related parties		(521,090)	(42,905)
Resale agreements		1,254,847	(1,159,880)
Investment securities		(341,592)	(826,717)
Investment property		(317,432)	(254,113)
Margin loans receivable	7	172,168	(599,608)
Cash used in operating activities		(585,193)	(2,363,251)
Interest received		146,067	43,084
Interest paid		-	(6,967)
Rent received		127,484	187,534
Net cash used by operating activities		(311,642)	(2,139,600)
Cash flows from financing activities			
Secured loan payable		(7,883)	1,976,657
Proceeds from issue of units	12	535,827	514,926
Payments for units encashed	12	(214,401)	(436,249)
Net cash provided by financing activities		313,593	2,055,334
Net increase/(decrease) in cash and cash equivalents		1,951	(84,266)
Cash and cash equivalents at the beginning of the year		60,641	144,907
Cash and cash equivalents at the end of the year		62,592	60,641

The accompanying notes form an integral part of the financial statements.

1. The Fund

Property Fund ("the Fund") is a portfolio in the Victoria Mutual Wealth Management Unit Trust ("the Trust"), which was established by Trust Deed dated December 11, 2013 and registered in Jamaica on September 24, 2015 as a Unit Trust Scheme under the Unit Trust Act. The Trust is an open-ended fund comprising a diversified portfolio of investments. The Fund is managed by Victoria Mutual Wealth Management Limited, ("the Fund Manager"), and the Trustee is JCSD Trustee Services Limited. Both companies are incorporated and domiciled in Jamaica. The registered office of the Fund is located at 75 Half Way Tree Road, Kingston, Jamaica, W.I.

The Fund Manager is a wholly-owned subsidiary of Victoria Mutual Investments Limited ("parent company"). The Fund Manager is licenced by the Financial Services Commission ("FSC") as a Securities Dealer and is also a Member of the Jamaica Stock Exchange (JSE). The ultimate parent is The Victoria Mutual Building Society.

The Fund's objective is to maximize rental income and capital appreciation for investors over the medium term by strategically investing in various segments of the real estate market. It is promoted as VM Wealth Classic Property Portfolio in the Offering Circular as of July 1, 2019, with the approval of the Financial Services Commission.

The income of the Fund is exempt from income tax under Section 12(t) of the Income Tax Act.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New and amended standards and interpretations that became effective during the year

Certain new and amended standards came into effect during the current financial year. The Fund has adopted those which are relevant to its operations, but their adoption did not result in any changes to amounts recognised or disclosed in these financial statements.

New and amended standards and interpretations issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations were in issue but were not yet effective and had not been early-adopted by the Fund. The Fund has assessed their relevance with respect to its operations and has determined that the following may have an effect on its financial statements:

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments is effective for annual periods beginning on or after January 1, 2022.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations issued but are not yet effective (continued)

- Annual Improvements to IFRS Standards 2018-2020 (continued)

  IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The Fund does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how an entity classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the entity's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that an entity can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Fund does not expect the amendments to have a significant impact on its financial statements.

(b) Basis of preparation and functional currency:

The financial statements have been prepared on the historical cost basis, except for financial assets which are measurement at fair value through profit or loss (FVTPL).

The financial statements are presented in Jamaica dollars, which is the functional currency of the Fund, rounded to the nearest thousand ($'000), unless otherwise stated.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation and functional currency (continued):

Management continues to have a reasonable expectation that the Fund has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The preparation of the financial statements in conformity with IFRS assumes that the Fund will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and statements of comprehensive income assume no intention or necessity to liquidate or terminate operations. This is commonly referred to as the going concern basis.

(c) Critical accounting judgments and key sources of estimation uncertainty:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets, contingent liabilities and the income and expenses. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in both current and future periods, as appropriate.

Judgements that have a significant effect on the financial statements are made by management in the application of IFRS. Estimates with a significant risk of material adjustment in the next financial year are in respect of the fair value of investments, as discussed in note 3(r)(iv).

(d) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated using the rates of exchange ruling on that date.

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of those transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the statements of comprehensive income are treated as cash items and included in cash flows from investing activities along with movements in the principal balances.

3. Significant accounting policies

The Fund has consistently applied the following accounting policies to all periods presented in their financial statements.

(a) Resale agreements:

Resale agreements are short-term contracts under which securities are bought with simultaneous agreements to resell them on specified dates and at specified prices.

3. Significant accounting policies (continued)

(a) Resale agreements (continued):

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreements, using the effective interest method and is included in interest income.

(b) Investment securities:

Investments are measured at fair value. Movements in value occasioned by market conditions are included in the statements of comprehensive income

(c) Margin loans and accounts receivable:

Margin loans and accounts receivable are measured at amortised cost less impairment losses.

