ANNUAL REPORT 2013

The VICTORIA MUTUAL
Building Society

The VICTORIA MUTUAL Building Society

MISSION STATEMENT

To be the leading provider of financial services

VISION STATEMENT

We are a Mutual organisation whose mission is to maximise value for our Members and other key stakeholders by providing exceptional financial services locally, regionally and internationally to Caribbean nationals through enabling technology and a highly trained and motivated team to ensure superior Member and customer satisfaction.

CORE VALUES

- Flexibility
- Integrity
- Teamwork
- Innovation
- Respect
- Excellence
- Enthusiasm

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The Victoria Mutual Building Society

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The VICTORIA MUTUAL Building Society

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **One Hundred and Thirty-Fifth Annual General Meeting of The Victoria Mutual Building Society** will be held in the Grand Caribbean Suite, The Knutsford Court Hotel, 11 Ruthven Road, Kingston 10, Jamaica on Thursday, July 31, 2014 at 3.00 p.m. for the following purposes:-

1. To receive the Audited Group Accounts for the year ended 31 December 2013 and the Reports of the Directors and Auditors.

To consider and if thought fit, pass the following Resolution:

Resolution No. 1

"THAT the Audited Group Accounts for the year ended 31 December 2013 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. To elect Directors.

(1) The Directors retiring from office by rotation pursuant to Rule Number 61(1) of the Society's Rules are Dr. Judith Robinson and Mr. Paul Pennicook and being eligible, offer themselves for re-election.

Resolution No. 2 (a)

"THAT Dr. Judith Robinson be and is hereby re-elected a Director of the Society"

Resolution No. 2 (b)

"THAT Mr. Paul Pennicook be and is hereby re-elected a Director of the Society"

3. To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.

To consider and if thought fit, pass the following Resolution:

Resolution No. 3

"THAT Mr. Nigel Chambers and Mr. Linroy Marshall, Chartered Accountants of KPMG, being eligible for re-appointment as Auditors and offering themselves for re-appointment, be and are hereby appointed Auditors of the Society pursuant to Rule 71 of the Society's Rules to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Society".

4. To transact any other business permissible by the Society's rules at an Annual General Meeting

By Order of the Board

Keri-Gaye Brown
Secretary
Dated: 2nd day of July 2014

In accordance with and subject to the provision of Rule 89, a member of the Society is entitled to appoint a proxy to attend and vote at this meeting in his/her stead. The Proxy form shall be provided by the Secretary on request. The completed Proxy form shall be signed by the member and delivered to the Secretary at the Chief Office of the Society not less than ten (10) days before the time appointed for holding of the meeting.

DIRECTORS' REPORT

The Directors take pleasure in presenting the One Hundred and Thirty-Fifth Annual Report and Statements of Revenue and Expenditure of the Group and the Society, for the year ended 31 December 2013, together with the Statements of Financial Position of the Group and the Society, as at that date.

SURPLUS

The Group Revenue and Expenditure Account shows Gross Revenue of $6.616 billion (2012: $6.161 billion) and Net Surplus of $965.826 million (2012: $1,008.448 million). (Restated)

DIRECTORS

The Directors who served the Society since the last Annual General Meeting are:

Mr. Michael McMorris, Chairman	Mr. Richard K. Powell
Dr. Judith Robinson, Deputy Chairman	Mr. Richard M. Powell
Rear Admiral Peter Brady	Mr. Maurice Robinson (Retired 1st January, 2014)
Mr. Noel daCosta	Mrs. Jeanne Robinson-Foster
Mr. Fernando DePeralto	Miss Sandra Shirley
Mr. George Dougall	Mr. Matthew Wright
Mr. Paul Pennicook	Mr. Brian Goldson

ROTATION

In accordance with Rule 61(1) of the Society's Rules, at the next Annual General Meeting, Dr. Judith Robinson and Mr. Paul Pennicook will retire by rotation and being eligible, will offer themselves for re-election.

RETIREMENT

Mr. Maurice Robinson resigned from the Board effective 01 January 2014. The Board wishes to record its sincere gratitude and appreciation to him for his valuable contribution to the Society.

AUDITORS

Messrs. Nigel Chambers and Linroy Marshall, Auditors of the Society, retire and, in accordance with Rule 71, being eligible, offer themselves for re-appointment.

The Directors wish to record their thanks to the management and staff for their continued commitment to the Society and for their hard work during the year under review.

By Order of the Board
2nd July, 2014

Keri-Gaye Brown
Secretary

8-10 Duke Street, Kingston
Jamaica, West Indies

BOARD OF DIRECTORS

01 Michael A. McMorris
B.A.,
Chairman

Mr. Michael McMorris is the Chairman of the Board of Directors at Victoria Mutual Building Society and has been a member of the Board for over seven years. He is also the Principal of the business management firm KRONOS Limited that specializes in new venture development and includes among its areas of expertise investment project facilitation, debt and equity fund raising and corporate management outsourcing. Prior to KRONON, Mr. McMorris has had a successful career in both the Private and Public sectors and was previously an Executive Director of Jamaica Promotions Corporation (JAMPRO) and has held the position of Managing Director with Trafalgar Commercial Bank (now First Global) and Knutsford Capital Merchant Bank, of which he is also a founder. He has been President of the Merchant Bankers Association, Chairman of the Finance Committee of the Airports Authority of Jamaica and a member of the Board of the National Export-Import Bank. Mr. McMorris also currently serves as Chairman of the Victoria Mutual Wealth Management Limited, and Deputy Chairman of the Victoria Mutual Group's affiliate company, British Caribbean Insurance Company (BCIC).

02 Judith Robinson
Ph.D., F.C.C.A., F.C.A.,
Deputy Chairman

Dr. Judith Robinson is a Chartered Accountant and Management Consultant, who has extensive experience in the areas of organizational development, financial planning and control, strategic planning and performance monitoring and evaluation. A former partner in the management consulting practice of Price Waterhouse Jamaica, Dr. Robinson has held senior management and accounting positions at the Jamaica Telephone Company Limited, the National Water Commission and NCR (Jamaica) Commission Limited, and NCR (Jamaica) Limited. She currently serves as a Chairman of NEPA's Advisory Board, Director of the Caribbean Cement Company Limited, IGL Limited, National Water Commission and Finsac Limited, and is a member of the Public Sector Committee of the Institute of Chartered Accountants of Jamaica, NCR (Jamaica) Limited.

03 Richard K. Powell
M.B.A., M. Sc., B. Sc. (Hons.),
President & CEO

Mr. Richard Powell, President and Chief Executive Officer, joined The Victoria Mutual Building Society in July 2005. He is the first leader of the Society to have been appointed from outside of the organization. Mr. Powell is a highly qualified and respected executive, whose professional experience includes appointments as President and CEO of Life of Jamaica Limited and Blue Cross of Jamaica, as well as a senior management position at the Lascelles DeMercado Group of Companies.

He has also had a successful engineering career in the public sector and has a reputation for executing his responsibilities with unquestioned integrity, dedication and professionalism. Mr. Powell has initiated a drive to transform the Society and its subsidiaries into an integrated financial services provider. During his nine-year tenure, Mr. Powell has successfully led the drive that has resulted in the broadening of the Vision and Mission of the organization for financial and operational efficiency, and has repositioned the Group as a dynamic and customer-driven organization. Mr. Powell serves on the boards of several public and private sector corporations, as well as non-governmental organisations, including the PSOJ Council; Chair, National Works Agency Advisory Committee; member of the South East Regional Health Authority; the Natural Resources Conversation Authority (NRCA); the Environmental Foundation of Jamaica (EFJ) and Chair of the Preparatory Committee of the 5th Biennial Diaspora Conference in June 2013 under the theme 'A Nation on a Mission: Jamaica - Diaspora Partnership for National Development.'

In recognition of his extraordinary management achievements, public service and community activism the Jamaica Institute of Management presented him with the 2013 Manager of the Year Award.

04 Jeanne P. Robinson-Foster
(Hons.), LL.B (Hons.), C.L.E.

Mrs. Jeanne Robinson-Foster, Attorney-at-Law and Notary Public, possesses over 20 years of experience in the Legal profession and was founding Partner of Watt, King & Robinson. In October 2011, she was conferred with the Order of Distinction (O.D.) in the Commander Class. A Past Director of the Montego Bay Chamber of Commerce, Mrs. Robinson-Foster is the Immediate Past President of the Cornwall Bar Association, a Past National President of the Soroptimists Club of Jamaica and has also held the post of Director of the Montego Co-Operative Credit Union, Montego Bay High School, Barracks Road Primary and the Cornwall Regional Hospital. Mrs. Robinson-Foster is presently Chairman of the Board of the Mutual Building Societies Foundation and Sam Sharpe Teachers College, represents the Building Societies Association on the Governor General's Achievement Awards Cornwall County Committee and is a Trustee and Chairman of the Good Shepherd Foundation. She is actively involved in the Calvary Baptist Church and many other organizations.

05 Mr. Noel daCosta
MA.Sc. M.B.A., B. Sc., ACII

Mr. Noel daCosta was appointed to the Board of Directors in January 2006. He is currently a consultant with Diageo where he previously held the position of Corporate Relations Director for Central America and the Caribbean. He has also held senior management positions at Desnoes & Geddes Ltd., including Brewmaster and Technical Director. This Commonwealth Scholar and Fellow of the Institute of Chemical Engineers in the UK and the Jamaica Institute of Engineers, is qualified in Engineering, Management and Insurance. Mr. daCosta has served and continues to serve on many other boards, including Petroleum Corporation of Jamaica, Desnoes and Geddes Limited, The Jamaica Chamber of Commerce, United Way of Jamaica, Caribbean Association of Industry and Commerce, and the Caribbean Breweries Association. He currently heads the committee that is crafting the National Building Code for Jamaica.

(Board of Directors Cont'd)


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06 Paul Pennicook
B. Sc.

Mr. Paul Pennicook, an experienced hotelier, has held several executive management positions in the hotel and tourism industry including management positions at the Holiday Inn, Montego Bay before going on to work as General Manager at Couples, Ocho Rios, and Senior Vice President of Sales and Marketing for SuperClubs. Mr. Pennicook joined Unique Vacations, the Marketing arm of the Sandals Resorts chain, in 1995 as Executive Vice President. He was appointed to the position of President and Chief Executive Officer of Couples Resorts in 1997, served as First Vice President of The Jamaica Hotel and Tourist Association (JHTA) as well as Chairman of that organization's Marketing Committee. He was named Hotelier of the Year in 2001 by the JHTA. Mr. Pennicook previously held the position of Director of Tourism for Jamaica and has also served as Senior Vice-President at Air Jamaica. He now serves as President of International Lifestyles Inc, the Worldwide Representative for SuperClubs Resorts. He is a wine connoisseur who has visited Vineyards in California (USA), Australia and Europe studying blends indicative to these regions.

07 Maurice Robinson
B. A.

Mr. Maurice Robinson is an Attorney-at-Law who was admitted to practice in 1959. He was the Senior and Managing Partner of the law firm Manton & Hart when that firm merged with the law firm Myers, Fletcher & Gordon in 1977. He retired from the partnership in 1997 and has been a Consultant to the firm since then. He is the first graduate of UCWI to become an attorney-at-law and is a leading practitioner in the field of Trade Mark and Patent law in which he has specialized for more than 50 years. Mr. Robinson was the first Secretary and Legal Officer of Air Jamaica (1968) Ltd., and was Chairman of the Public Utility Commission from 1972 to 1976. He has served on the Boards of many well-known Jamaican companies and is presently the Chairman of the Board of Security Advisory and Management Services Ltd., and a member of the Board of Restaurant Associates Ltd., owners of the Burger King Franchise in Jamaica.

08 Matthew Wright
M. Phil., M.A., B.A.

Mr. Matthew Wright is the Principal of IWC Capital Management LLC, a New York based private equity firm specializing in multi-family residential and commercial real estate investments in New York City. Mr. Wright has over 13 years experience in corporate finance, credit risk management and real estate investments. He is a former Vice-President in the Infrastructure Finance Group of Citibank Global Capital Markets in New York, with responsibility for providing advisory and debt arrangement services to major infrastructure projects in North America, Latin America and the Caribbean. Mr. Wright has also served as Assistant Vice-President for Capital Markets in Market Corporate Bank of Citibank Jamaica.

09 Sandra M. Shirley
M.B.A., B. Sc. (Hons.)

Ms. Sandra Shirley has extensive experience spanning over 20 years in wealth management, trust banking, strategic planning and implementation in the United States and the Caribbean. Ms. Shirley is Business Facilitator/Consultant of Sandra Shirley & Associates and is the Former President of First Global Financial Services Limited. Ms. Shirley is a 2006 Fellow of the Jamaican Institute of Management Former Commissioner, Anti-Dumping & Subsidies Commission, a member of the Justice Reform Committee of the Private Sector Organization of Jamaica (PSOJ) and founding Finance Co-Chair of the Women's Leadership Initiative, The United Way of Jamaica. She has also served as Director and Vice-President of the Jamaica Chamber of Commerce, Deputy Chairman of the Jamaica Stock Exchange (2008) and Secretary of the Jamaica Securities Dealers Association (2006-2008).

10 Fernando DePeralto
F.C.A., M. Sc., B. Sc.

Mr. Fernando DePeralto has had a rewarding career in the field of finance. He gained a wealth of experience through his work with the International Monetary Fund (IMF), where he provided technical assistance to Central Banks in Africa and Asia for nine years. Additionally he has held the position of Director of Finance in the Bank of Zambia and Deputy Governor of the Bank of Jamaica. Mr. DePeralto has served on the board of several other companies including the Bank of Jamaica, EX-IM Bank and Petrojam, and has also held the position of Chairman of the Jamaica Stock Exchange. He currently provides services as a Financial Consultant.

(Board of Directors Cont'd)

11 Rear Admiral Peter Brady
CD, CVO, MMM, J.P.

Rear Admiral Peter Brady has 35 years of military experience, having served at the highest capacity as Chief of Staff of the Jamaica Defence Force. He was awarded a post-graduate degree in Maritime Management from Dalhousie University, Canada, and lauded with several accolades including the Commander of the Royal Victorian Order, Commander of the Order of Distinction, and the Legion of Merit (Commander, USA).

