

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST:

MONEY MARKET FUND

FINANCIAL STATEMENTS

MAY 31, 2024



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Victoria Mutual Wealth Management Unit Trust: Money Market Fund ("the Fund"), set out on pages 4 to 32, which comprise the statement of financial position as at May 31, 2024, the statements of comprehensive income, changes in unit holders' funds and cash flows for the period then ended, and notes, comprising material 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 May 31, 2024, and of its financial performance and cash flows for the period then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Unit Holders of
VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET 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 Accounting Standards 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Unit Holders of
VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET 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):

- 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.
- 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.

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG' in a cursive, stylized font.

Chartered Accountants
Kingston, Jamaica

November 22, 2024

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Statement of Financial Position

As at May 31, 2024

(with comparative figures as at December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2024</u> \$'000	<u>2022</u> \$'000
ASSETS			
Cash and cash equivalents		3,958	6,578
Resale agreements	4	13,000	-
Investment securities	5	111,832	134,920
Margin loans receivable	6	1,961	13,058
Interest receivable		4,673	1,047
Accounts receivable	7	1,789	1,046
Due from related parties	8	<u>5,307</u>	<u>4,540</u>
Total assets		<u>142,520</u>	<u>161,189</u>
LIABILITIES			
Accounts payable	9	<u>3,784</u>	<u>1,515</u>
Total liabilities		<u>3,784</u>	<u>1,515</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>138,736</u>	<u>159,674</u>
Represented by:			
UNIT HOLDERS' FUNDS	10	<u>138,736</u>	<u>159,674</u>
Number of units in issue			
at May/December 31 (rounded in thousands)	10	<u>146,277</u>	<u>173,302</u>
Value per unit (\$)	13	<u>0.9484</u>	<u>0.9214</u>

The financial statements on pages 4 to 32 were approved for issue on November 20, 2024 by the Board of Directors of VM 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: MONEY MARKET FUND

Statement of Comprehensive Income

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2024</u> \$'000	<u>2022</u> \$'000
Income:			
Interest income from investment securities		222	823
Interest income calculated using the effective interest method		17,185	10,267
Realised loss on sale of investment securities		150	(373)
Other income		<u>327</u>	<u>-</u>
		17,884	10,717
Net change in fair value of investment securities		<u>(973)</u>	<u>(17,323)</u>
		<u>16,911</u>	<u>(6,606)</u>
Administration expenses:			
Auditors' remuneration		2,220	4,126
Irrecoverable General Consumption Tax		1,269	1,191
Management fees	14(d)	3,383	1,905
Trustee fees		2,255	1,249
Registrar fees	14(d)	577	476
Other expenses		<u>-</u>	<u>2,979</u>
		<u>9,704</u>	<u>11,926</u>
Increase/(decrease) in net assets attributable to Unit Holders		<u>7,207</u>	<u>(18,532)</u>

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

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Statement of Changes in Unit Holders' Funds

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2024</u> \$'000	<u>2022</u> \$'000
Unit Holders' Funds at the beginning of the period/year		159,674	202,661
Increase/(Decrease) in net assets attributable to Unit Holders		<u>7,207</u>	<u>(18,532)</u>
Contributions and redemptions by holders of redeemable units:			
Issue of redeemable units during the period/year	10	7,877	190,976
Redemption of units during the period/year	10	<u>(36,022)</u>	<u>(215,431)</u>
		<u>(28,145)</u>	<u>(24,455)</u>
Unit Holders' Funds at the end of the period/year		<u>138,736</u>	<u>159,674</u>

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

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Statement of Cash Flows

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2024</u> \$'000	<u>2022</u> \$'000
Cash flows from operating activities			
Increase/(Decrease) in net assets attributable to Unit Holders		7,207	(18,532)
Adjustments for:			
Realised loss on sale of investment securities		(150)	373
Change in fair value of investment securities		973	17,323
Interest income		<u>(17,407)</u>	<u>(11,090)</u>
		(9,377)	(11,926)
Changes in operating assets and liabilities			
Due from related parties		(767)	6,394
Accounts payable		2,269	(660)
Resale agreements		(13,000)	68,300
Investment securities		22,265	(48,877)
Accounts receivable		(743)	(106)
Margin loans receivable		<u>12,063</u>	<u>2,199</u>
Cash provided in operating activities		12,710	15,324
Interest received		<u>12,815</u>	<u>12,546</u>
Net cash provided by operating activities		<u>25,525</u>	<u>27,870</u>
Cash flows from financing activities			
Proceeds from issue of units	10	7,877	190,976
Payments for units encashed	10	<u>(36,022)</u>	<u>(215,431)</u>
Net cash used by financing activities		<u>(28,145)</u>	<u>(24,455)</u>
Net cash (decrease)/increase in cash and cash equivalents		(2,620)	3,415
Cash and cash equivalents at the beginning of the period/year		<u>6,578</u>	<u>3,163</u>
Cash and cash equivalents at the end of the period/year		<u>3,958</u>	<u>6,578</u>

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

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

1. The Fund

Money Market 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 VM Wealth Management Limited, formally 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 VM Investments Limited, formally 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 intermediate parent company and its parent company are VM Financial Group Limited and VM Group Limited, formally Victoria Mutual Building Society, respectfully.