(d) Secured loan payable:

Secured loan payable is recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

(e) Investment properties:

Investment properties are held for rental income and fair value gains. Investment properties are treated as a long-term investment and are measured at fair value. Fair value is determined annually by an independent professional valuer. Changes in fair values are recognised in the statements of comprehensive income. Rental income from investment properties is recognised in the statements of comprehensive income on the straight-line basis over the tenure of the leases.

(f) Related party transactions and balances:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed (note 17) for the following:

(i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the entity that gives them significant influence over the entity's affairs and close members of the families of these individuals.

(ii) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including directors and officers and close members of the families of these individuals.

(g) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at amortised cost.

3. Significant accounting policies (continued)

(h) Accounts payable:

Accounts payable are measured at amortised cost.

(i) Revenue recognition:

Interest income is recognised in the statements of comprehensive income on financial assets measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to its gross carrying amount.

In calculating effective interest income for financial assets, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECL). The effective interest rate is applied to the gross carrying amount of the asset.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

A contract with a customer that results in a recognised financial instrument in the Funds's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Fund first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Types of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15.
Rental income	The Fund rents property. Rentals are charged on a monthly basis and are based on rates agreed.	Revenue from rental is recognised over time as the services are provided.
Maintenance fees	The Fund provides maintenance service for its commercial office spaces. Fees are calculated based on a fixed percentage of the rental income and is charged monthly.	Recognised over time as the service is provided.

3. Significant accounting policies (continued)

(j) Unit Holders' Funds:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units issued by the Fund provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date and also in the event of the Fund's liquidation. The redeemable units are classified as equity.

(k) Revenue - rental of investment property

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(l) Other income:

Other income is recognised in the statements of comprehensive income as income derived from activities unrelated to the main activities of the Fund's operation, such as from conversion gain/loss and dividend income.

(m) Net income from investment securities:

Net income from investment securities include all realised and unrealised fair value changes and foreign exchange differences, interest and dividend income of financial instruments at FVTPL.

(n) Management fee expenses:

Management fee expenses are recorded in the statements of comprehensive income on the accrual basis, in accordance with the terms of the contractual agreements with the Fund Manager.

(o) Irrecoverable General Consumption Tax (GCT):

Irrecoverable GCT is consumption tax charged on expenses for services received and cannot be recovered because the Fund is exempt from income tax under Section 12(t) of the Income Tax Act. The Fund records this as an expense in the statements of comprehensive income on the accrual basis.

(p) Expenses:

Expenses, including trustee, professional and audit fees, are recognised in the statements of comprehensive income on the accrual basis when the services are received.

(q) Interest expense:

Interest expense is recognised in statements of comprehensive income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

3. Significant accounting policies (continued)

(q) Interest expense (continued):

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of financial liability.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of comprehensive income.

(r) Financial instruments - Classification, recognition, derecognition and measurement:

(i) General:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, investment securities, margin loans receivables, accounts receivable and due from related parties. Similarly, financial liabilities include balance due to related parties, secured loan payable and accounts payable.

(ii) Recognition and initial measurement:

The Fund recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Fund initially recognises accounts receivable and balance due from VM Wealth Management Limited on the date when they are originated. The origination date is the effective transaction date. All other financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provision of the instrument.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value, plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in statements of comprehensive income. when an asset is newly originated.

3. Significant accounting policies (continued)

(r) Financial instruments - Classification, recognition, derecognition and measurement (continued):

(ii) Recognition and initial measurement (continued):

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(iii) Classification and subsequent remeasurement:

The Fund classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Amortised cost.

The classification requirements for debt and equity instruments are held as financial assets by the Fund described below:

(a) *Debt instruments*:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Fund's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following measurement categories:

- *Amortised cost:*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at [note 3(r)(v)]. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

3. Significant accounting policies (continued)

(r) Financial instruments - Classification, recognition, derecognition and measurement (continued):

(iii) Classification and subsequent remeasurement (continued):

(a) *Debt instruments (continued)*:

- *Fair value through profit or loss:*

  Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. Interest income from these financial assets is included in interest income using the effective interest method.

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Fund in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund Manager assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Fund Manager considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3. Significant accounting policies (continued)

(r) Financial instruments - Classification, recognition, derecognition and measurement (continued):

(iii) Classification and subsequent remeasurement (continued):

(a) *Debt instruments (continued)*:

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

(b) *Equity instruments*:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Realised gains on sale of investment securities' line in the statement of profit or loss and other comprehensive income.

(c) *Deferred shares:*

Deferred shares are measured at fair value on initial recognition and subsequently at amortised cost.

(iv) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, management measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.

If a market for a financial instrument is not active, Management establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same and discounted cash flow analyses.