Rear Admiral Brady has also served in academia as guest lecturer in Maritime Safety Administration and Maritime Security at the World Maritime University (WMU), Dalhousie University, Canada, and was recently appointed to the Board of Governors of the World Maritime University. In 2006, he was appointed Chairman of the National Hydrographic Committee and Honorary Consul of the Principality of Monaco. He currently holds the position of Director General at the Maritime Authority of Jamaica (MAJ) and is Chairman of the UN specialised agency's International Maritime Organization's body for global 'Standards of Training and Certification' for merchant marine officers, including masters and chief engineers. He was recently elected to the membership of the Nautical Institute as an Associate Fellow (AFNI).

12 Richard M. Powell
B.A. (Hons.)

Mr. Richard M. Powell is a co-founder and Managing Partner of AP Capital Partners (APCP), a leading middle-market private equity firm. APCP's portfolio has grown to generate revenues of approximately $1 billion and employs over 6000 people around the globe. Mr. Powell's key strengths are in finance, management and e-business and he has worked on a variety of transactions. Mr. Powell was the co-founder and CEO of Fuxito Worldwide, a venture-backed technology firm serving the $300 billion global sports market. He has worked with, or consulted to, leading asset management, insurance and non-profit firms in the US and overseas. Mr. Powell currently serves on the boards of Zero Chaos, eServices and The Victoria Mutual Building Society (VMBS). He is also a board member of the Orlando chapter of the Association for Corporate Growth (ACG) and the 1420 Foundation, a non-profit that leverages education to advance sustainable global economic development. He was named one of the "40 under 40 Leaders to Watch" by the Orlando Business Journal and selected by the World Economic Forum as one of 200 Young Global Leaders (2009). He is also co-author of the forthcoming book titled, 'The Buyout Game,' and was nominated in the Jamaica Observer Business Leader Awards in 2011.

13 George Dougall
M.B.A., B. Sc.

Mr. Dougall, an esteemed entrepreneur and electrical engineer is the proprietor and Managing Director of Dougall Flooring Ltd., a woodwork manufacturing organization based in Kingston. Mr. Dougall has previously held the position of Managing Director of Jamaican Floral Exports and Wherry Wharf Limited and brings with him sound experience as an originator of business solutions and astute financial management to the Victoria Mutual Board. He is married with four children and loves a good game of squash and bridge.

14 Brian Goldson
M.B.A., B. Sc.

Mr. Brian Goldson is an experienced and innovative business leader with expertise in the areas of finance and strategic management. He was appointed to the board of the Victoria Mutual Building Society in 2013.

Mr. Goldson has more than 20 years of proven experience in starting and building new business enterprises and leading them to top positions in their respective markets in a number of countries in the Caribbean. He has an outstanding track record in establishing and/or managing a wide range of high volume retail consumer transactional financial services. These include the launch of Western Union Money Transfer Services; F/X Trader, a retail cambio/bureau de change; and Bill Express, a bill payment service, in several Caribbean territories.

A former equity trader, Mr Goldson has successfully led companies to listings on capital markets. In particular, he led Access Financial Services, a micro-finance institution, to a successful listing on the Jamaica Junior Stock Exchange in October 2009 --the first company in Jamaica to do so. Mr. Goldson served for 16 years as a member of senior management at Grace Kennedy and Company including the position of Managing Director of Grace Kennedy Remittance Services Ltd. He was a member of the main board from 1999 to 2006. His other previous board appointments include Non-Executive Chairman of Access Financial Services as well as the Postal Corporation of Jamaica.

Mr. Goldson attained a BSc in Investment Finance from the University of New Orleans, and a MBA specializing in Strategic Management and Real Estate Finance from Georgia State University.

15 Keri-Gaye Brown
LL.B,
Senior Vice-President,
Group Legal, Compliance &
Corporate Secretary

Keri-Gaye Brown joined the Victoria Mutual family in August 2010 as Senior Vice-President, Group Legal Compliance & Corporate Secretary. Miss Brown is an Attorney-at-Law, who has been practicing for over 14 years and has extensive knowledge in the areas of banking law, insurance law, securities laws, corporate secretarial and also in the development of compliance and corporate governance policies. Prior to joining Victoria Mutual, Ms. Brown was the Senior Vice-President General Counsel & Corporate Secretary for The Bank of Nova Scotia Jamaica Limited, where she served as the General Counsel and Chief Compliance Officer for the Scotia Group. She has also worked as an Associate Attorney for Livingston Alexander & Levy and Gifford Thompson & Bright Attorneys-at-Law.

CREATING VALUE FOR OUR MEMBERS AND CUSTOMERS

As we strive to create value for our Members & customers, we constantly seek to address their changing needs through the provision of additional products and services. By way of selective investments in subsidiary and affiliated companies, our product and service offerings have expanded from the traditional savings and home loans to include wealth management, money transfer, real estate and property services, general insurance, superannuation schemes and individual retirement plans.

GROUP EXECUTIVES

STANDING: LEFT - RIGHT

RICHARD K. POWELL
MBA, M.Sc., B.Sc. (Hons.),
President &
Chief Executive Officer

JANICE McKENLEY
F.C.C.A., F.C.A., MBA (Hons.),
B.Sc. (Hons.),
Senior Vice-President &
Group Chief Financial Officer

PETER REID
B. A. (Hons.)
Senior Vice-President & Chief
Operating Officer

SEATED: LEFT - RIGHT

VIVIENNE BAYLEY-HAY
B.Sc. (Hons.),
Vice-President,
Group Marketing
& Corporate Affairs

KATHYA BECKFORD
CFA, M.Sc. (Distinction),
B.Sc. (Hons)
Assistant Vice-President,
Group Strategy

LARAINE HARRISON
M.B.A., B.A. (Hons.),
Vice-President, Group Human Resources Administration

DAMION GALLIMORE
B. Sc. (Hons)
Assistant Vice-President,
Group Information Communication Technology

SHEALLY SOLOMON
FCCA, BBA.
Assistant Vice-President,
Group Finance

ALLAN LEWIS
A.S.A, Ed M., MBA, B.Sc. (Hons.)
Senior Vice-President,
Group Strategy

KERI-GAYE BROWN
LL.B. (Hons.)
Senior Vice-President,
Group Legal Compliance &
Corporate Secretary

JOAN BROWN
DIFA, F.C.C.A., M.Fin., MBA,
Assistant Vice-President,
Risk Management

VICTORIA MUTUAL BUILDING SOCIETY

LEADERSHIP TEAM

PETER REID
B. A. (Hons.)
Senior Vice-President,
& Chief Operating Officer

01 CONROY ROSE
CSC, MBA, B Sc (Hons)
Assistant Vice President,
Sales & Service – Western

02 LEIGHTON SMITH
MBA, BA (Hons)
Assistant Vice President,
Sales & Service – Eastern

03 ANDRENA McMAYO
M. Sc.
Assistant Vice-President,
Treasury

04 JOAN WALTER
Dip. Mgmt.
Vice-President,
Sales & Distribution

05 RICKARDO EBANKS
B. Sc. (Hons)
Vice President,
Centralized Services

06 KARLENE WAUGH
B. Sc., CiAPM
Assistant Vice President,
Branch Operations
Business Processes

HORACE BRYAN
CA, M. Sc., B. Sc. (Hons.)
Vice-President,
Business Development
(Absent)

VICTORIA MUTUAL WEALTH MANAGEMENT

LEADERSHIP TEAM

DEVON BARRETT
MBA, B. Sc. (Hons)
General Manager

01 **KARLENE MULLINGS**
Dip. Finance, BBA (Hons)
Manager,
Sales & Client Relations

02 **EVETTE BRYAN**
MBA, B. Sc. (Hons)
Manager,
Treasury & Trading

03 **HEKIMA REECE**
ACCA
Business Operations Manager

04 **NICOLE THOMPSON**
CFA, FRM, M. Sc.
Manager,
Research & Stockbroking

05 **DENISE MARSHALL-MILLER**
MBA, BBA (Hons)
Manager,
Bond Trading

06 **COLANDO HUTCHINSON**
FCA, CFA, B. Sc. (Hons)
Manager,
Asset Management & Corporate Advisory Services

07 **DEBBIE DUNKLEY**
CA, MBA
Head of Finance

08 **VENNESHIA SINANAN-FORDE**
ACCA, B. Sc. (Hons)
Finance & Taxation Manager

PRIME ASSET MANAGEMENT LIMITED

LEADERSHIP TEAM

REZWORTH BURCHENSON
MBA, B. A. (Hons)
Managing Director

01 **CHARMAINE JOHNSON**
FCCA
Financial Controller

02 **TAMIEKA REECE**
FCCA, M. Sc.., B. Sc. (Hons)
Risk & Compliance Manager

03 **JUDI-ANNE MARZOUCA**
BBA
Pension Administration Manager

PRIME ASSET MANAGEMENT LIMITED.
A subsidiary of VICTORIA MUTUAL

Prime Asset Management Limited was formed in 1996, as a division of Prime Life Assurance Company Limited, and eventually evolved to become a stand-alone entity. Prime Asset is the 3rd largest provider of pension fund services in Jamaica. A fully owned subsidiary of the Victoria Mutual Group, the company offers a full range of pension services.

PENSION INVESTMENT MANAGEMENT • PENSIONS ADMINISTRATION • MEMBER EDUCATION
PENSIONS CONSULTANCY • APPROVED RETIREMENT SCHEME (ARS) FOR INDIVIDUALS

VICTORIA MUTUAL PROPERTY SERVICES
LEADERSHIP TEAM

MICHAEL NEITA
MBA, B.Sc. (Hons.), B Eng (Hons)
General Manager

01 **JOAN LATTY**
B.Sc (Hons.) Dip. Mgmt. Studies
Manager,
Sales, Marketing and Administration

GHILENE AYOUB
Finance Manager
(Absent)

VICTORIA MUTUAL PROPERTY SERVICES

When you are ready to purchase your home or buy and sell property in Jamaica, Victoria Mutual Property Services (VMPS) can make the process easier for you! VMPS offers a comprehensive listing of properties islandwide, and provides property appraisals and valuations at competitive prices, with special discounts to VMBS mortgagors.

REAL ESTATE SALES • PROPERTY MANAGEMENT • VALUATIONS

VMBS MONEY TRANSFER SERVICES

LEADERSHIP TEAM

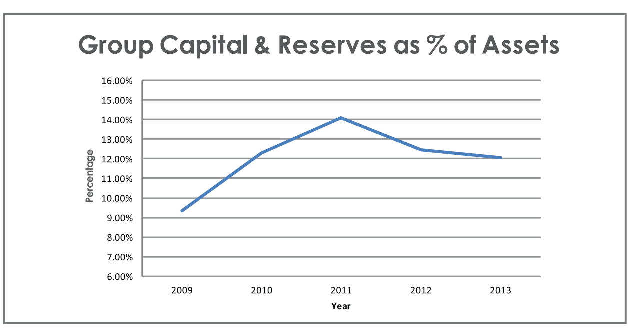
MICHAEL HOWARD
MBA, B. A. (Hons)
General Manager

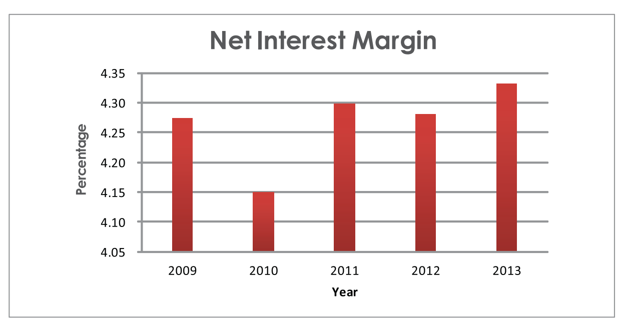
01 **SHELLY ANN DOUGLAS**
Accounting Officer

02 **KAYON MORRISON**
B.Sc.
Operations Supervisor

FINANCIAL HIGHLIGHTS

GROUP	2009	2010	2011	2012	2013
Balance Sheet ($'000)					
Earning Assets	61,632,495	61,570,208	67,107,757	74,849,383	81,352,484
Loans	3,073,980	29,452,959	27,557,142	26,684,989	27,169,852
Total Assets	63,293,787	64,147,628	61,794,535	78,509,247	86,184,293
Savings Fund	39,422,893	40,877,499	44,884,480	49,674,876	54,509,776
Capital and Reserves	5,923,837	7,888,237	8,711,798	9,786,003	10,379,893
Income Statement ($'000)					
Net Interest Income	2,801,347	2,955,025	3,198,557	3,342,321	3,523,454
Operating Revenue	4,128,103	3,788,146	3,926,777	4,256,040	4,741,716
Administration Expenses	3,187,305	2,234,069	2,748,687	3,052,214	3,426,657
Surplus before income tax	830,333	2,372,725	1,188,953	1,205,426	1,290,395
Surplus	576,006	2,053,013	912,882	1,008,448	965,826
Ratios					
Net Interest Margin	4.27%	4.15%	4.30%	4.28%	4.33%
Return on Capital	10.64%	25.81%	12.35%	11.96%	12.43%
Return on Assets	1.24%	3.27%	1.57%	1.46%	1.50%
Efficiency Ratio	4.75%	3.07%	3.64%	3.71%	3.98%
Capital & Reserves as a percentage of assets	9.36%	12.30%	14.10%	12.46%	12.04%





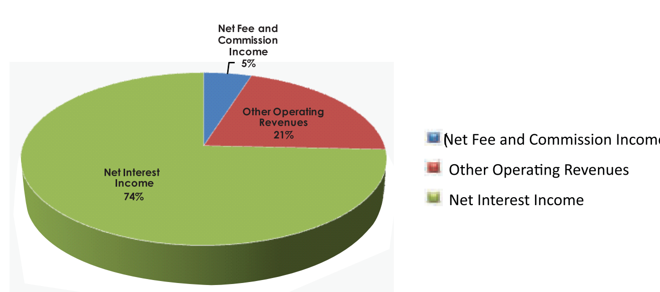
DEFINITIONS USED

Administrative Expenses	-	Administration + Fee and commission expenses + Personnel costs
Earning Assets	-	Cash & Cash Equivalents + Investments + Resale Agreements + Loans + Other Assets
Net Interest Income	-	Interest on loans + Interest and dividends from investments - Interest expense
Operating Revenue	-	Interest on loans + Other operating revenues
Return on Capital	-	Surplus before income tax / Average Capital and Reserves
Return on Assets	-	Surplus before income tax / Average Total Assets
Net Interest Margin	-	Net interest income / Average Earning Assets
Efficiency Ratio		Administration Expenses / Average Total Assets

SOURCES

2009 -2013 Audited Financial Statements

Group Operating Revenue 2013



GROUP FINANCIAL PERFORMANCE

Victoria Mutual Building Society in its 135th year continues to provide exceptional financial services to its Members locally and overseas. The Group, with a total on and off balance sheet asset base of $109 Billion (on balance sheet of $86 Billion), provides a wide range of financial services that include savings, mortgages, securities trading and brokerage, asset management, money transfer, pension fund management and administration, and real estate services. These services are delivered and supported by over 600 employees, through 15 branches and subsidiaries locally, as well as representative offices in the United Kingdom, Canada and the United States. In addition, the Society provides access for its Members and customers to general insurance products and services through affiliated company British Caribbean Insurance Company (BCIC).