The Fund’s objective is to invest in short term liquid securities towards minimising the risk of capital loss. The Fund is promoted as VM Wealth Classic Protector 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.

During the period, the Fund changed its year end from December 31 to May 31. Consequently, these financial statements are the seventeen month period for January 1, 2023 to May 31, 2024. The reason for change in accounting year was because of competing resources amongst the Business Units that had the same year end of December 31st.

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 period

Effective January 1, 2023, the Fund adopted the amendments to IAS 1, which resulted in the Fund disclosing material accounting policies, rather than significant accounting policies, based on the following definition from the amended standard.

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements”.

Other pronouncements under IFRS Accounting Standards did not result in any changes to amounts or disclosures in the financial statements.

Details of the Fund’s material accounting policies are included in note 3.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

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

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:

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2024. 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.

- Amendments to IAS 21 *Lack of Exchangeability* for periods beginning on or after January 1, 2025. The amendments provide clarification for situations where market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets. The amendments contain no specific requirements for estimating a spot rate.

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

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

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)

- IFRS 18, Presentation and Disclosure in Financial Statements, (effective 1 January 2027)

IFRS 18, Presentation and Disclosure in Financial Statements, shall be applied retrospectively and is effective for annual periods beginning on or after January 1, 2027. This Standard sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The Fund is still to consider the impact of this standard.

(b) Basis of preparation and functional currency:

The financial statements have been prepared on the historical cost basis, except for financial assets 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.

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 period are in respect of the fair value of investments, as discussed in note 3(n)(iv).

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

Estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year and judgements that have a significant effect on the amounts recognised in the financial statements, are in respect of the following:

Fair value of financial instruments

There are no quoted market prices for a significant portion of the fund's financial assets. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed financial institutions in Jamaica. There is significant uncertainty inherent in this approach and the fair values determined in this way are classified as Level 2 fair values. Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the price of the instrument in an actual arm's length transaction (see notes 5 and 12).

(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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of 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. Material 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. 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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

3. Material accounting policies (continued)

(b) Investment securities:

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

(c) Margin loan and accounts receivable:

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

(d) 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 14) 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.

(e) Cash and cash equivalents:

Cash comprises cash on hand. Cash and cash equivalents are measured at amortised cost.

(f) Accounts payable:

Accounts payable are measured at amortised cost.

(g) 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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

3. Material accounting policies (continued)

(g) Revenue recognition (continued):

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.

(h) 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.

(i) 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.

(j) 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.

(k) Management fee expenses:

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

(l) 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 statement of comprehensive income on the accrual basis.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

3. Material accounting policies (continued)

(m) Expenses:

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

(n) 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, investment securities, resale agreements, due from related parties, interest receivables and accounts and margin loan receivable. Similarly, financial liabilities include 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, margin loan receivable and balance due from related parties 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 statement 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 the statement of comprehensive income when an asset is newly originated.

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 recognized 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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

3. Material accounting policies (continued)

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

(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(n)(v)]. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- *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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

3. Material accounting policies (continued)

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

(iii) Classification and subsequent remeasurement (continued):

(a) *Debt instruments (continued):*

Business model: 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.

Solely payments of principal and interest (SPPI): 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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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(Expressed in Jamaica dollars unless otherwise indicated)

3. Material accounting policies (continued)

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

(iii) Classification and subsequent remeasurement (continued)

(a) *Debt instruments (continued)*

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.

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 period.

(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.

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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

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3. Material accounting policies (continued)

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

(iv) Fair value measurement (continued):

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 statement of comprehensive income on an appropriate basis over the life of the instrument.

All changes in fair value are recognised in the statement 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.

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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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3. Material accounting policies (continued)

(n) Financial instruments – Classification, recognition, derecognition and measurement (continued):

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

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 Fund if the commitment is drawn and the cash flows that the company 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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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3. Material accounting policies (continued)

(n) 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.