3. Significant accounting policies (continued)

(r) Financial instruments - Classification, recognition, derecognition and measurement (continued):

(iv) Fair value measurement (continued):

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Fund, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The Fund calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statements of comprehensive income. on an appropriate basis over the life of the instrument.

All changes in fair value are recognised in statements of comprehensive income.

(v) Identification and measurement of impairment:

The Fund recognises loss allowances for expected credit losses (ECL) on the financial assets that are not measured at FVTPL.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

3. Significant accounting policies (continued)

(r) Financial instruments - Classification, recognition, derecognition and measurement (continued):

(v) Identification and measurement of impairment (continued):

The Fund considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Fund does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the company if the commitment is drawn and the cash flows that the Fund expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Fund expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

3. Significant accounting policies (continued)

(r) Financial instruments - Classification, recognition, derecognition and measurement (continued):

(v) Identification and measurement of impairment (continued):

Restructured financial assets (continued)

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Fund on terms that the company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(vi) Derecognition:

Management derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire; or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

Any interest in such derecognised financial assets that is created or retained by the Fund is recognised as a separate asset or liability in the statement of financial position.

Management derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Notes to the Financial Statements (Continued)
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4. Resale agreements

The Fund purchases Government of Jamaica Securities and agrees to resell them on specified dates and at specified prices. At the reporting date, collateral held for resale agreements had a fair value of $47,411,000 (2020: $1,303,562,000).

5. Investment securities

	2021 $'000	2020 $'000
At fair value through profit or loss:		
Equity securities (i)	2,593,915	2,193,524
Corporate bonds	1,207,440	740,921
Units held in Unit Trust	52,425	50,000
Amortised cost:		
VMBS deferred shares	300,000	300,000
	4,153,780	3,284,445

	2021		2020	
	Stock units	Fair value $'000	Stock units	Fair value $'000
(i) Description				
Ordinary shares:				
Stanley Motta Limited	69,912,989	397,106	110,962,857	604,748
Kingston Properties Limited	237,577,806	2,078,806	236,283,759	1,476,773
	307,490,795	2,475,912	347,246,616	2,081,521
Preference shares:				
JMMB Group Limited	50,000,000	75,000	50,000,000	69,000
Ready Communications Limited	41,750,000	43,003	41,750,000	43,003
	91,750,000	118,003	91,750,000	112,003
	399,240,795	2,593,915	438,996,616	2,193,524

These investment securities mature, in relation to the reporting date, as follows:

	2021 $'000	2020 $'000
From 1 year to 5 years	1,179,284	1,040,921
Thereafter/no maturity	2,974,496	2,243,524
	4,153,780	3,284,445

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

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6. Investment property

(a) Investment properties held by the Fund are as follows:

	2020 $'000	Additions during the year $'000	Fair value movements $'000	2021 $'000
The Towers	2,000,000	2,680	(2,680)	2,000,000
Knutsford Boulevard: Building	620,000	31,199	98,801	750,000
New Kingston: Parking Lots 83-89 and 95-101	520,000	-	-	520,000
Bogue Estate: Lots B17 to B20	334,000	-	86,000	420,000
4 Parkington Plaza: Lot 16	52,000	15,366	(12,366)	55,000
The Cambridge: Units A603 & B610	64,502	-	-	64,502
10A Parkington Plaza: Lots 1 & 2	75,000	5,911	89	81,000
Loft Apartments: Lots 34, 44, 51, 55 & 62	165,225	18	(40,019)	125,224
Lot 8, Building 5, Barnett Technology Park	-	262,258	-	262,258
	3,830,727	317,432	129,825	4,277,984

(b) (i) The carrying amounts of investment property have been determined as follows:

	2021 $'000	2020 $'000
Balance at beginning of the year	3,830,727	3,535,671
Additions for the year	317,432	254,113
Appreciation in fair value	129,825	40,943
Balance at end of year	4,277,984	3,830,727

The fair value of investment property of $4,277,984,000 (2020: $3,830,727,000) has been categorised as Levels 2 and 3 in the fair value hierarchy.

(b)(ii) The fair value measurement for investment properties is classified as Levels 2 and 3.

Valuation techniques and significant unobservable inputs:

The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Investment approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream. The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.	• Expected market rental growth • Yields • Rental rates	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher (lower); • The occupancy rate were higher (lower) • Rent-free periods were shorter (longer); or • Yields were lower (higher)

6. Investment property (continued)

(b) (ii) (continued)

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market approach: The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered, and a meaningful unit of comparison is developed. A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics. This approach takes into account: • A willing seller and willing buyer; • A reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market; • Values are expected to remain stable throughout the period of market exposure and disposal by way of sale (hypothetical); • The property will be freely exposed to the market; and • Potential rental value of the property in the current investment climate.	Sales of similar properties	The estimated fair value would increase/(decrease) if sales prices of similar properties were higher/(lower).
Income approach: This approach converts anticipated annual net income into an indication of value. This process is called capitalisation, and involves multiplying the annual net income by a factor or dividing it by a rate that weighs such considerations such as risk, time, and return on investment. This approach assumes: • Value is a function of Income • Investors will estimate the duration, quantity, and quality of the future Income; and • Future income is less valuable than present income.	Annual net income	The estimated fair value would increase/(decrease) if: • Annual net income was higher/(lower) • Capitalisation multiple was higher/(lower).