GROUP SUMMARY OF RESULTS

($'000's)

	2013	2012	2011	2010	2009
Net Interest Income	3,523,454	3,342,321	3,198,557	2,955,025	2,801,347
Other Operating Revenue	1,218,262	913,719	728,220	833,121	1,472,453
Total Operating Revenue	4,741,716	4,256,040	3,926,777	3,788,146	4,273,800
Non-Interest Expenses	3,559,196	3,134,390 *	2,861,768	2,341,168	3,443,467
Operating Surplus	1,182,520	1,121,650	1,065,009	1,446,978	830,333
Gain on Sale of Subsidiary	-	-	74,621	925,601	-
Share of Profits of Associate	107,875	83,776	49,323	146	-
Surplus before Income Tax	1,290,395	1,205,426	1,188,953	2,372,725	830,333
Income Tax	324,569	196,978	276,071	319,712	254,327
Surplus after Income Tax	965,826	1,008,448	912,882	2,053,013	576,006

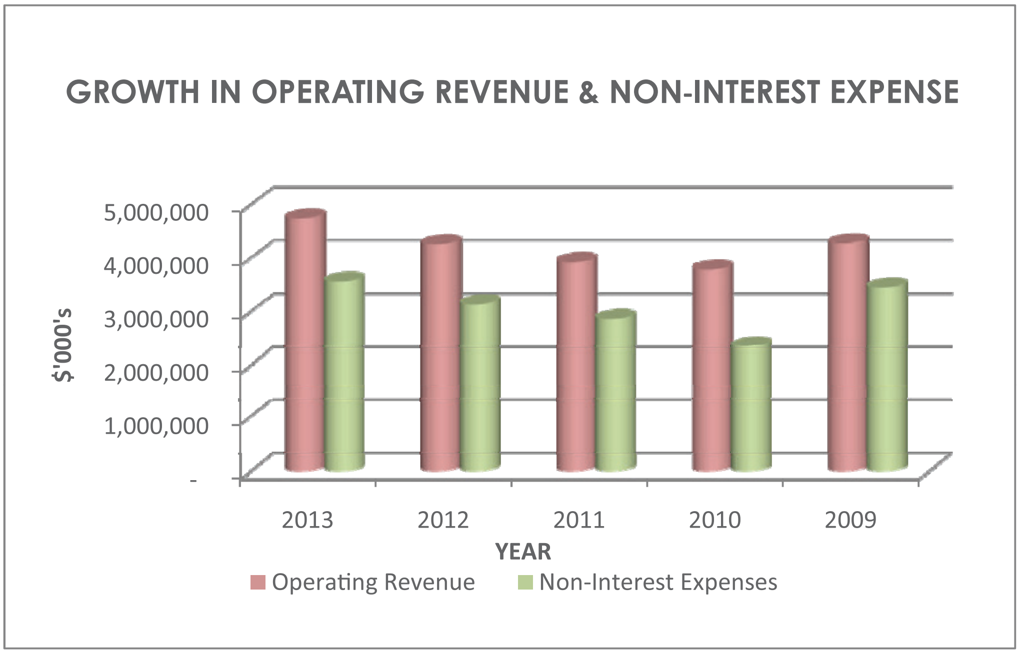
* Restated

The Group recorded a surplus before tax of $1.290 Billion for the year, which surpassed the 2012 results by $84.969 Million. However, the surplus after tax of $965.826 Million was $42.622 Million less than that reported for 2012. The Income Tax charge for 2013 totaled $324.569 Million, and was $127.591 Million more than the charge for 2012. The NDX losses (see below) as well as Asset Tax charges (incurred in 2013) were not allowable for taxation purposes, thereby increasing the taxable surplus and thus the Income Tax charges for 2013.

During the year, the Group participated in the National Debt Exchange (NDX), which involved a par-for-par exchange of the then existing Government of Jamaica domestic debt instruments, for new debt instruments having lower interest rates and longer maturities. The impact of the participation in the NDX on the Group was a loss of $340.437 Million.

In May 2013, the Society acquired the remaining 82% shares in Prime Pensions St. Lucia Limited (PPL), which has a 100% holding in Prime Asset Management Limited (PRIME). This acquisition was undertaken by WESTIN International Insurance Company Limited (WESTIN), which by way of a dividend 'in specie' of $529.781 Million, distributed the PPL shares to the Society. This transaction resulted in the re-measurement of the Group's 18% holding in PPL at the date of acquisition, resulting in a gain of $116.293 Million. The pension management and administration entity has now moved from an associate company status to a fully owned subsidiary, contributing $24.621 Million (for the eight month period) to the total Group Surplus for 2013.

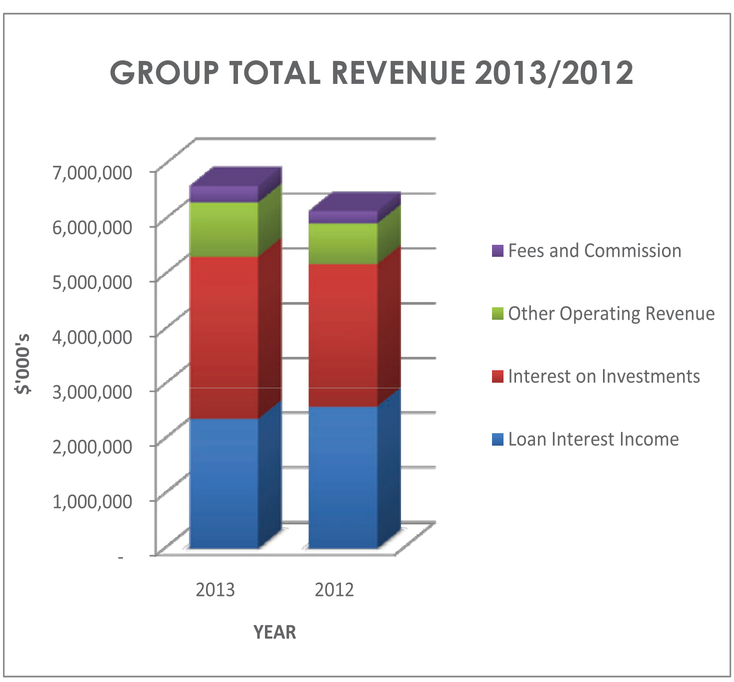
As a result of changes in IAS 19, Employee Benefits, the Group has changed its accounting policy with respect to the basis for determining the expense relating to its post employment defined benefit pension plans. The effect of this restatement was an increase in non-interest expenses, specifically personnel costs, of $33.442 Million.



Operating Revenue, which includes Net Interest Income, Net Fee and Commission Income, and Other Operating Revenue, was $4.741 Billion for the year, reflecting an increase of $485 Million or 11% over the 2012 results. This increase was primarily as a result of increases in dividends and interest income.

The Group incurred non-interest expenses of $3.559 Billion, representing an increase of approximately $425 Million or 14% year over year, and includes the NDX losses mentioned above.

GROUP REVENUE

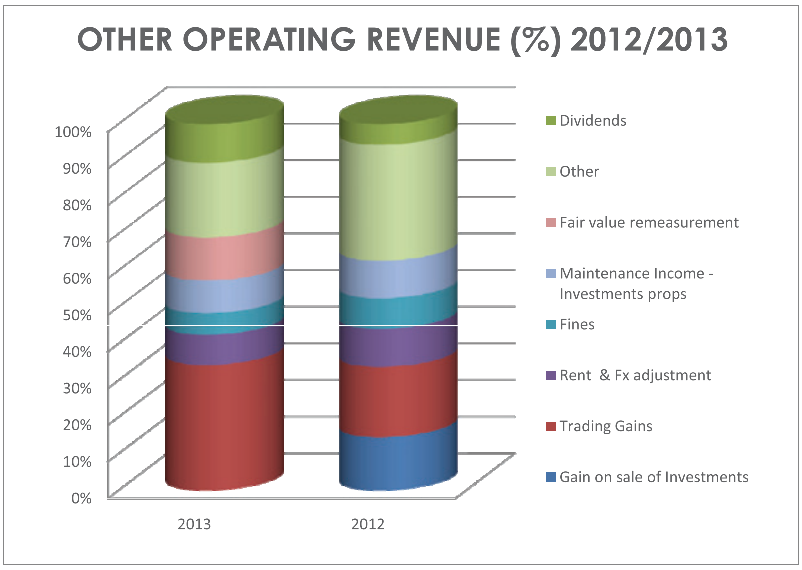


The Group's Total Revenue, defined as Interest Income from Loans and Investments, Fees and Commission Income and Other Operating Revenue, which totaled $6.616 Billion for 2013, reflects an increase of $455.315 Million or 7% when compared to that reported for the previous year.

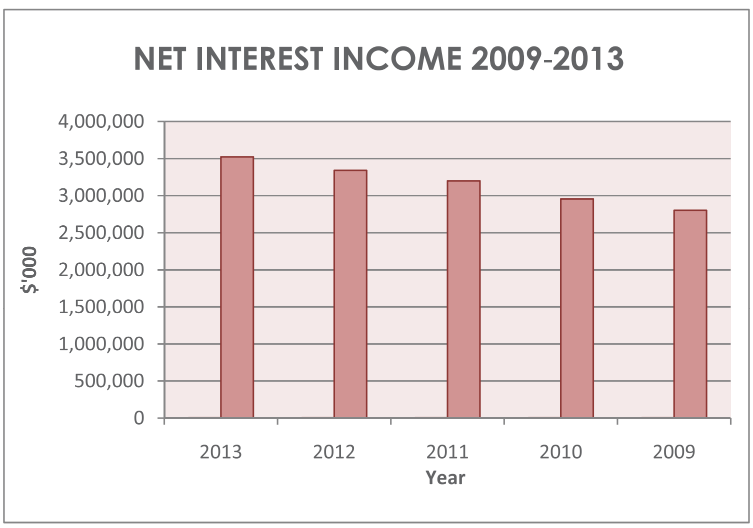
There was a $231.756 Million reduction in Loan Interest Income in 2013 as a result of the Society's strategy of maintaining the lowest mortgage interest rates in the market. On the other hand, Investment Income grew by $368.480 Million over that reported for 2012, despite the negative impact of the NDX on investment rates.

Fee and commission income of $297.540 Million for 2013, reflects an increase of $73.106 Million or 33 % over the previous year, and includes fees of $105.2 Million earned from an associated company as well as debt collection income of $68.126 Million. As a result of continued debt collection efforts, the Society's loan quality ratio improved from 6.9% in 2012 to 5.59% at the end of 2013.

Other Operating Revenue for the year totaled $985.656 Million, an increase of $245.485 Million or 22% over that reported for 2012. This increase was derived primarily from Trading Gains which recorded an increase of $179.862 Million year over year. Increases were recorded in bond and foreign currency trading gains; dividends of $57.311 Million over that received in 2012; as well as the gain of $116 Million which resulted from the re-measurement of the Group's holding in PPL at acquisition (mentioned above). This year-on-year variance was netted off by the gain on sale of investment of $120.134 Million recorded in 2012.



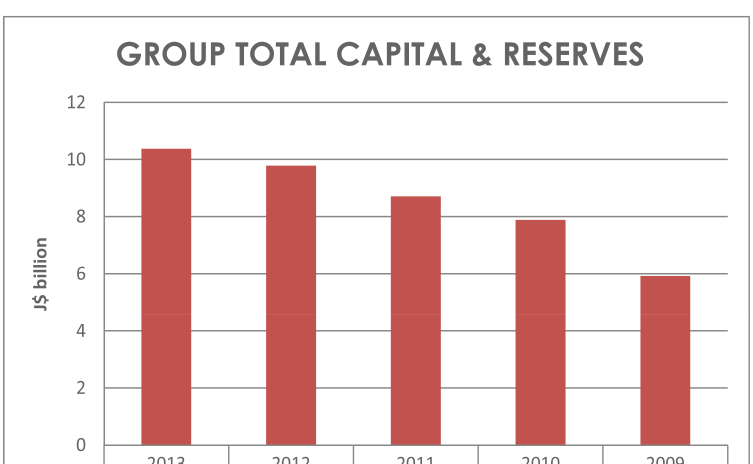
NET INTEREST INCOME



In 2013, the Group's Net Interest Income increased by 5%, to end the year at $3.523 Billion. Total Interest Income was $5.333 Billion, an increase of $136 Million over that reported in 2012. This increase was the net result of additional revenues from investment securities of $368.48 Million, an increase of 14%, and a reduction in loan interest of $231.756 Million, or 9% of the sum recorded in the prior year. Interest expense in 2013 was $1.809 Billion, a reduction of $44.409 Million or 2% below that reported for 2012.

FUNDING

During the year, keen attention was placed on the macro-economic environment and the Group positioned itself to respond promptly to changes in market interest rates. In addition, the Group continued to implement strategies to increase funding from Members and customers by way of savings deposits and repurchase agreements. Despite the challenging environment, our Members and customers continued to recognize the value of the Groups' products and services, which resulted in a $4.835 Billion or 10% increase in the savings portfolio. In addition to the growth in the Group's funding liabilities there was a $22 Billion growth in Off-Balance Sheet assets in 2013, primarily as a result of the acquisition of PRIME.



	2013	2012	2011	2010	2009
$b	10.379	9.786	8.712	7.888	5.923

CAPITAL

The Group's total Capital & Reserves grew from $9.786 Billion to $10.379 Billion in 2013, primarily as a result of the transfer of $1.203 Billion to the Permanent Capital Fund, and $0.134 Billion to the Reserve Fund of the Society. This contributed to an 11% increase the Society's capital base. The Society continues to transfer 100% of its Net Surplus to Capital each year.