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.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

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3. Material accounting policies (continued)

(n) Financial instruments – Classification, recognition, derecognition and measurement (continued):

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

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Fund determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in ‘impairment losses on financial instruments’ in the statement of comprehensive income

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company’s procedures for recovery of amounts due.

(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.

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 \$14,950,000 (2022: Nil.)

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

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5. Investment securities

	<u>2024</u> \$'000	<u>2022</u> \$'000
At fair value through profit or loss:		
Equity securities	10,000	-
Corporate bonds	96,832	97,920
Government of Jamaica bonds	<u>5,000</u>	<u>37,000</u>
	<u>111,832</u>	<u>134,920</u>

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

	<u>2024</u> \$'000	<u>2022</u> \$'000
From 1 to 5 years	101,832	134,920
Thereafter/no maturity	<u>10,000</u>	<u>-</u>
	<u>111,832</u>	<u>134,920</u>

The following shows movement in fair value of securities:

	<u>2024</u> \$'000	<u>2022</u> \$'000
Balance as at January	134,920	103,739
Purchase of investments	21,114	44,315
Proceeds from maturities/sale of investments	(43,229)	(13,645)
Net fair value movement during the period/year	<u>(973)</u>	<u>511</u>
Balance as at May 31/December 31	<u>111,832</u>	<u>134,920</u>

6. Margin loans receivable

	<u>2024</u> \$'000	<u>2022</u> \$'000
Margin loans	<u>1,961</u>	<u>13,058</u>

Margin loans receivable, mature date, as follows:-

	<u>2024</u> \$'000	<u>2022</u> \$'000
Within three (3) months	238	1,034
From 3 months to 1 year	22	878
From 1 year to 5 years	<u>1,701</u>	<u>11,146</u>
	<u>1,961</u>	<u>13,058</u>

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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6. Margin loans receivable (continued)

Effective December 31, 2022, the Fund entered into a participation agreement with a related entity to buy a portion of its margin loan portfolio (see note 8).

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 but no later than the expiry date of the facility. Impairment allowances were considered immaterial.

7. Accounts receivable

	<u>2024</u> \$'000	<u>2022</u> \$'000
Withholding tax recoverable	<u>1,789</u>	<u>1,046</u>

8. Due from related parties

	<u>2024</u> \$'000	<u>2022</u> \$'000
Due from VM Wealth Management (VMWM) (i)	4,473	3,706
Due from VM Mutual Investments Limited (VMIL) (ii)	<u>834</u>	<u>834</u>
	<u>5,307</u>	<u>4,540</u>

(i) 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.

(ii) This represents payments collected on behalf of the fund for its portion of the margin loan portfolio acquired (see note 6).

9. Accounts payable

	<u>2024</u> \$'000	<u>2022</u> \$'000
Audit fees	2,476	368
Trustee fees	242	368
Other payable	<u>1,066</u>	<u>779</u>
	<u>3,784</u>	<u>1,515</u>

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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10. 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 short term.

	<u>2024</u>	<u>2022</u>
	\$'000	\$'000
Balance at the beginning of the period/year	159,674	202,661
Increase in net assets attributable to Unit Holders	7,207	(18,532)
Proceeds from issue of new units	<u>7,877</u>	<u>190,976</u>
	174,758	375,105
Units encashed and repaid during the period/year	<u>(36,022)</u>	<u>(215,431)</u>
Balance at the end of the period/year	<u>138,736</u>	<u>159,674</u>
	<u>Number of units</u>	
	<u>2024</u>	<u>2022</u>
	'000	'000
Redeemable units:		
Balance at the beginning of the period/year	173,302	195,765
Issued during the period/year	7,369	180,810
Redeemed during the period/year	<u>(34,394)</u>	<u>(203,273)</u>
Balance at the end of the period/year	<u>146,277</u>	<u>173,302</u>

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.

11. Financial instruments - Risk management

(a) Introduction and overview

In this note "Group" refers to The Victoria Mutual Building Society (Ultimate parent society) and its subsidiaries.

The Fund's activities are principally related to the use of financial instruments. The Fund therefore 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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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11. Financial instruments - Risk management (continued)

(a) Introduction and overview (continued)

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, 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:

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer 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 and resale agreements.

(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 Manager 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 substantially in short term debt securities. Such securities are generally unsecured. However, the Fund Manager does not expect any counterparty to fail to meet its obligations. Corporate bonds are held with reputable companies as the Fund Manager regards these companies as strong.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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11. Financial instruments - Risk management (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

The Fund Manager manages the credit risk on financial assets as follows (continued):

- Accounts receivable

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

- Margin loans receivable

Exposure to credit risk is managed by daily monitoring of the collateral package and executing margin calls or asset sales to address any shortfall. Additionally, tradeable securities utilised as collateral are scrutinize and removing those negatively impacted by the pandemic are recovered.