6. Investment property (continued)

(c) (i) The fair value of investment properties as at the reporting date is based on the market and income approach.

The following table shows the valuation method for each investment property.

Investment property	**Valuation approach**	**Fair value hierarchy level**
The Towers	Income	Level 3
Knutsford Boulevard: Building	Income	Level 3
Parking Lots 83-89 and 95-101	Market	Level 2
Bogue Estate: Lots B17 to B20 &34	Income	Level 3
4 Parkington Plaza: Lot 16	Income	Level 3
10A Parkington Plaza: Lot Nos 1&2	Market	Level 2
Loft Apartments: Lots 34, 44, 51, 55 & 62	Market	Level 2

(ii) The Towers building located at 25 Dominica Drive, New Kingston, was revalued on November 12, 2021, by independent valuators, Allison, Pitter and Company.

(iii) The Knutsford Boulevard building located at 53 Knutsford Boulevard, New Kingston was revalued on November 12, 2021, by independent valuators, Allison, Pitter and Company.

(iv) The Parking Lots 83-89 and 95-101 located at New Kingston, Kingston 5 was revalued by independent valuators, Allison, Pitter and Company on December 2, 2021.

(v) Strata Lots B17 to B20, 34 Annex Fairview Shopping Centre, Bogue Estate were revalued by independent valuators, Allison, Pitter and Company on November 5, 2021.

(vi) Strata Lot 16 at 4 Parkington Plaza was revalued by Victoria Mutual (Property Services) Limited on November 5, 2021.

(vii) Strata Lots 1 and 2 are located at 10A Parkington Plaza and were revalued by Victoria Mutual (Property Services) Limited on November 10, 2021.

(viii) The Loft Apartments located at 15-17 Crieffe Road were revalued by independent valuators, Allison, Pitter and Company on November 3, 2021.

(d) The valuations were performed by Allison, Pitter and Company and Victoria Mutual (Property Services) Limited. These are accredited valuers with recognised and relevant professional qualifications and with recent experience in the locations and categories of the investment property being valued. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

6. Investment property (continued)

(e) The rental income on the property during the year amounted to $127,484,000 (2020: $187,534,000).

(f) Property operating expenses are as follows:

	2021	2020
	$'000	$'000
Professional fees	732	3,566
Maintenance fees	6,207	1,772
Parking rental expense	3,313	2,513
Valuation fees	7,709	7,709
Insurance	249	640
Vacancy cost	-	787
	18,210	16,987

(g) The following investment properties were used as collateral for the secured loan payable disclosed at note 10:

(i) The Towers located at 25 Dominica Drive, Kingston 5, St. Andrew
(ii) New Kingston Parking Lot, Lots # 83-89 and 95-101 Kingston 5, St. Andrew;
(iii) VMBS Building, 53 Knutsford Boulevard, Kingston 5, St. Andrew.

7. Margin loans receivable

	2021	2020
	$'000	$'000
Margin loans	427,440	599,608

Effective December 31, 2020, the Fund entered into a participation agreement with a related entity to buy a portion of its margin loan portfolio.

These are secured loans issued to clients for a maximum of 5 years. Interest is due monthly or quarterly after the disbursement of the loan. Principal is repayable at the option of the borrower at any time no later than the expiry date of the facility. Impairment allowances are considered immaterial.

These margin loans mature as follows:

	2021	2020
	$'000	$'000
Within three months	153	215
From 3 months to 1 year	4,319	6,072
From 1 to 5 years	422,968	593,321
	427,440	599,608

8. Accounts receivable

	2021 $'000	2020 $'000
Dividends receivable	-	13,834
Other receivables (i)	2,468	125
Rental income receivable	154,980	58,353
	157,448	72,312

Accounts receivable due at the reporting date are as follows:

	2021 $'000	2020 $'000
Within 30 days	24,823	48,414
30 days to 60 days	30,575	23,898
Over 60 days	102,050	-
	157,448	72,312

9. Due (to)/from related parties

	2021 $'000	2020 $'000
Due from related parties:		
Victoria Mutual Wealth Management Unit Trust: Equity Fund (iii)	30,050	30,196
Victoria Mutual Wealth Management Unit Trust: Goal Maximiser Fund (iv)	-	50
Victoria Mutual (Property Services) Limited (v)	12,131	10,026
Victoria Mutual Wealth Management Limited (i)	299,494	-
Victoria Mutual Investments Limited (ii)	222,956	3,269
	564,631	43,541
Due to related parties:		
Victoria Mutual Wealth Management Limited (i)	(33,628)	(84,641)
Victoria Mutual Investments Limited (ii)	-	(602,877)
	(33,628)	(687,518)
	531,003	(643,977)

(i) This represents the amount due from Victoria Mutual Wealth Management Unit Trust: Equity Fund for transactions settled on its behalf.