CHAIRMAN'S REPORT

Michael McMorris,
B.A.,
Chairman

TO OUR MEMBERS:

The year 2013 was an eventful and challenging one for Jamaica in general and particularly so, for financial institutions. However, the expertise and solid foundation built over 135 years enabled Victoria Mutual to overcome the challenges and perform creditably in the face of considerable difficulties. Furthermore, the organization remained steadfast in its commitment to its Members, putting their interests first and striving to provide the products, services and guidance to assist them in their pursuit of financial independence.

OVERVIEW

The Victoria Mutual Group (The Victoria Mutual Building Society together with its subsidiaries) performed creditably in 2013. The funding base of The Victoria Mutual Building Society (VMBS) grew by 8.5% to $63.2 Billion and mortgage disbursements rose by 133% to $3.3 Billion. The total assets managed by the Group (on and off balance sheet) increased by 37.3% from $79.49 Billion to $109.18 Billion, which was largely attributable to the acquisition of Prime Pensions Limited in May 2013.

The Group recorded a 7.1% increase in Pre-Tax Surplus, having suffered the loss of J$340.44 Million as a consequence of its participation in the National Debt Exchange (NDX). However, the Group's After-Tax Surplus experienced a marginal decline, falling by 4.2% to $965.8 Million. In the context of the challenging economic environment and the NDX, this outturn is viewed by your Directors as being a good one.

The local landscape was characterized by a great deal of uncertainty in 2013. During the first quarter, public attention and debate were dominated by news regarding the negotiation of an Extended Fund Facility (EFF) for Jamaica, between the Government and the International Monetary Fund (IMF). Understandably, there was much concern and speculation at all levels of the society about the likely impact of the Government's medium term economic programme that would form the basis for an agreement with the IMF. There were also serious concerns regarding the impact of the pre-conditions stipulated by the IMF, especially in relation to the required debt management actions on the part of the Government.

This period of uncertainty was characterised by relative instability in the financial markets, manifested by sharp depreciation of the local currency, volatile interest rates and stagnation in the local stock market. From the perspective of participants in the financial services market, these developments only served to compound the pre-existing problems of stagnation in the local economy, declining margins resulting from increased competition and price increases fuelled by high levels of inflation.

Against this background, in the first quarter of the year the holders of Jamaican dollar denominated Government of Jamaica (GOJ) bonds, being predominantly the local financial institutions, were required to participate in the second debt exchange initiated by the local authorities in three years. The National Debt Exchange, or NDX, as it was called, followed the 2010 Jamaica Debt Exchange (JDX), and featured the exchange at par of all GOJ Jamaican dollar denominated bonds for new instruments of longer tenors and lower coupon rates.

The rest of the year was focused on the country's progress in achieving the short term economic targets and structural benchmarks upon which the IMF's quarterly assessments are based. In this regard, all three assessments conducted in 2013 as well as the assessment at the end of the first quarter of 2014 were favourable and the country has been able to gain access to the funding entitlements under the EFF as well as to the support of other multi-lateral institutions. Nonetheless, during the last three quarters of 2013, the markets continued to reflect the underlying uncertainties and a lack of business and consumer confidence.

Richard K. Powell
MBA, M.Sc, B.Sc. (Hons.),
President & Chief Executive Officer

Overall, the performance of the local economy in 2013 was weak and uninspiring as indicated in the following summary:

a) The Jamaican economy grew by 0.2%
b) The inflation rate increased to 9.5% from the level of 8% recorded in 2012.
c) The local currency depreciated by 12.72% against the US dollar to end the year at JMD 106.15 to USD 1.
d) Interest rates dipped in the first quarter of the year and then rose during the following quarters, ending the year at approximately the same levels that they had begun. (The 90-day Treasury Bill rate moved from 7.67% at the beginning of the year to 5.83% at the end of March, and then rose to 7.53% by the end of the year). The decline in interest rates in the first quarter was a direct result of the National Debt Exchange that took place during that period.

Notwithstanding, the successful negotiation of an EFF with the IMF and the subsequent attainment of all targets under that facility over four successive quarters provide the basis to be hopeful that Jamaica's economic prospects are improving and will continue to do so over the medium term.

Overseas, in 2013 the recession in the Eurozone ended and growth in the United States improved. This was a welcome development for our Members in those jurisdictions and the renewed buoyancy reflected in increased customer activity by Members residing in those Diaspora centres. Growth rates in China and India also increased moderately in 2013.

CORPORATE GOVERNANCE

Victoria Mutual is fully committed to achieving best practice in Corporate Governance. It is in this vein that principles, practices and processes are in place to ensure that the Group is managed well and held to the highest ethical standards. The Group's Corporate Governance Framework is designed to ensure responsibility, accountability, fairness and transparency in the relationships among all stakeholders.

The Corporate Governance Framework that has been adopted requires Boards and Board Committees to provide direction and oversight for the Group. The Society and each of its subsidiaries is directed by a Board of Directors, and Standing Committees of the respective Boards provide oversight in the areas of:

a) Audit and Compliance;
b) Finance, Investments and Loans;
c) Risk Management; and
d) Corporate Governance, Nominations and Compensation.

Each of these Committees is comprised exclusively of non-executive Directors and is required to convene meetings and report to their respective Boards at least quarterly.

The following section provides a summary of the purpose and the scope of the mandates of each of the Standing Committees of the Society's Board of Directors.

The Audit and Compliance Committee

The primary purpose of this Committee is to assist the Board of Directors in fulfilling its accountability for the efficient and effective oversight in the following subject areas:

a) The integrity of the Society's financial statements;
b) The Society's compliance with legal and regulatory requirements;
c) The independent auditor's qualifications and independence;
d) The performance of the Society's internal audit function and the independent auditors; and
e) Internal controls and the operational environment.

The Committee also provides oversight of the audit function of all subsidiary companies of the Society, in addition to performing its substantive role as the Audit Committee of the Building Society.

The Finance Investments and Loans Committee

This Committee assists the Board of Directors in fulfilling its responsibilities for overseeing the management of:

a) The financial performance of all entities within the Group;
b) The allocation of the Group's capital;
c) The assessment and conduct of due diligence for potential major transactions within the Group;
d) The monitoring of the performance, funding and adequacy of the pension scheme(s) operated by the Group;
e) The investment and loan portfolios of the Building Society including the review and approval of significant loans and extensions of credit. In this regard the Committee receives reports from and oversees the work of the Group Asset/Liability and Credit Committees of the Management.

The Risk Committee

The Risk Committee is charged with the responsibility of ensuring that appropriate policies, procedures and strategies are established and implemented on an enterprise-wide basis for managing the Group's risk exposures.

The Committee monitors the risk framework of the Group and provides assistance to the Board in undertaking the following functions:

a) Definition of enterprise risk appetite and the development of a policy framework to guide the design of a robust risk management system;
b) Review and evaluation of the Group's risk exposures;
c) Development and maintenance of an effective risk management culture; and
d) Monitoring the risk identification, measurement, monitoring and control processes.

The Governance, Nomination and Compensation Committee

The mandate of this Committee to assist the Board of Directors in fulfilling its responsibilities for:

a) Designing an effective corporate governance framework, undertaking periodic reviews and making recommendations for reform, if necessary, to ensure the practice of good corporate governance;
b) Identifying qualified candidates for nomination to the Board and for service on committees of the Board; recommending changes in Director compensation to the Board; evaluating candidates for appointment to the position of Chief Executive Officer (CEO) of the Society and making recommendations to the Board in that regard; and assisting the CEO in selecting suitable candidates for appointment to senior management positions in the Group;
c) The formalization and oversight of senior management compensation programmes for all business units to ensure that compensation is consistent with the objectives, strategy and the control environment;
d) The formulation and oversight of performance incentive systems for all business units;
e) The establishment of a policy framework to deal with related party transactions and conflicts of interest.

FINANCIAL HIGHLIGHTS

THE GROUP

The Victoria Mutual Group provides its Members and customers with a wide range of products and services. These include a variety of savings products, mortgage loans, investment advisory services, securities trading, pensions management, pensions administration, money transfer services, real estate brokerage, property management, and property valuations. These products and services, underpinned by expert guidance and advice, are all geared towards the attainment of a state of personal financial independence by our Members and customers.

Financial highlights of the Group's performance over the period 2011 to 2013 are shown in the table below:

Highlights of Victoria Mutual Group's Performance

	2011	2012	2013
Pre-Tax Surplus ($M)	1,189.0	1,205.4	1,290.4
After-Tax Surplus ($M)	912.9	1,008.4	965.8
Total Assets ($B)	72.3	78.5	86.2
Net Interest Margin (Net Interest Income as % of Mean Interest Earning Assets)	4.90	4.64	4.51
Operating Expenses (as % of Mean Assets)	4.03	4.05	4.16
Capital & Reserves (as % of Assets)	12.05	12.46	12.04

As at December 31, 2013 the assets of the Victoria Mutual Group totalled $86.2 Billion. This figure represented a moderate increase (9.8%) over the prior year-end. Concurrent with this growth, the Group maintained its ratio of Capital and Reserves to Total Assets above 12%.

The Group recorded Pre-Tax Surplus of $1,290.4 Million in 2013, an increase of 7.1% over the performance of $1,205.2 Million (restated) in 2012. There was a decline of 4.2% in the Group's after-tax surplus, as it moved from $1,008.4 Million (restated) in 2012 to $965.8 Million in 2013. The Group suffered the loss of J$340.44 Million as a consequence of the participation in the National Debt Exchange by both the Building Society and Victoria Mutual Wealth Management Limited (VMWM). The reported After-tax Surplus was also adversely affected by the imposition of an asset tax on regulated financial institutions, which applied to both VMBS and VMWM. In aggregate, the Group paid $99.24 Million in asset taxes, resulting in an additional tax expense of $31.11 Million, for the reason that the authorities stipulated that the asset tax could not be treated as a tax deductible expense.

THE SOCIETY

The Society recorded an After-Tax Surplus of $1,324.9 Million in 2013. This represents an increase of 85.6% when compared with the After-Tax Surplus of $714.0 Million in 2012. This significant increase is explained by the receipt of dividends from subsidiaries and associates in 2013 totalling $737.8 Million, of which $529.8 Million was in the form of a dividend in specie from Westin International Insurance Company Limited (Westin), a wholly owned subsidiary. The dividend distribution was made in the form of 82% of the issued shares of Prime Pensions Limited, which had been acquired by Westin in May 2013. The previous year, dividends from subsidiaries and associates were much lower, at $20.4 Million.

Net Interest Income increased by 4.4% in 2013 to $3.138 Billion. This was the result of a 1.25% increase in interest income, and a 5.4% decline in interest expense. Net fee and commission income rose by 28% to $0.15 Billion. This outcome was the result of a 28% increase in fees and commission income and a 28% increase in fee and commission expense. Other operating income experienced an appreciable increase, moving from

$0.62 Billion in 2012 to $1.45 Billion in 2013. This movement was largely due to dividends from subsidiaries and associated companies of $737.8 Million, which was mentioned earlier.
Administrative expenses rose by 8.4% to $3.1 Billion in 2013. This increase was mainly due to a 19.5% ($288 Million) increase in "Other Operating Expenses" and stemmed almost entirely from the impact of the National Debt Exchange, which resulted in a loss on the sale of the affected investments. Personnel costs dipped by 6.9% during the year. This decline was due to a reduction in the liability related to the Group's Defined Benefit Pension Plan.

The Society continued to grow in a sustainable and financially sound manner. Total Assets increased by 9.1% during 2013, and at the end of the year, the ratio of Capital to Total Assets was 11.7%, significantly above the level of 6% required by the regulations.

During the year, the Victoria Mutual Building Society continued on its quest to provide you, the Members, with the best possible value. It is in this light that savings rates offered by the Society continued to be among the highest available locally and mortgage rates continued to be among the lowest. Also, transaction fees were kept low. In fact, the Society continued to allow its ATM/debit cards to be used completely free of charge at any ATM or Point of Sale terminal on the MultiLink network, including the instances where the ATM is owned by and operated by a commercial bank, a Credit Union or another Building Society.

Highlights of the Society's performance are shown in the table below:

Highlights of the Society's Performance

	2011	2012	2013
Pre-Tax Surplus ($M)	918.8	844.1	1,599.6
After-Tax Surplus ($M)	703.0	714.0	1,324.9
Total Assets ($B)	61.8	67.2	73.3
Total Loans ($B)	27.6	26.7	27.2
Deposit Liabilities ($B)	53.3	58.2	63.2
Net Interest Margin (Net Interest Income as % of Mean Interest Earning Assets)	5.15	4.94	4.77
Operating Expenses (as % of Mean Assets)	4.23	4.39	4.31
Capital & Reserves (as % of Assets)	11.13	11.19	11.71

Savings

During the year, the Society's depositors' liabilities increased by 9.16% to $54.8 Billion. This performance enabled the Society to maintain its market share among local deposit taking institutions (commercial banks, merchant banks and building societies), and is satisfying given the intense competition among all financial intermediaries for savings. This accomplishment was made possible by the dedication of the sales and service teams, the attractive products on offer, and the continued efforts to improve customer service.

Mortgage Loans

Mortgage disbursements totalled $3.29 Billion in 2013, an increase of 133% when compared to the previous year. This creditable performance was achieved in an environment of relentless competition, and was made possible by placing greater focus on sales and service. During the year, $2.63 Billion of largely programmed principal repayments were made, resulting in a net increase in the mortgage portfolio of $0.66 Billion.

It should be noted that this growth was achieved while maintaining a conservative underwriting posture, and the quality of the portfolio improved not only by virtue of the growth noted above but also by way of an improvement in collection performance and the resulting improvement in the portfolio arrears.

Efficiency

Your Society continues to pursue innovative ways to ensure that it improves its operations, and consequently, its level of service delivery in a cost effective manner. In 2013, a restructuring exercise was undertaken, which resulted in the elimination of some roles, the merger of others as well as the creation of others. That exercise will continue in 2014 and beyond as we strive to improve organisational effectiveness and efficiency. Also, a number of initiatives were undertaken to improve processes and systems throughout the organization. These actions, along with actions taken in previous years, resulted in an improvement in the Society's efficiency, as measured by Operational Expenses as a percentage of Mean Assets. This figure improved from 4.26% (for 2012) to 3.96% for 2013.