Maximum exposure to credit risk

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

	<u>2024</u>	<u>2022</u>
	\$'000	\$'000
Cash and cash equivalents	3,958	6,578
Resale agreements	13,000	-
Investment securities	111,832	134,920
Margin loan receivable	1,961	13,058
Interest receivable	4,673	1,047
Accounts receivable	1,789	1,046
Due from related parties	<u>5,307</u>	<u>4,540</u>
	<u>142,520</u>	<u>161,189</u>

(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.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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11. Financial instruments - Risk management (continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

There has been no change in the types of exposures to credit risk to which the Fund is subject or its approach to measuring and managing this risk during the period/year.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities. 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.

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

There has been no change to the Fund's approach to manage liquidity during the period/year.

	<u>2024</u>		
	<u>Within</u> <u>3 months</u> \$'000	<u>Contractual</u> <u>cash flows</u> \$'000	<u>Carrying</u> <u>amount</u> \$'000
Accounts payable	<u>3,784</u>	<u>3,784</u>	<u>3,784</u>
	<u>2022</u>		
	<u>Within</u> <u>3 months</u> \$'000	<u>Contractual</u> <u>cash flows</u> \$'000	<u>Carrying</u> <u>amount</u> \$'000
Accounts payable	<u>1,515</u>	<u>1,515</u>	<u>1,515</u>

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

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11. Financial instruments - Risk management (continued)

(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.

These arise mainly from changes in interest rates, foreign currency rates and equity prices 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.

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 instrument was:

	<u>2024</u>	<u>2022</u>
	\$'000	\$'000
Variable rate financial instruments	5,000	47,000
Fixed rate financial instruments	96,549	104,920
Resale agreements	<u>13,000</u>	<u>-</u>

Fair value sensitivity analysis for financial instruments

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

	<u>2024</u>		<u>2022</u>	
	25bps	25bps	100bps	50bps
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	\$'000	\$'000	\$'000	\$'000
Effect on net assets attributable				
To Unit Holders	<u>(258)</u>	<u>260</u>	<u>(1,049)</u>	<u>525</u>

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

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

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11. Financial instruments - Risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

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:

	2024		2022	
	25bps <u>Increase</u> \$'000	25bps <u>Decrease</u> \$'000	300bps <u>Increase</u> \$'000	50bps <u>Decrease</u> \$'000
Effect on net assets attributable to Unit Holders	<u>45</u>	<u>(45)</u>	<u>470</u>	<u>(235)</u>

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 period/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.

12. 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.

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).

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Notes to the Financial Statements (Continued)

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12. Fair value of financial instruments (continued)

Valuation techniques and significant unobservable inputs:

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<ul style="list-style-type: none"> Corporate bonds and Government of Jamaica securities 	<ul style="list-style-type: none"> 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

At the reporting date, fair value of investment securities was determined at level 2 in the fair value hierarchy.

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.

13. 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 the reporting date.

14. 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:
- Has control or joint control over the reporting entity;
 - Has significant influence over the reporting entity; or

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

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14. Related parties (continued)

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”) (continued).

- (a) A person or a close member of that person’s family is related to a reporting entity if that person (continued):
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (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 related party relationships are with key management personnel:

- VM Wealth Management Limited (Fund Manager) and its parent company, VM Group Limited which have common directors; and
- Other funds under the Victoria Mutual Wealth Management Unit Trust.

VICTORIA MUTUAL WEALTH MANAGEMENT UNIT TRUST: MONEY MARKET FUND

Notes to the Financial Statements (Continued)

Seventeen months period ended May 31, 2024

(with comparative figures for the year ended December 31, 2022)

(Expressed in Jamaica dollars unless otherwise indicated)

14. Related parties (continued)

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

	<u>2024</u>	<u>2022</u>
	\$'000	\$'000
(i) VM Wealth Management Limited:		
Accounts receivable	4,473	3,706
Resale agreements	<u>13,000</u>	<u>-</u>
(ii) VM Investments Limited:		
Accounts receivable	<u>834</u>	<u>834</u>

Resale agreements are secured and deemed to have low credit risk. They are due on the contractual agreement date at the agreed interest.

Accounts payable has arisen in the normal course of business.

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

	<u>2024</u>	<u>2022</u>
	\$'000	\$'000
VM Wealth Management Limited:		
Registrar fees	577	476
Management fees	<u>3,383</u>	<u>1,905</u>