(ii) This represents the amount due from Victoria Mutual Wealth Management Unit Trust: Goal Maximiser Fund for funding support provided.

(iii) This represents the amount due from Victoria Mutual (Property Services) Limited for outstanding maintenance income from investment property.

(iv) This represents the net balance of the current account with the Fund Manager, including management fee payable and amounts collected from or paid to Unit Holders for the purchase or redemption of units on behalf of the Fund.

(v) Effective December 31, 2020, the Fund entered into a participation agreement with Victoria Mutual Investments Limited to buy a portion of its margin loans portfolio. Prior year's payable balance of $602,877 represents the purchase price payable for the margin loans portfolio. The amount was settled on January 25, 2021. The receivable balance of 222,956 represents margin loan payments collected on behalf of the fund by VMIL.

10. Secured loan payable

	2021 $'000	2020 $'000
Loan payable	2,075,423	1,976,657
Interest payable	50,962	46,685
	2,126,385	2,023,342

Effective August 10, 2020 the Fund issued a fixed rate secured loan with a tenure of twelve (12) months. The loan bears interest at 6% per annum and is secured by mortgages over real estate properties (see note 6) as follows:

(a) The Towers located at 25 Dominica Drive, Kingston 5, St. Andrew
(b) New Kingston Parking Lots, Lots # 83-89 and 95-101 Kingston 5, St. Andrew
(c) VMBS Building, 53 Knutsford Boulevard, Kingston 5, St. Andrew

Of the balance outstanding $318,534,000 was repaid on August 29, 2021 and the remaining balance was refinanced bearing interest of 6% with a tenure of twelve (12) months.

11. Accounts payable

	2021 $'000	2020 $'000
Security deposit payable	17,207	17,741
Audit fees	13,560	2,736
Trustee fees	3,423	2,354
Withholding tax payable	22,386	18,401
Parking rental space	1,356	138
Maintenance fees	2,714	2,963
Vacancy cost	965	13,289
Other payables	11,714	25,974
	73,325	83,596

12. Unit Holders' Funds

The Fund's capital is represented by the redeemable units outstanding. The fundamental investment objective of the Fund is to provide investors with capital appreciation over the medium term.

	2021 $'000	2020 $'000
Balance at beginning of the year	6,406,033	6,363,261
Increase in net assets attributable to Unit Holders	771,309	(35,905)
Proceeds from issue of new units	535,827	514,926
	7,713,169	6,842,282
Units encashed and repaid during the year	(214,401)	(436,249)
Balance at end of the year	7,498,768	6,406,033

12. Unit Holders' Funds (continued)

	Number of units	
	2021	2020
	'000	'000
Redeemable units:		
Balance at beginning of year	4,636,663	4,578,122
Issued during the year	363,529	378,041
Redeemed during the year	(145,644)	(319,500)
Balance at end of year	4,854,548	4,636,663

After the initial offer period, redeemable units are available for subscription and redemption on each business day in Jamaica at a price equal to the net asset value per unit.

13. Rental income

	2021	2020
	$'000	$'000
Rental	208,712	187,754
Parking	3,522	3,120
Maintenance	11,877	11,877
	224,111	202,751

14. Financial instruments - Risk management

(a) Introduction and overview

In this note "Group" refers to The Victoria Mutual Building Society and its subsidiaries.

The Fund has exposure to the following risks from its use of financial instruments in the ordinary course of business:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the Fund Manager has overall responsibility for the establishment and oversight of the Fund's risk management framework. Senior management reports to the Board of Directors on their activities every other month. The Fund's risk management policies are designed to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Fund Manager regularly reviews its risk management policies and systems to reflect changes in market conditions and product and service offerings. The Audit, Risk and Conduct Review Committee is responsible for monitoring compliance with the Fund's risk management policies and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund.

The Audit, Risk and Conduct Review Committee is assisted in these functions by Victoria Mutual Group Internal Audit Unit and the Group Risk Management Unit, which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Conduct Review Committee.

The key risks to which the Fund is exposed and the manner in which the Fund Manager measures and manages them are as follows:

14. Financial instruments - Risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from investing activities. Balances arising from these activities include debt securities resale agreements, cash and cash equivalents, accounts receivables, margin loans receivable.