In 2014, focus will be placed on a comprehensive streamlining of the Society's back office operations. This is expected to have a positive impact on efficiency and the turn-around times for a wide variety of transaction types. On completion, Members will enjoy an enhanced level of customer experience in the conduct of their transactions at all touch points.

Mortgage Portfolio Quality

The quality of the loan portfolio improved in 2013, with the ratio of non-performing loans (loans greater than 90 days in arrears) to total mortgage loans moving from 6.90% at the beginning of the year to 5.59% at the end. This improvement was the result of the continued drive to engage Members who were having difficulty meeting their monthly mortgage payments, and working with them collaboratively, with the aim of helping them to bring their accounts current and retain ownership of their homes.

Unfortunately, in some cases the Society was left with no option but to resort to foreclosure proceedings. This occurred in instances in which the loans had fallen into chronic delinquency. For 2013, the Society completed foreclosure procedures for 10 properties in comparison to 37 foreclosures that were completed in 2012.

SUBSIDIARY COMPANIES & AFFILIATES

The Victoria Mutual Building Society owns and operates a number of subsidiaries, and has a significant investment in one affiliate, British Caribbean Insurance Company Limited (BCIC). These entities offer a wide range of financial products and services, covering all stages of Members' and customers' life cycle of financial needs.

The financial results of the subsidiaries are presented in the table below:

After Tax Profit for Selected Subsidiaries (in Millions of Jamaican Dollars)			
	2011	2012	2013
VM Wealth Management Ltd.	114.48	143.71	146.58
VM Property Services Ltd.	7.65	2.70	3.19
VM Money Transfer Services Ltd.	-4.63	16.66	26.77
Prime Asset Management	19.9*	27.8*	25.5**

**For the twelve months ended March 31*
*** For the nine months ended December 31*

Victoria Mutual Wealth Management achieved profit after tax of $146.58 Million in 2013, 2% above the level achieved in 2012. This resulted from a 12% increase in net interest income, a 62% increase in income from fees and commissions, a 30% decline in gains from investment activities, a 26% increase in costs, and a 50% decline in income tax. The increase in costs was largely due to the imposition of a new asset tax as well as increases in salaries and wages, and advertising expenses.

The Company continues to increase its emphasis on developing its advisory services, brokerage, and securities trading lines of business as well as growing its off balance sheet book of business. To this end, new products are in the process of being created, which will provide additional options for the Company's clients to construct customised investment portfolios to suit their individual needs. The expectation is that these products will be received favourably by clients and provide the impetus for achieving the Company's growth targets, thereby increasing its profitability.

VMBS Money Transfer Services Limited (VMTS) recorded solid operating and financial performance in 2013, thereby consolidating the turnaround that had been achieved in the prior year following a number of years of poor performance. Profit after tax rose by 61%, moving from $16.66 Million in 2012 to $26.77 Million in 2013. This performance was largely the result of an increase in operating revenue stemming from a 40% increase in fees from disbursements, and a 28% increase in foreign exchange trading gains.

VMTS has formulated plans to increase the accessibility of the Company's services locally and internationally with the aim of affording more Members of the Society and other customers a convenient, safe and reliable way of transferring funds to family and friends in Jamaica.

Victoria Mutual Property Services' performance in 2013 was in line with its performance in 2012, with After-Tax Profits of $3.19 Million in 2013 compared to $2.70 Million the previous year. The Company continued to play a critical supporting role by managing the properties owned by the Society and offering a wide range of real estate services that complement the Society's core mortgage products, thereby providing added value to its Members. These service offerings together constitute the basis for the Company's other lines of business, namely, real estate brokerage, property valuations, and project management, which provide important diversification of its revenue streams.

In May 2013, the Victoria Mutual Group acquired the remaining outstanding shares in Prime Pensions Limited moving its ownership stake from 18% to 100%. Prime Pensions Limited is the parent company of Prime Asset Management Limited (PRIME), the latter of which has been providing pension fund investment management and pension administration services in Jamaica for the last seventeen years. Your Directors regard this acquisition as strategically important to The Victoria Mutual Group in its thrust to be able to offer a full suite of products and services to Members and customers as a critical tool in helping them to become financially independent. The addition of PAM's pension fund management and administration services, including Approved Retirement Schemes, is certainly in alignment with that goal by providing tax efficient long term savings and investment vehicles to assist with retirement planning.

For the nine months ended December 2013, Prime Asset Management achieved profit after tax of $25.5 Million. This compares favourably with the profit after tax of $30.5 Million achieved for the twelve months ended March 31, 2013.

Our affiliated company, BCIC, of which the Society owns 31.5%, continued to perform well in 2013 and provided satisfactory risk adjusted returns to its shareholders. As a consequence, during 2013 the Society received dividend payments amounting to $80 Million from that Company.

CONCLUSION & OUTLOOK

The Victoria Mutual Building Society and its subsidiaries performed well in 2013, particularly in light of the challenging environment that prevailed during the year. The Group after-tax surplus of $965.4 Million recorded in 2013 has helped to bolster even further, the capital of the organization and this places the enterprise in an even better position to withstand potential shocks and to take advantage of emerging opportunities.

Your Directors remain committed to the principle of mutuality, and the mission of the organization continues to be to maximize value creation for Members and other key stakeholders. Members of Victoria Mutual can rest assured that the interest rates on their deposits and mortgages are among the best available locally. Members can also rest assured that the fees charged on the many services offered are at the lowest level available in Jamaica. Members can also take pride in the impressive history of your Society's Corporate Social Responsibility Programme, which effectively extends mutuality to the communities in which Members work and live. In 2013, your Society continued to provide sponsorship and other means of support to a wide range of activities in furtherance of our policy to contribute meaningfully to national development, by way of interventions in the areas of education, youth, sport and community development.

As we look forward, your Directors are cautiously optimistic that the prospects for economic recovery are better than at any time in the recent past. On an objective basis, the economy was better poised at the end of the first year of the IMF/GOJ EFF than was the case a year earlier. Economic growth, albeit weak, had been restored and a fiscal surplus was recorded in the year 2013/14, for the first time in many years. The Net International Reserves had been restored to the benchmark level of twelve weeks of imports and the Current Account deficit had been reduced to the equivalent of 9.5% of GDP from 11.5% a year earlier.

The success achieved in attaining the economic targets and structural benchmarks under the EFF for four successive quarters provides a basis for hope that the relative stabilization of the economy that has been experienced will form the foundation for increased investment, growth and job creation in the future. The success that has been achieved remains fragile as business and consumer confidence, albeit improved, remains relatively weak. There is still a very long and arduous journey ahead and we join in the many voices urging the Government to remain resolute in its commitment to the execution of all measures necessary to achieve the objectives of the medium term economic programme, without fear or favour.

In this context, your Directors and the Management expect the operating environment and the financial markets in which the respective business units of the Group operate, to continue to be challenging in 2014 and beyond. However, we are confident that the foundation has been laid for the future sustainability of your Society and its subsidiaries as they continue to enhance the robustness of their business models and their competitive positioning. Notwithstanding the less that buoyant prospects for the local operating environment in 2014, the Group will continue to place emphasis on growing the business, in order to increase the range of products and services available to Members, at the most affordable prices in the market. Internally, the year 2014 will see a continuation of a number of projects and initiatives geared towards improving efficiency and service delivery throughout the Group. Significant rewards are already being realised from the projects that have been rolled out, and as others are executed, further benefits are expected to follow. These initiatives in tandem with the thrust to achieve significant growth of the Group's business lines are critical to the attainment of the levels of operating efficiency that are necessary to ensure long term sustainability.

I would like to take this opportunity to express gratitude to you, the Members and customers, for your continued loyalty and support. I also extend a sincere "thank you" to all the team members who have worked passionately and made their contribution to the growth and improvement of the Group over the year. Lastly, I offer my thanks to the members of the Boards of Directors of the Society and its subsidiaries as well as members of the Society's Advisory Councils for their sterling service.

CORPORATE SOCIAL RESPONSIBILITY

The Victoria Mutual Building Society (VMBS) relishes the opportunities to contribute to various initiatives aimed at positively impacting different sectors of society. In 2013, the Society and its subsidiaries supported a myriad of projects spanning the areas of nation building and community development, education, sport and socio-civic activities.

NATION BUILDING & COMMUNITY DEVELOPMENT

Victoria Mutual continues to maintain its sponsorship of a number of activities that not only generate national appeal and pride, but continue to have a significant impact on youth and community development, the promotion of character building, family life and, by extension, social stability in our nation.

The National Leadership Prayer Breakfast

We were happy to have been able to provide a measure of support in our nation's quest for 'peace, justice, reconciliation and unity', by once again being the title sponsor of the National Leadership Prayer Breakfast (NLPB), for the 29th year. Under the theme 'Courageous Leadership for Challenging Times', the NLPB highlighted the importance of exhibiting the key hallmarks of great leadership. Some of these include moral strength; sensitivity to human need; the propensity to care and serve; and the ability to provide vision and hope – some of the very tenets which would have been required to promote this event in the context within which it was conceived and launched back in 1981.

The Hon. Portia Simpson Miller, Prime Minister of Jamaica, extends a warm greeting to VMBS Chairman Michael McMorris. With them is Richard K. Powell, VMBS President & CEO, Reverend Alston Henry and the Hon. Dr. Peter Phillips..

The Muirton Boys' Home in Portland was the beneficiary of the special offering, collected at the Breakfast, which was handed over by the National Leadership Prayer Breakfast Committee, at the Society's Half Way Tree Road Corporate Office.

Chairman of the National Leadership Prayer Breakfast Committee (NLPBC) Reverend Dr. Peter Garth (left) presents a cheque valued at $407,000 to Chief Executive Officer of The Child Development Agency Carla Francis Edie, during a handover ceremony for the proceeds of the NLPB, at the Victoria Mutual Building Society (VMBS) Half-Way Tree Corporate Office, Mr. Richard K. Powell, Victoria Mutual Group President and CEO shares the moment.

A cheque valued at J$407,000 was presented to the Child Development Agency (CDA) in March Expressing gratitude for the contribution, Chief Executive Officer of the CDA, Carla Francis Edie, said the donation brings the agency closer to the $3 million target for repairing the infrastructural damage suffered during the passage of Hurricane Sandy in October 2012.

The Governor-General's Achievement Awards Programme

The Governor-General Achievement Awards (GGAA) Programme was initiated in 1991 by former Governor-General, the Most Honorable Sir Howard Cooke. This Programme identifies one person from each parish from modest economic and social circumstances who share a common desire to better themselves and to assist others around them by becoming actively involved in community service. His Excellency the Most Honourable Sir Patrick Allen, ON, GCMG, CD is the current Patron of the Awards Programme.

Victoria Mutual has been a sponsor/partner of this initiative since inception, as the Society recognizes the need to acknowledge and encourage those who make the sacrifices necessary to develop our communities knowing this will ultimately lead to a better Jamaica. VMBS delivered sponsor's remarks at the County of Surrey Awards Ceremony. Four residents of the county of Surrey were honoured. Coreen Angela Dennis of St Andrew, Cosmo Jowhill of Kingston, Christine Natalie Downer of Portland, and Donna-Lee Cora Minott of St. Thomas were presented with awards for their dedication to national service.

Speaking at the ceremony, which was held at Whispering Bamboo Cove Resort, Retreat, St Thomas, the Governor-General, His Excellency Sir Patrick Allen pointed out that the Awardees were to be commended for their determination and refusal to be derailed by their early challenges. He lauded them as beacons of hope, who represent the possibilities that exist when Jamaicans rise to the challenges and make every effort to achieve what they want to.

2013 Marriage & The Family Series – 'The Grass is Greener Where You Water It'

The Annual Marriage & the Family Series is an important initiative for Victoria Mutual, as it promotes some of the core values upon which the organisation rests. We endorse families and the institution of marriage, and as such, appreciate that in order for these to be sustained; they must rest on the foundation of deep and lasting relationships – between spouses, parents and child/children or siblings. Out of this will come healthy families, stable homes, strong communities and an empowered nation.

Presented under the theme 'The Grass is Greener Where You Water It', the 27th installment of the Marriage & the Family event sought to address key issues faced by couples and families, providing recommendations and coping mechanisms to address these.

Mrs. Cheryl Hanson – Financial Consultant & Founder, Financially SMART Services makes an important point during her presentation on "The Effective Distribution & Use of Income in the family" Looking on is Devon Barrett, General Manager VM Wealth Management Limited (left) and Mr. Horace Bryan, Vice President Business Development VMBS.

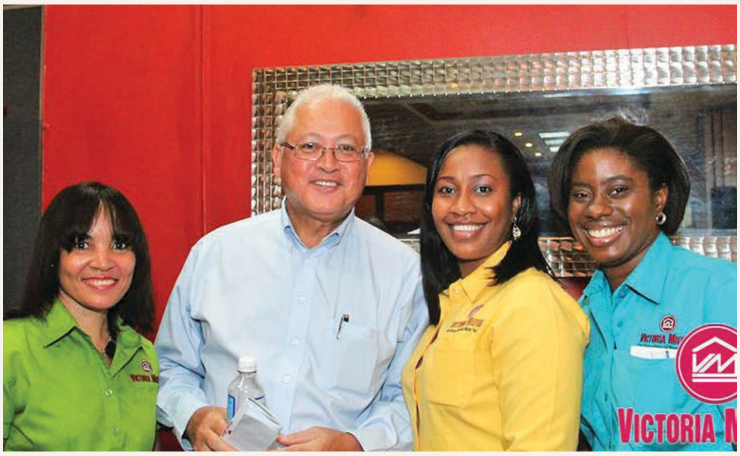
Subject matter experts presented and discussed topics including 'Setting Down Roots: The Path to Home Ownership', 'Strengthening Your Roots: Balancing Romance and Your Goals' and 'Nurturing the Family Tree: Yours, Mine & Ours'.

VMBS Home Forum

In line with one of our primary objectives to help Jamaicans from all walks of life become proud homeowners, the Victoria Mutual Building Society designed its informative Home Forum Seminar series, which is aimed at guiding consumers on the steps to achieve home ownership. Persons are guided through the process, and shown that although it may seem daunting, homeownership is attainable and with the right plan, smart budgeting ideas and a mortgage from VMBS, the journey to a new home will be much easier.

Horace Bryan, Vice President Business Development, going through his presentation on The Steps to Home Ownership.