(i) Exposure to credit risk

The maximum credit exposure, the total amount of loss the Fund would suffer if every counterparty to the Fund's financial assets were to default at once, is represented by the carrying amount of financial assets.

(ii) Management of credit risk

The Fund manages the credit risk on financial assets as follows:

- Cash and cash equivalents

  These are held with reputable financial institutions and collateral is not required for such accounts as the Fund Manager regards the institutions as strong.

- Resale agreements

  Collateral is held for all resale agreements.

- Investment securities

  The Fund Manager limits the level of risk it undertakes by investing in reputable companies. The Fund Manager does not expect any counterparty to fail to meet its obligations and as such the Fund Manager regards these companies as strong.

- Margin loans receivable

  The collateral package is monitored daily, and margin calls or asset sales are executed to address any shortfall. Additionally, tradeable securities utilised as collateral are scrutinized and removing those negatively impacted by the pandemic are removed.

- Accounts receivable

  Exposure to credit risk is managed by regular analysis of the ability of the customers and other counterparties to meet repayment obligations.

  Investment in real estate expose the fund to credit losses as there is a risk that the counterparty will fail to fulfil its contractual obligations.

14. Financial instruments - Risk management (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

- Maximum exposure to credit risk

The Fund's maximum exposure to credit risk at year end was as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	62,592	60,641
Resale agreement	45,153	1,300,000
Investments securities	-	1,090,921
Margin loans receivable	427,440	599,608
Accounts receivable	157,448	72,312
Due from related parties	564,631	43,541
	1,257,264	3,167,023

- Exposure to credit risk for investment securities

The following table summarises the Fund's credit exposure for investments at their carrying amounts, as categorised by issuer:

	2021 $'000	2020 $'000
Deferred shares	300,000	300,000
Corporate bonds	1,211,288	740,921
	1,511,288	1,040,921

(iii) Impairment

Impairment on cash and cash equivalents, receivables and resale agreements has been measured on a 12-month expected loss basis. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

The Fund Manager monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published ratings, the Fund Manager reviews changes in bond yields, where available.

The Fund recognised an impairment allowance of $Nil (2020: $Nil) on cash and cash equivalents, receivables and resale agreements.

14. Financial instruments - Risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities when they fall due and to replace funds when they are withdrawn. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions.

The Fund Manager aims at maintaining flexibility in funding by having sufficient liquid short-term assets to cover its obligations and to replenish funds when encashment made by Unit Holders.

The Fund's financial liabilities comprise accounts payable, secured loans payable and due to related parties that are repayable within one month to twelve at the carrying amounts reflected on the statement of financial position.

	2021			
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months
Due to related party	33,628	33,628	33,628	-
Secured loans payable	2,126,385	2,184,000	31,500	2,152,500
Accounts payable	73,325	73,325	73,325	-
	2,233,338	2,290,953	138,453	2,152,500

	2020			
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months
Due to related party	687,518	687,518	687,518	-
Secured loans payable	2,023,342	2,080,000	30,000	2,050,000
Accounts payable	83,596	83,596	83,596	-
	2,794,456	2,851,114	801,114	2,050,000

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. This arise mainly from changes in interest rates and will affect the Fund's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investments. Market risk exposures are measured using sensitivity analysis.

14. Financial instruments - Risk management (continued)

(d) Market risk (continued)

(i) The following table presents the market risk exposure on investment properties

	2021	
	Effect on fair value	
	Sensitivity used	Investment properties
		$'000
Increase in net rental income	10%	347,800
Decrease in net rental income	10%	(291,800)
Increase in discount rate/yield	300bps	347,800
Decrease in discount rate/yield	50bps	(291,800)

	2020	
	Effect on fair value	
	Sensitivity used	Investment properties
		$'000
Increase in net rental income	10%	272,000
Decrease in net rental income	10%	(315,000)
Increase in discount rate/yield	50bps	(193,000)
Decrease in discount rate/yield	50bps	172,000

(ii) Equity price risk

Equity price risk arises from equity securities held by the Fund as part of its investment fund. Management monitors the mix of equity securities in its investment portfolio based on market expectations. The primary goal of the Fund's investment strategy is to maximise investment returns while managing risk.

An increase of 5% (2020: 5%) or decrease of 5% (2020: 10%) in share prices would result in an increase or decrease, respectively, in Unit Holders' Funds of $129,696,000 (2020: $110,000,000) and $129,696,000 (2020: $219,000,000).

(iii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The Fund is exposed to interest rate risk on its investment fund.

At the reporting date, the interest profile of the interest-bearing financial instruments was:

	2021	2020
	$'000	$'000
Variable rate financial instruments	39,000	7,000
Fixed rate financial instruments	753,341	733,919
Resale agreements	45,153	1,300,000

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14. Financial instruments - Risk management (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

The following table summarises the carrying amounts of assets, liabilities and equity to arrive at the Fund's interest rate gap based on the earlier of contractual repricing and maturity dates.

	2021				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	723	-	-	61,869	62,592
Resale agreements	45,153	-	-	-	45,153
Investment securities	-	-	39,000	4,114,780	4,153,780
Margin loans receivable	153	4,319	422,968	-	427,440
Accounts receivable	-	-	-	157,448	157,448
Due from related parties	-	-	-	564,631	564,631
Total financial assets	46,029	4,319	461,968	4,898,728	5,411,044
Due to related parties	-	-	-	33,628	33,628
Secured loan payable	-	2,126,385	-	-	2,126,385
Accounts payable	-	-	-	73,325	73,325
Total financial liabilities	-	2,126,385	-	106,953	2,233,338
Total interest sensitivity gap*	46,029	(2,122,066)	461,968	4,781,775	3,177,706
Cumulative gap	46,029	(2,076,309)	(1,614,069)	3,177,706	-

	2020				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	959	-	-	59,682	60,641
Resale agreements	1,300,000	-	-	-	1,300,000
Investment securities	-	-	1,043,045	2,241,400	3,284,445
Margin loans receivable	215	6,072	593,321	-	599,608
Accounts receivable	-	-	-	72,312	72,312
Due from related parties	-	-	-	43,541	43,541
Total financial assets	1,301,174	6,072	1,636,366	2,416,935	5,360,547
Due to related parties	602,877	-	-	84,641	687,518
Secured loan payable	-	2,023,342	-	-	2,023,342
Accounts payable	-	-	-	83,596	83,596
Total financial liabilities	602,877	2,023,342	-	168,237	2,794,456
Total interest sensitivity gap*	698,297	(2,017,270)	1,636,366	2,248,698	2,566,091
Cumulative gap	698,297	(1,318,973)	317,393	2,566,091	-

14. Financial instruments - Risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for financial instruments

An increase or decrease of basis points in interest rates at the reporting date would have an (adverse)/positive impact as follows:

	2021		2020	
	300bps Increase $'000	50bps Decrease $'000	100bps Increase $'000	100bps Decrease $'000
Effect on profit	(46,526)	8,207	(19,131)	19,878

Cash flow sensitivity of variable rate financial instruments

An increase or decrease of basis points in interest rates at the reporting date would have an (adverse)/positive impact as follows:

	2021		2020	
	300bps Increase $'000	50bps Decrease $'000	100bps Increase $'000	100bps Decrease $'000
Effect on profit	1,170	(195)	70	(70)

This analysis assumes that all other variables remain constant.

There has been no change to the Fund's approach to managing interest rate risk during the year.

(e) Management of Unit Holders' Funds

The Fund Manager's objectives when managing the Fund are to safeguard the Fund's ability to continue as a going concern in order to provide optimum returns on funds under management. The Board of Directors and responsible senior management of the Fund Manager monitor the return on the funds under management.

The objective is to maintain a strong fund base so as to sustain future growth. The Fund is not exposed to any externally imposed capital requirements.

15. Fair value of financial instruments

Financial instruments that are measured at fair value are grouped into levels based on the degree to which the fair value inputs are observable or unobservable as follows:

Level 1 – includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

15. Fair value of financial instruments (continued)

Level 2 – includes inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – includes inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the valuation technique in measuring fair value in the Level 2 hierarchy for financial assets measured at fair value
.

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Unit trust	• Obtain prices provided by Unit Trust manager.	Not applicable	Not applicable
Corporate bonds	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids). • Using this yield, determine price using accepted formula. Apply price to estimate fair value.	Not applicable	Not applicable

Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. This table excludes financial instruments not carried at fair value but for which carrying value approximates fair value.

		2021					
		Carrying amount			**Fair value***		
	Note	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Total
		$'000	$'000	$'000	$'000	$'000	'000
Financial assets:							
Quoted equities	5	2,593,914	-	2,593,914	2,593,914	-	2,593,914
Deferred shares	5	-	300,000	300,000	-	300,000	300,000
Margin loans receivable	7	-	427,440	427,440	-	427,440	427,440
Accounts receivable	8	-	157,448	157,448	-	157,448	157,448
Due from related parties	9	-	564,631	564,631	-	564,631	564,631
		2,593,914	1,449,519	4,043,433	2,593,914	1,449,519	4,043,433

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: PROPERTY FUND

Notes to the Financial Statements (Continued)
Year ended December 31, 2021
(Expressed in Jamaica dollars unless otherwise indicated)