The event was hosted at the Jamaica Pegasus Hotel on Sunday, October 6, with participants benefiting from the vast expertise of the VMBS Mortgage and Savings specialists, as well as other key partners, who provided information on the homeownership process. Attendees were provided with strategies and tools such as saving for the deposit and closing costs, legal advice, painting demonstrations, home décor tips, home security solutions and new and upcoming housing developments in Jamaica. They were also able to access personalized tools and take advantage of the many benefits available at VMBS.



Understanding the Legal Process: Mrs. Vivienne Bayley-Hay, Vice President Group Marketing & Corporate Affairs, Delroy Chuck, Attorney-At-Law, Allison Morgan VMBS Liguanea Branch Manager and Michelle Wallace, VMBS Customer Service Officer pause for a smile after Mr. Chuck's presentation on Buying a House – The Legal Process.

The Forum, which was free to the public, included exhibitions from key partners with products and services which are critical to the house buying process. Some of these included: British Caribbean Insurance Company, National Housing Trust, Housing Association of Jamaica, Gore Developments, New Era Homes, West Indies Home Contractors, Hawkeye Electronic Security Limited, Fosrich Energy, Alternative Power Sources, Jamaica Public Service Company Limited, Today's Home Centre and Exotic Stone Creations.

A section of the audience at the Home Forum

Labour Day - Lend a Hand... Build Our Land

The team was given the opportunity to 'Lend a Hand... Build Our Land', as various government and corporate entities, as well as individuals, participated in the National Labour Day project, which was focused on refurbishing the St Mary Infirmary. Several other initiatives were undertaken across the island, with the Victoria Mutual team lending a helping hand in painting, general repair work and beautification projects at Daytona Housing Scheme, Portmore, St Catherine; Homestead Primary School, Spanish Town, St Catherine; Hanbury Children's Home, Kendal, Manchester; Park Mountain Primary, Santa Cruz, St Elizabeth and Caring Hearts Basic School in Savanna-la-Mar, Westmoreland.

EDUCATION

At Victoria Mutual, we understand and fervently believe in the transformative power of education. We continue to pursue a mission, which was launched over two and a half decades ago, to assist our student savers to take advantage of the opportunities available to them for high quality education. During that period, in excess of one thousand six hundred scholarships, bursaries and grants were awarded to students at all levels of the educational system, under the auspices of The Victoria Mutual Head Start Scholarship Programme.

VMBS Head Start Scholarship Programme

The Head Start scholarships form part of the VMBS Schools Savings programme, which seeks to provide financial education to students attending primary and secondary schools. Students are eligible for the awards not only on the basis of academic achievement, but also by being Members of the VMBS. Our aim is to help young Jamaicans develop the habit of saving at an early age in order to achieve financial independence in the future. We recognise that the development of a solid education and a sound knowledge base has many positive offshoots, including increased self-confidence, more effective leadership skills and a more productive workforce, which will ultimately have a positive impact on the nation's economic prosperity.

In 2013, over 40 student savers were presented with awards in the categories VMBS GSAT Head-Start Bursary; VMBS Junior Plan Head-Start Scholarship; VMBS Future Plan Head-Start Scholarship; VMBS Master Plan Head-Start Scholarship; and the VMBS Teachers' Bursary.

The quality of the applicants remained impressive in 2013. As such, the Committee awarded three additional scholarships to University College of the Caribbean (UCC) students after considering their academic performance, level of need and the contributions made to their communities. Further, a 2013 VMBS Special Bursary was awarded to five outstanding students who did not receive Future Plan Scholarships but who had outstanding academic performances and were actively involved in community activities.

Mutual Building Societies Foundation – Centres of Excellence Programme

In 2008, VMBS partnered with Jamaica National Building Society to establish the Mutual Building Societies Foundation (MBSF) with both organisations joining forces to create the Centres of Excellence Project. This was a five-year undertaking aimed at supporting the Government's Transformation of Education initiative and involved an investment of $100-million that we shared equally with Jamaica National.

The programme saw the six rural non-traditional high schools involved doubling their performance in core Caribbean Secondary Education Certificate (CSEC) subjects over the past five years. The schools, McGrath in St. Catherine, Porus and Mile Gully High in Manchester, Godfrey Stewart in Westmoreland, Green Pond in St. James and Seaforth in St. Thomas, were able to increase the numbers of students sitting exams at the CSEC level from 1,600 students in 2008 to 3,500 students in 2013. In addition, they also doubled the numbers of students passing CSEC subjects.

The schools were acknowledged at an Educational Leadership Symposium organised by the MBSF to communicate the achievements of the five-year Centres of Excellence programme and to discuss some of the major issues affecting leadership in local education.

David ‘Wagga’ Hunt Memorial Scholarship

A well-known role model, David ‘Wagga’ Hunt’s distinguished legacy in football lives on through the scholarship established in his name to honour the man who was known not just as a coach, but also a father figure. The David ‘Wagga’ Hunt Memorial Scholarship is aimed at assisting two second form high school students, one from his alma mater Kingston College and one from Calabar High School, with their educational expenses.

The 10 recipients of the 2013 David ‘Wagga’ Hunt Memorial scholarship.

Victoria Mutual has been on board since the inception of the scholarship. Along with other corporate sponsors and other local and overseas supporters, the organisation contributes towards each student receiving $100,000 each year until the completion of sixth form at both institutions. To date, ten students have benefited from the initiative.

SPORT

VMBS Intercollegiate Track & Field Championship

With an increased number of athletes opting to train and study in Jamaica, the pool of local talent is larger, as local training programmes become more effective and appealing. Victoria Mutual continued our support of sports at the highest scholastic level, taking up the mantle as title sponsor for the Intercollegiate Track & Field Championship for the third straight year, increasing our investment in the development meet.

The 2013 Intercollegiate Track and Field Championship was held at the UWI/Usain Bolt Track at UWI Mona on Friday, April 5 and Saturday, April 6. In a move to continue to improve the standard of the meet each year, the organizers made it even bigger and better, adding a student VIP Sky Deck, which featured a party atmosphere, a bigger cheerleading competition and a student concert. There were also guest appearances from national athletes.

UTech’s athletes dominated the female events, while the men’s competition was closely contested, with GC Foster College edging out The University of the West Indies by a mere two points. The championship acted as the first-round pool of selection for the national team to the World University Games which took place in July 2013 in Russia. With 32 events contested by an increased number of participants and 8 new records established, the standard of the meet and the results produced by the participants cemented the fact that Jamaica’s track and field future is secure.

Megan Simmonds of the University of Technology winning the women’s 100 metres hurdles on the final day of the VMBS Intercollegiate Track and Field Championships at the UWI’s Usain Bolt Track.

VMBS/St James Under-13 Football Competition

Initially a community project conceptualised by the Montego Bay Branch, the **VMBS/St. James Under-13 Football Competition** is intended to encourage students to further their education after completing primary/preparatory school, as well as to support the further development of their sporting abilities. The tournament has successfully showcased the talent of hundreds of youngsters through the years, several of whom have gone on to become professional players.

When addressing attendees at the launch of the 23rd staging of the competition, VMBS Director, Mrs. Jeanne Robinson-Foster highlighted some of the benefits of playing sport. Undeniably, sport is a vital contributor to various cornerstones of building a better society. It builds character, inspiring heroism in persons who may have considered themselves just average, or even below and sets a precedent of what's possible through discipline, dedication, teamwork and focus.

Sport creates heroes today, who will become the role models of tomorrow. As we seek to achieve a better society, good role models are an essential ingredient. Through the experience which sport offers and the various lessons it teaches, our young people are provided with a sound launching pad for the future, being equipped with key values which form sound character. Sport also has great health benefits and facilitates friendship, through the bonds which are inevitably created when one becomes the member of a team.

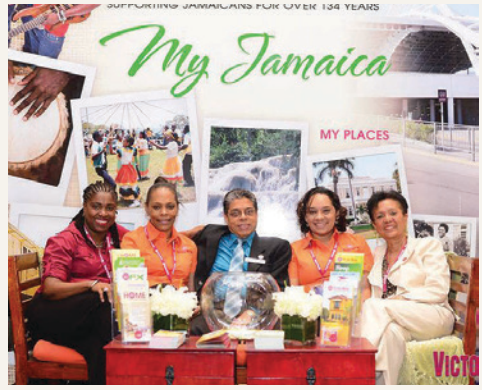
For another year, the Under-13 Football Competition inspired youngsters from the 29 participating schools in western Jamaica to showcase the best of their talent as well as values such as sportsmanship over a 2-month period. The tournament was once again played with a lot of excitement, with old rivalries renewed, new achievements realized and new stars emerging. In the end, Granville All-Age claimed the coveted trophy and various other prizes, after defeating favourites Corinaldi Avenue Primary 4-2 on penalty kicks. Anchovy and St. James Prep rounded out the top 4.

The successful Granville team and their coaching staff accepting the winning trophy from VMBS Board Member, Mrs. Jeanne Robinson-Foster and VMBS Montego Bay Branch Manager, Mrs. Suzette Ramdanie-Linton.

Victoria Mutual has been on board since the inception of the scholarship. Along with other corporate sponsors and other local and overseas supporters, the organisation contributes towards each student receiving $100,000 each year until the completion of sixth form at both institutions. To date, ten students have benefited from the initiative.

RJR Sports Foundation Sportsman & Sportswoman of the Year

The Victoria Mutual Building Society was privileged to support the RJR Group in this way, as they celebrated the valiant efforts of our sportsmen and women, recognizing their achievements within the previous year. While honouring those who recorded outstanding performances in 2013, VMBS also used the opportunity to express gratitude to the RJR Communications Group, which, for decades, has been showing its dedication to the sporting fraternity in Jamaica. We salute the tireless efforts of one of the nation's foremost media content producers, and their immense creativity and commitment to providing us with front row seats to various sporting events, allowing us to live, breathe, laugh, cry and celebrate with our athletes as they represent Jamaica, land we love. Acclaimed sprinters Usain Bolt and Shelly-Ann Fraser-Pryce topped the male and female categories, respectively.



The 5th Biennial Jamaica Diaspora Conference

The 5th Biennial Jamaica Diaspora Conference took place from June 16 to 19 at the Montego Bay Conference Centre, under the theme 'A Nation on a Mission: Jamaica - Diaspora Partnership for National Development', among its main objectives being strengthening the strategic partnership within the Diaspora community, concentrating on key initiatives in the areas of Investment, Trade and Philanthropy over the medium-term. The Victoria Mutual Group was heavily involved in the planning and execution of the conference in partnership with the Ministry of Foreign Affairs and key private sector stakeholders. Richard Powell, the organization's President and CEO served as Chairman of the Conference Preparatory Committee.

One thousand five hundred and ten (1,510) persons participated in the 5th Biennial Jamaica Diaspora Conference. This included: Delegates from the main Diaspora locations (United States of America, Canada and the United Kingdom) and Jamaica; Moderators and Panellists from the main Diaspora locations and Jamaica; participating sponsors, exhibitors and staff from private and public sector organisations and Government agencies in Jamaica.

FINANCIAL STATEMENTS

December 31, 2013

KPMG
Chartered Accountants
The Victoria Mutual Building
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Kingston
Jamaica, W. I.

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INDEPENDENT AUDITORS' REPORT

To the Members of THE VICTORIA MUTUAL BUILDING SOCIETY

Report on the Financial Statements

We have audited the separate financial statements of The Victoria Mutual Building Society ("the Society") and the consolidated financial statements of the Society and its subsidiaries ("the Group"), set out on pages 36 to 110, which comprise the Group's and Society's statements of financial position as at December 31, 2013, the Group's and Society's income statements, statements of comprehensive income, changes in capital and reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Society as at December 31, 2013, and of the Group's and Society's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on other matters as required by the Building Societies Act

We have examined the mortgage deeds and other securities belonging to the Society. Title deeds numbering 7,823 were produced to us and actually inspected by us, and we are satisfied that the remaining 217 deeds not inspected by us were in the hands of attorneys, or elsewhere in the ordinary course of business of the Society.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, are duly vouched and in accordance with law.

Linroy J. Marshall

Nigel R. Chambers

Chartered Accountants
Kingston, Jamaica

March 27, 2014

GROUP STATEMENTS OF FINANCIAL POSITION December 31, 2013

	Notes	2013 $'000	2012 $'000	2011 $'000
ASSETS				
Cash and cash equivalents	7	11,729,017	8,301,182	7,727,753
Investments - Jamaica Government securities	8	26,054,051	23,776,587	22,859,502
- Other	9	3,618,253	3,667,632	1,919,182
Resale agreements	10	10,991,696	10,448,675	7,467,036
Loans	11	27,169,852	26,667,330	27,541,585
Other assets	12	1,789,615	1,970,318	1,590,623
Deferred tax assets	13(a)	91,352	26,580*	10,217*
Employee benefit asset	14	1,770,300	1,457,900	1,355,300
Interest in associates	16	907,877	807,922	729,729
Intangible assets	17	759,608	158,212	104,429
Investment properties	18	651,106	675,319	561,667
Property, plant and equipment	19	651,566	551,590	448,833
Total assets		**86,184,293**	**78,509,247**	**72,315,856**
LIABILITIES				
Savings fund:				
Shareholders' savings	20	53,372,238	48,598,511	44,113,784
Depositors' savings	21	1,137,538	1,076,365	770,696
		54,509,776	49,674,876	44,884,480
Due to specialised institution		8,435,382	7,995,418	7,992,319
		62,945,158	57,670,294	52,876,799
Income tax payable		128,428	21,201*	154,253*
Other liabilities	22	595,117	501,731	519,211
Repurchase agreements	23	11,076,243	9,384,057	8,858,855
Insurance underwriting provisions	24	353	426	495
Loans payable	25	-	466,588	435,313
Deferred tax liabilities	13(b)	347,216	345,943*	317,106*
Employee benefit obligation	14	711,885	333,004*	442,026*
Total liabilities		**75,804,400**	**68,723,244**	**63,604,058**
CAPITAL AND RESERVES				
Permanent capital fund	26	6,445,465	5,241,518*	4,539,938*
Reserve fund	27(i)	747,435	613,664*	535,711*
Retained earnings reserve	27(ii)	103,987	562,004*	386,853*
Capital reserve on consolidation	27(iii)	82	82	82
Credit facility reserve	27(iv)	1,187,934	982,303	1,047,879
Investment revaluation reserve	27(v)	(48,242)	84,223	261,628
General reserve		10,000	10,000	10,000
Currency translation reserve	27(vi)	126,309	117,286	54,675
Retained earnings		1,806,923	2,174,923*	1,875,032*
Total capital and reserves		10,379,893	9,786,003	8,711,798
Total liabilities and capital and reserves		**86,184,293**	**78,509,247**	**72,315,856**

The financial statements on pages 36 to 110 were approved for issue by the Board of Directors on March 27, 2014, and signed on its behalf by:

_______________ Director
M. A. McMorris

_______________ Director
R. K. Powell

Countersigned:

_______________ Corporate Secretary
K. Brown

* Restated. See note 39.
To be read in conjunction with the accompanying notes to the financial statements.

SOCIETY STATEMENTS OF FINANCIAL POSITION December 31, 2013

	Notes	2013 $'000	2012 $'000	2011 $'000
ASSETS				
Cash and cash equivalents	7	11,554,456	7,901,508	7,631,709
Investments - Jamaica Government securities	8	14,873,304	15,062,890	13,843,548
- Other	9	3,550,522	3,360,681	1,833,103
Resale agreements	10	9,703,894	9,001,983	6,629,121
Loans	11	27,190,355	26,684,989	27,557,142
Other assets	12	1,493,217	1,283,602	882,712
Employee benefit asset	14	1,770,300	1,457,900*	1,355,300*
Interest in subsidiaries	15	997,164	318,538	306,627
Interest in associates	16	659,200	659,200	659,200
Intangible assets	17	129,684	126,270	90,947
Investment properties	18	768,426	792,639	678,987
Property, plant and equipment	19	610,306	515,844	421,239
Total assets		**73,300,828**	**67,166,044**	**61,889,635**
LIABILITIES				
Savings fund:				
Shareholders' savings	20	53,629,095	49,155,685	44,571,170
Depositors' savings	21	1,137,538	1,076,365	770,696
		54,766,633	50,232,050	45,341,866
Due to specialised institution		8,435,382	7,995,418	7,992,319
		63,202,015	58,227,468	53,334,185
Income tax payable		113,710	10,256*	154,159*
Other liabilities	22	380,398	289,773	452,138
Loans payable	25	-	466,588	435,313
Deferred tax liabilities	13(b)	346,859	345,611*	317,082*
Employee benefit obligation	14	675,185	310,904*	417,426*
Total liabilities		**64,718,167**	**59,650,600**	**55,110,303**
CAPITAL AND RESERVES				
Permanent capital fund	26	6,445,465	5,241,518*	4,539,938*
Reserve fund	27(i)	747,435	613,664*	535,711*
Retained earnings reserve	27(ii)	103,987	562,004*	386,853*
Credit facility reserve	27(iv)	1,187,934	982,303	1,047,879
Investment revaluation reserve	27(v)	87,840	105,955	258,951
General reserve		10,000	10,000	10,000
Total capital and reserves		8,582,661	7,515,444	6,779,332
Total liabilities and capital and reserves		**73,300,828**	**67,166,044**	**61,889,635**

The financial statements on pages 36 to 110 were approved for issue by the Board of Directors on March 27, 2014, and signed on its behalf by:

_____________ Director
M. A. McMorris

_____________ Director
R. K. Powell

Countersigned:

_____________ Corporate Secretary
K. Brown

* Restated. See note 39.
To be read in conjunction with the accompanying notes to the financial statements.

INCOME STATEMENTS Year ended December 31, 2013

	Notes	Group 2013 $'000	Group 2012 $'000	Society 2013 $'000	Society 2012 $'000
Interest income	30	5,332,978	5,196,254	4,495,668	4,440,036
Interest expense	30	(1,809,524)	(1,853,933)	(1,356,987)	(1,434,115)
Net interest income		3,523,454	3,342,321	3,138,681	3,005,921
Fee and commission income	31	297,540	224,434	212,523	166,058
Fee and commission expenses	31	(64,934)	(50,886)	(64,933)	(50,886)
Net fee and commission income		232,606	173,548	147,590	115,172
Other operating revenue	32	985,656	740,171	1,454,972	622,026
Net interest income and other revenue		4,741,716	4,256,040	4,741,243	3,743,119
Personnel costs	33	(1,583,695)	(1,597,259)	(1,257,374)	(1,351,108)*
Depreciation and amortisation	17,18,19	(132,539)	(82,176)	(116,563)	(68,522)
Other operating expenses	34	(1,842,962)	(1,454,955)	(1,767,735)	(1,479,405)
		(3,559,196)	(3,134,390)	(3,141,672)	(2,899,035)*
Share of profits of associates		107,875	83,776	-	-
Surplus before income tax		1,290,395	1,205,426	1,599,571	844,084
Income tax charge	35	(324,569)	(196,978)	(274,678)	(130,127)
Surplus for the year, all attributable to members of the Society		965,826	1,008,448	1,324,893	713,957

To be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME Year ended December 31, 2013

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Surplus for the year	965,826	1,008,448	1,324,893	713,957
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Gain on fair value of pension asset and obligation	(250,591)	204,165	(237,191)	196,063
Deferred tax on pension asset/obligation	2,097	(23,614)	(2,370)	(20,912)
Items that maybe reclassified to profit or loss				
Foreign currency translation difference for foreign operations	9,023	62,611	-	-
Change in fair value of available-for-sale investments	(177,551)	(181,237)	(18,115)	(152,996)
Deferred income tax on available-for-sale investments	53,008	9,414	-	-
Other comprehensive income for the year, net of deferred income tax	(364,014)	71,339	(257,676)	22,155
Total comprehensive income for the year	601,812	1,079,787	1,067,217	736,112

To be read in conjunction with the accompanying notes to the financial statements.

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES Year ended December 31, 2013

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Capital reserve on consolidation $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Currency translation reserve $'000	Retained earnings $000	Total capital and reserves $000
Balances at December 31, 2011										
As previously reported	4,523,824	533,919	504,268	82	1,047,879	261,628	10,000	54,675	1,878,765	8,815,040
Prior year adjustment (note 40)	16,114	1,792	(117,415)	-	-	-	-	-	(3,733)	(103,242)
As restated	4,539,938	535,711	386,853	82	1,047,879	261,628	10,000	54,675	1,875,032	8,711,798
Total comprehensive income for the year										
Surplus for the year:										
As previously reported	-	-	-	-	-	-	-	-	997,648	997,648
Prior year adjustment	-	-	-	-	-	-	-	-	10,800	10,800
As restated	-	-	-	-	-	-	-	-	1,008,448	1,008,448
Other comprehensive income:										
As previously reported:										
Change in fair value of available-for-sale investments	-	-	-	-	-	(181,237)	-	-	-	(181,237)
Foreign currency translation difference on foreign subsidiaries balance	-	-	-	-	-	-	-	62,611	-	62,611
Deferred tax on available-for-sale investments	-	-	-	-	-	9,414	-	-	-	9,414
	-	-	-	-	-	(171,823)	-	62,611	-	(109,212)
Prior year adjustments	-	-	175,151	-	-	-	-	-	5,400	180,551
Other comprehensive income as restated	-	-	175,151	-	-	(171,823)	-	62,611	5,400	71,339
Total comprehensive income for the year as restated	-	-	175,151	-	-	(171,823)	-	62,611	1,013,848	1,079,787
Movements between reserves										
As previously reported:										
Credit facility reserve transfer	-	-	-	-	(65,576)	-	-	-	65,576	-
Other transfers [notes 26 and 27(i)]	692,040	76,893	-	-	-	-	-	-	(768,933)	-
	692,040	76,893	-	-	(65,576)	-	-	-	(703,357)	-
Prior year adjustment	9,540	1,060	-	-	-	-	-	-	(10,600)	-
Share of investment revaluation	-	-	-	-	-	(5,582)	-	-	-	(5,582)
As restated	701,580	77,953	-	-	(65,576)	(5,582)	-	-	(713,957)	(5,582)
Balances at December 31, 2012	5,241,518	613,664	562,004	82	982,303	84,223	10,000	117,286	2,174,923	9,786,003
Balances at December 31, 2012										
As previously reported	5,215,864	610,812	504,268	82	982,303	84,223	10,000	117,286	2,173,056	9,697,894
Prior year adjustment 2011	16,114	1,792	(117,415)	-	-	-	-	-	(3,733)	(103,242)
Prior year adjustment 2012	9,540	1,060	175,151	-	-	-	-	-	5,600	191,551
Total prior year adjustment (note 40)	25,654	2,852	57,736	-	-	-	-	-	7,867	88,309
As restated (carried forward)	5,241,518	613,664	562,004	82	982,303	84,223	10,000	117,286	2,174,923	9,786,003

To be read in conjunction with the accompanying notes to the financial statements.

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES Year ended December 31, 2013

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Capital reserve on consolidation $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Currency translation reserve $'000	Retained earnings $000	Total capital and reserves $000
Balances at December 31, 2012 (brought forward)	**5,241,518**	**613,664**	**562,004**	**82**	**982,303**	**84,223**	**10,000**	**117,286**	**2,174,923**	**9,786,003**
Total comprehensive income for the year										
Surplus for the year	-	-	-	-	-	-	-	-	965,826	965,826
Other comprehensive income:										
Change in fair value of available-for-sale investments	-	-	-	-	-	(177,551)	-	-	-	(177,551)
Foreign currency translation difference on foreign subsidiaries balances	-	-	-	-	-	-	-	9,023	-	9,023
Deferred tax on available-for-sale investments	-	-	-	-	-	53,008	-	-	-	53,008
Loss on re-measurement of employee benefit asset and obligation	-	-	(239,561)	-	-	-	-	-	(8,933)	(248,494)
Total other comprehensive income	-	-	(239,561)	-	-	(124,543)	-	9,023	(8,933)	(364,014)
Total comprehensive income for the year	-	-	(239,561)	-	-	(124,543)	-	9,023	956,893	601,812
Movements between reserves										
Credit facility reserve transfer	-	-	-	-	205,631	-	-	-	(205,631)	-
Other transfers [notes 26 and 27(i)]	1,203,947	133,771	(218,456)	-	-	-	-	-	(1,119,262)	-
Total movement between reserves	1,203,947	133,771	(218,456)	-	205,631	-	-	-	(1,324,893)	-
Share of investment revaluation reserve of associate	-	-	-	-	-	(7,922)	-	-	-	(7,922)
Balances at December 31, 2013	**6,445,465**	**747,435**	**103,987**	**82**	**1,187,934**	**(48,242)**	**10,000**	**126,309**	**1,806,923**	**10,379,893**

To be read in conjunction with the accompanying notes to the financial statements.

SOCIETY STATEMENT OF CHANGES IN CAPITAL AND RESERVES Year ended December 31, 2013

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $000	Total $000
Balances at December 31, 2011								
As previously reported	4,523,824	533,919	504,268	1,047,879	258,951	10,000	-	6,878,841
Prior year adjustment (note 40)	16,114	1,792	(117,415)	-	-	-	-	(99,509)
As restated	4,539,938	535,711	386,853	1,047,879	258,951	10,000	-	6,779,332
Total comprehensive income for the year								
Surplus for the year:								
As previously reported	-	-	-	-	-	-	703,357	703,357
Prior year adjustment	-	-	-	-	-	-	10,600	10,600
As restated	-	-	-	-	-	-	713,957	713,957
Other comprehensive income:								
As previously reported:								
Change in fair value of available-for-sale investments	-	-	-	-	(152,996)	-	-	(152,996)
Prior year adjustment	-	-	175,151	-	-	-	-	175,151
As restated	-	-	175,151	-	(152,996)	-	-	22,155
Total comprehensive income for the year	-	-	175,151	-	(152,996)	-	713,957	736,112
Movements between reserves								
As previously reported:								
Credit facility reserve transfer	-	-	-	(65,576)	-	-	65,576	-
Other transfers [notes 26 and 27(i)]	692,040	76,893	-	-	-	-	(768,933)	-
	692,040	76,893	-	(65,576)	-	-	(703,357)	-
Prior year adjustments	9,540	1,060	-	-	-	-	(10,600)	-
As restated	701,580	77,953	-	(65,576)	-	-	(713,957)	-
Balances at December 31, 2012	5,241,518	613,664	562,004	982,303	105,955	10,000	-	7,515,444
Balances at December 31, 2012								
As previously reported	5,215,864	610,812	504,268	982,303	105,955	10,000	-	7,429,202
Prior year adjustments 2011	16,114	1,792	(117,415)	-	-	-	-	(99,509)
Prior year adjustments 2012	9,540	1,060	175,151	-	-	-	-	185,751
Total prior year adjustment (note 40)	25,654	2,852	57,736	-	-	-	-	86,242
As restated (carried forward)	5,241,518	613,664	562,004	982,303	105,955	10,000	-	7,515,444

To be read in conjunction with the accompanying notes to the financial statements.

SOCIETY STATEMENT OF CHANGES IN CAPITAL AND RESERVES Year ended December 31, 2013

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $000	Total $000
Balances at December 31, 2012 (brought forward)	**5,241,518**	**613,664**	**562,004**	**982,303**	**105,955**	**10,000**	-	**7,515,444**
Total comprehensive income for the year								
Surplus for the year	-	-	-	-	-	-	1,324,893	1,324,893
Other comprehensive income:								
Change in fair value of available-for-sale investments	-	-	-	-	(18,115)	-	-	(18,115)
Loss on re-measurement of employee benefit asset and obligation	-	-	(239,561)	-	-	-	-	(239,561)
Total other comprehensive income	-	-	(239,561)	-	(18,115)	-	-	(257,676)
Total comprehensive income for the year	-	-	(239,561)	-	(18,115)	-	1,324,893	1,067,217
Movements between reserves								
Credit facility reserve transfer	-	-	-	205,631	-	-	(205,631)	-
Other transfers [notes 26 and 27(i)]	1,203,947	133,771	(218,456)	-	-	-	(1,119,262)	-
Total movement between reserves	1,203,947	133,771	(218,456)	205,631	-	-	(1,324,893)	-
Balances at December 31, 2013	**6,445,465**	**747,435**	**103,987**	**1,187,934**	**87,840**	**10,000**	-	**8,582,661**

To be read in conjunction with the accompanying notes to the financial statements.