15. Fair value of financial instruments (continued)

		2021					
		Carrying amount			Fair value*		
	Note	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total '000
Financial liabilities:							
Due to related parties	9		33,628	33,628		33,628	33,628
Secured loan payable	10		2,126,385	2,126,385		2,126,385	2,126,385
Accounts payable	11		73,385	73,385		73,385	73,385
			2,233,338	2,233,338		2,233,338	2,233,338

		2020					
		Carrying amount			Fair value*		
	Note	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total '000
Financial assets:							
Quoted equities	5	2,193,524	-	2,193,524	2,193,524	-	2,193,524
Deferred shares	5	-	300,000	300,000	-	300,000	300,000
Margin loans receivable	7	-	599,608	599,608	-	599,608	599,608
Accounts receivable	8	-	72,312	72,312	-	72,312	72,312
Due from related parties	9	-	43,541	43,541	-	43,541	43,541
		2,193,524	1,015,461	3,208,985	2,193,524	1,015,461	3,208,985
Financial liabilities:							
Due to related parties	9	-	687,518	687,518	-	687,518	687,518
Secured loan payable	10	-	2,023,342	2,023,342	-	2,023,342	2,023,342
Accounts payable	11	-	83,596	83,596	-	83,596	83,596
		-	2,794,456	2,794,456	-	2,794,456	2,794,456

Financial assets and liabilities for which fair values are not disclosed are short-term in nature and fair value approximates to carrying amounts. These are included in Level 2 fair value hierarchy.

16. Value per unit

The value per unit is computed by dividing the value of the Unit Holders' Funds by the number of units in issue as at December 31.

17. Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) Has control or joint control over the reporting entity;

(ii) Has significant influence over the reporting entity; or

(iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

17. Related parties (continued)

(b) An entity is related to a reporting entity if any of the following conditions apply:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) The entity is controlled, or jointly controlled by a person identified in (a); or;

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group of which it is a part, provides key management services to the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Fund's key related party relationships are with:

- Victoria Mutual Wealth Management Limited (Fund Manager) and its ultimate parent, The Victoria Mutual Building Society; and
- Other Funds under the Victoria Mutual Wealth Management Unit Trust.

17. Related parties (continued)

(c) The statement of financial position includes related party balances, arising in the ordinary course of business as follows:

		2021 $'000	2020 $'000
(i)	Victoria Mutual Wealth Management Limited:		
	Accounts receivable	299,494	-
	Accounts payable	(33,628)	(84,641)
	Resale agreements	45,153	1,300,000
(ii)	Victoria Mutual Investments Limited:		
	Accounts receivable	222,956	3,269
	Accounts payable	-	(602,877)
(iii)	Victoria Mutual Wealth Management Limited Unit Trust: Equity Fund		
	Accounts receivable	30,050	30,196
(iv)	Victoria Mutual Wealth Management Limited Unit Trust: Goal Maximiser Fund		
	Accounts receivable	-	50
(v)	Victoria Mutual (Property Services) Limited:		
	Accounts receivable	12,131	10,026
(vi)	The Victoria Mutual Building Society:		
	Cash and cash equivalents	723	959
	Deferred shares	300,000	300,000

Resale agreements, cash and cash equivalents, accounts receivable and deferred shares are deemed to have low credit risk. Resale agreements are due on the contractual agreement date at the agreed interest and is secured.

Accounts receivable and payable have arisen only in the normal course of business.

(d) The statement of comprehensive income the following expense incurred in transactions with related parties in the ordinary course of business:

	2021 $'000	2020 $'000
Victoria Mutual Wealth Management Limited:		
Registrar fees	16,909	15,550
Management fees	102,063	94,349

17. Related parties (continued)

(e) The following related parties are Unit Holders as at December 31 with balances as shown:

	2021	2020
	$'000	$'000
Victoria Mutual Wealth Management Limited	7,288,003	1,985
The Victoria Mutual Building Society	1,236,742	1,141,825

18. Capital commitment

As at December 31, 2021, the Fund had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property under development of $Nil (2020: $16,288,000). $64,502,000 was deposited on investment property under development as at the reporting date. There are no contractual commitments in respect of completed investment property.

19. Impact of COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. In response to the pandemic, Management has adopted several measures specifically around financial risk management.

These measures include:

(i) Creation of a cross-functional COVID-19 Response Team that focuses on mitigating Occupational Health and Safety, Marketing and Sales, Supply Chain Monitoring and Communications risks, as well as reducing the financial impact of the coronavirus on operations. The COVID-19 Response Team meets weekly to discuss strategies and plans for managing the liquidity and the capital needs of the Fund during the pandemic.

(ii) Conduct of on-going monitoring of assets which includes sensitivity analyses to determine:

- The impact of a downward adjustment in asset values on regulatory ratios; and
- The impact of a downward adjustment in asset values on the projected profitability.