GROUP STATEMENT OF CASH FLOWS Year ended December 31, 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Surplus for the year		965,826	1,008,448
Adjustments for:			
Depreciation	17,18,19	132,539	82,176
Employee benefit obligation		8,290	81,842
Interest income	30	(5,332,978)	(5,196,254)
Interest expense	30	1,809,524	1,853,933
Income tax expense	35	324,569	196,978
Fair value gain on pre existing shares	40	(116,293)	-
		(2,208,523)	(1,972,877)
Gain on disposal of property, plant and equipment		(26,275)	(9,146)
Share of profits of associates		(107,875)	(83,776)
Change in provision for loan losses		(97,626)	(35,532)
Insurance underwriting provisions		(73)	(69)
Unrealised exchange (losses)/gains on foreign currency balances		(142,770)	(54,377)
Loan advances, net of repayments		(438,795)	729,969
Change in other assets		204,093	(289,916)
Change in employee benefit assets		(192,400)	(89,301)
Net receipts from shareholders and depositors		5,302,988	4,770,175
Change in other liabilities		81,545	43,054
		2,374,289	3,008,204
Interest and dividends received		5,398,230	5,108,551
Interest paid		(1,840,022)	(1,845,718)
Income taxes paid		(289,645)	(341,170)
Net cash provided by operating activities		5,642,852	5,929,867
Cash flows from investing activities			
Government of Jamaica securities		(2,417,722)	(1,116,759)
Other investments		53,024	(1,748,450)
Resale agreements		(543,021)	(2,976,127)
Purchase of intangible asset	17(a)	(27,783)	(73,196)
Additions to investment properties	18	(80,447)	(5,695)
Purchase of property, plant and equipment	19	(210,229)	(147,274)
Proceeds of disposal of property, plant and equipment		137,671	65,451
Net cash outflow on business acquisition		(497,250)	-
Repurchase agreements		1,694,560	525,202
Net cash used by investing activities		(1,891,197)	(5,476,848)
Cash flows from financing activities			
Loans payable, net		(466,588)	31,275
Net increase in cash and cash equivalents for year		3,285,067	484,294
Cash and cash equivalents at beginning of year		8,301,182	7,727,753
Effect of exchange rate fluctuations on cash and cash equivalents		142,768	89,135
Cash and cash equivalents at end of year	7	11,729,017	8,301,182

To be read in conjunction with the accompanying notes to the financial statements.

SOCIETY STATEMENT OF CASH FLOWS — Year ended December 31, 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Surplus for the year		1,324,892	713,957
Adjustments for:			
Depreciation	17,18,19	116,563	68,522
Unrealized exchange (gains)/losses on foreign currency balances		(96,777)	(13,597)
Employee benefit obligation		7,090	76,240
Interest income	30	(4,495,668)	(4,440,036)
Interest expense	30	1,356,987	1,434,115
Income tax expense	35	274,678	130,127
		(1,512,234)	(2,030,672)
Gain on disposal of property, plant and equipment		(26,250)	(9,146)
Loss/(Gain) on sale of investments		279,168	(120,134)
Change in provision for loan losses		(97,626)	(35,532)
Loan advances, net of repayments		(406,126)	717,570
Interest in subsidiaries		-	
Change in other assets		(889,773)	(310,011)
Change in employee benefit assets		(192,400)	(89,300)
Net receipts from shareholders and depositors		4,970,102	4,873,423
Change in other liabilities		90,625	(162,364)
		2,215,486	2,833,834
Interest and dividends received		4,497,199	4,349,157
Interest paid		(1,385,111)	(1,430,680)
Income taxes paid		(174,364)	(266,414)
Net cash provided by operating activities		5,153,210	5,485,897
Cash flows from investing activities			
Government of Jamaica securities		(107,697)	(1,252,204)
Other investments		(189,841)	(1,527,578)
Resale agreements		(701,911)	(2,372,862)
Purchase of intangible asset	17(a)	(24,956)	(48,807)
Additions to investment properties	18	(80,447)	(5,695)
Purchase of property, plant and equipment	19	(195,630)	(134,087)
Proceeds of disposal of property, plant and equipment		137,057	65,450
Net cash used by investing activities		(1,163,425)	(5,275,783)
Cash flows from financing activities			
Loans payable, being cash provided by financing activities		(466,588)	30,979
Net increase in cash and cash equivalents for year		3,523,197	241,093
Cash and cash equivalents at beginning of year		7,901,508	7,631,709
Effect of exchange rate fluctuations on cash and cash equivalents		129,751	28,706
Cash and cash equivalents at end of year	7	11,554,456	7,901,508

To be read in conjunction with the accompanying notes to the financial statements.

1. IDENTIFICATION

(a) The Victoria Mutual Building Society ("the Society") is incorporated under the Building Societies Act and is domiciled in Jamaica. The registered office of the Society is located at 8-10 Duke Street, Kingston, Jamaica.

During the year, the principal activities of the Society and its subsidiaries [note 1(b)] comprised granting of home loans, accepting deposits, trading in foreign currencies, providing money transmission services, investing surplus funds, insurance premium financing, investment holding, stockbroking and securities trading, and real estate services.

(b) "Group" refers to the Society and its subsidiaries, as follows:

	Country of incorporation	Nature of Business	Percentage equity held by: The Society	Subsidiaries
Victoria Mutual Investments Limited and its wholly-owned subsidiary:	Jamaica	Insurance premium financing and investment holding	100	-
Victoria Mutual Wealth Management Limited	Jamaica	Stockbroking and securities trading	-	100
Victoria Mutual Properties Limited *and its wholly-owned subsidiaries:	Jamaica	Development and letting of real property	100	-
VMBS Realty Inc.*	Delaware, USA	Property holding and rental	-	100
Victoria Mutual (Property Services) Limited	Jamaica	Housing development and property management and sales	-	100
Victoria Mutual Finance Limited	United Kingdom	Provision of management services to the Society, money transfer and cheque cashing services	100	-
VMBS Money Transfer Services Limited	Jamaica	Management of the money transfer services of the Society	99	-
VMBS Overseas (UK) Limited	United Kingdom	Promotion of the business of the Society	100	-
VMBS Overseas (Canada) Inc*	Canada	Money transfer	100	-
Westin International Insurance Company Limited	The Cayman Islands	General insurance	100	-
Prime Pensions St. Lucia Limited**, and its wholly owned subsidiary:	St. Lucia	Holding Company	100	-
Prime Asset Management Limited	Jamaica	Pension management	100	-

* Inactive subsidiaries, which, except for VMBS Overseas (Canada) Inc., are the subject of an undertaking, given to Bank of Jamaica, for their winding up.

** To be wound up by December 31, 2015.

1. IDENTIFICATION (CONT'D)

(c) Interest in associated companies:

The Group has an interest in an associated company, viz:

	Country of incorporation	Nature of Business	held by: The Society	Associate
British Caribbean Insurance Company Limited	Jamaica	General insurance	31.5	-

(d) The Society is an authorised foreign currency dealer.

2. REGULATIONS AND LICENCE

The Society is licensed, and the financial statements as of and for the year ended December 31, 2013 are delivered, under the Building Societies Act and the Bank of Jamaica (Building Societies) Regulations, 1995 ("BOJ Regulations").

3. BASIS OF PREPARATION

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, except as set out in note 4(d)(i) where, in relation to the accrual of interest income on past-due loans, the Group has complied with the BOJ Regulations instead of with the requirements of IFRS.

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

Certain new, revised and amended standards and interpretations became effective for the current financial year. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards. The nature and effects of the changes are as follows:

(i) IFRS 10, *Consolidated Financial Statements*

IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Group has reassessed the control conclusion in respect of its investees as at January 1, 2013. This has, however, not resulted in any changes to the control conclusions previously determined.

(ii) IFRS 11, *Joint Arrangements*

Under IFRS 11, the Group classifies its interest in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the group has rights only to the net assets of an arrangement). When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole basis for classification. The Group has re-evaluated its involvement in its joint arrangements and has determined that no reclassification is required. The Group continues to apply the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations that became effective during the year (cont'd)

(iii) IFRS 13, *Fair Value Measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The Group has included additional disclosures as a consequence of adopting this standard [see note 29].

Although the standard resulted in the additional disclosures referred to above, it had no significant impact on the measurements of the Group's assets and liabilities.

(iv) IAS 19, *Employee Benefits*

As a result of the adoption of the 2011 amendments to IAS 19, Employee Benefits, the Group has changed its accounting policy with respect to the basis for determining the income or expense relating to its post-employment defined benefit plans.

As a consequence of the change, the Group now determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability at the beginning of the year. Net interest also takes into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Actuarial gains and losses are now recognised immediately in other comprehensive income. Previously, the Group recognised actuarial gains and losses using the corridor method, which required that any cumulative unrecognised gains or losses exceeding 10% of the present value of the benefit obligation were recognised in profit or loss over the expected average remaining working lives of the employees affected.

The change in policy has been applied retrospectively (see note 39).

(v) IAS 1, *Presentation of Financial Statements*

As a result of the amendments to IAS 1, items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that will never be reclassified to profit or loss. Also, the title of the statement has changed from 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

New, revised and amended standards and interpretations that are not yet effective

At the date of approval of these financial statements, certain new, revised and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early-adopted by the Group. The Group has assessed them with respect to its operations and has concluded that the following may be relevant:

(i) *IFRS 9, Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2017 (previously January 1, 2015), retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, Financial Instruments: Recognition and Measurement, on the recognition and de-recognition of financial assets and financial liabilities.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations that are not yet effective (cont'd)

(ii) *The amendment to IAS 32*, Financial Instruments: Presentation, which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) *IAS 36, Impairment of Assets,* was amended by the issue of Recoverable Amount Disclosures for Non-financial Assets, which is effective for accounting periods beginning on or after January 1, 2014. The amendment reverses the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

(iv) *Improvements to IFRS, 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:

- *IFRS 13, Fair Value Measurement*, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial

- *IAS 24, Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

The Group is assessing the impact that these improvements and the new standard will have on its 2015 financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale investments at fair value. In addition:

- the employee-benefit asset is recognised as plan assets, less the present value of the defined-benefit obligation, and is limited as explained in note 4(h); and

- the defined-benefit liability is the present value of the funded obligation.

3. BASIS OF PREPARATION (CONT'D)

(c) Functional and presentation currency:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Jamaica dollars ($), which is the functional currency of the Society. The financial statements of other entities included in the consolidated financial statements that have different functional currencies are translated into Jamaica dollars in the manner set out in note 4(n). Amounts are rounded to the nearest thousand.

(d) Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions, and critical judgements in applying accounting policies. These estimates, assumptions and judgements affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the revenue and expenses for the year then ended. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The significant assumptions about the future and key areas of estimation uncertainty, and the critical judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, are as follows:

(i) Key sources of estimation uncertainty:

(1) Pension and other post-employment benefits:

Determining employee benefit amounts to be included in the financial statements requires the actuaries to estimate the amount of future benefit that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. Making these estimates requires certain assumptions, including the discount rate, inflation rate, and future increases in medical claims, pensions and salaries, as more fully set out in notes 4(h) and 14. Management supplies the actuaries with some of the information, including some assumptions, used in estimating the employee benefit amounts. The possibility of significant differences between actual results and the assumptions used means that uncertainty is inherent in these estimates.

(2) Allowance for impairment losses on financial assets:

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the likely estimated future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

3. BASIS OF PREPARATION (CONT'D)

(d) Use of judgements and estimates (cont'd):

(i) Key sources of estimation uncertainty (cont'd):

(1) Pension and other post-employment benefits:

Determining employee benefit amounts to be included in the financial statements requires the actuaries to estimate the amount of future benefit that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. Making these estimates requires certain assumptions, including the discount rate, inflation rate, and future increases in medical claims, pensions and salaries, as more fully set out in notes 4(h) and 14. Management supplies the actuaries with some of the information, including some assumptions, used in estimating the employee benefit amounts. The possibility of significant differences between actual results and the assumptions used means that uncertainty is inherent in these estimates.

(2) Allowance for impairment losses on financial assets:

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the likely estimated future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

(3) Goodwill:

Goodwill is stated at cost, less any accumulated amortisation up to December 31, 2004, and impairment losses. Goodwill is not amortised but is tested annually for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(4) Residual values and useful lives of property, plant and equipment:

The residual values and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

(5) Income taxes

In the ordinary course of the Group's business, it undertakes transactions, and is subject to events, the tax effects of which are uncertain. In the face of such uncertainty, the Group makes estimates and judgements in determining the provision for income taxes.

3. BASIS OF PREPARATION (CONT'D)

(d) Use of judgements and estimates (cont'd):

(i) Key sources of estimation uncertainty (cont'd):

(5) Income taxes (cont'd)

The final tax outcome attributable to matters subject to such estimates and judgements may be materially different from that which was initially recognised. Any such difference will impact the current and deferred income tax provisions in the period in which such determination is made.

The potential additional income tax that may arise for the Group and the Society from judgements on certain matters included in these financial statements being exercised differently by the tax authorities from the way they were exercised by the Group's management is approximately $95,000,000 (2012: $95,000,000).

(6) Fair value of financial instruments

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.

The Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

When measuring fair value of an asset or liability, the Group uses observable data as far as possible. Fair values are categorized into different levels in a three-level fair value hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are observable in a market.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market-observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The techniques used to estimate fair values, together with the inputs used, are described in note 29. The use of assumptions and estimates means that the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction

3. BASIS OF PREPARATION (CONT'D)

(d) Use of judgements and estimates (cont'd):

(ii) Critical accounting judgements in applying the Group's accounting policies:

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the Group exercises judgement in carrying out such designation.

The following are relevant to these financial statements:

- In classifying financial assets as "held-for-trading", the Group has determined that they meet the description of trading assets set out in accounting policy 4(b).
- In designating financial assets as at fair value through profit or loss, the Group has determined that they have met the criteria for this designation set out in accounting policy 4(b).
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(b).

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

The Group's financial statements include the audited financial statements of the Society and its subsidiaries as at and for the year ended December 31, 2013, after eliminating intra-group amounts and the Group's interest in its associate. The investment in associate is accounted for using the equity method, and is initially recognised at cost; the cost of the investment includes transaction costs.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has power, exposure or rights to variable returns from its involvement with the entity, and ability to use its power to affect those returns.

Associated entities are those, other than a subsidiary or joint venture, over which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds at least 20% but not more than 50% of the voting power of another entity. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date significant influence commences until the date significant influence ceases.

(b) Financial instruments – Classification, recognition and de-recognition, and measurement:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Classification of financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables, held-to-maturity, at fair value through profit or loss and available-for-sale. Management determines the appropriate classification of investments at the time of purchase.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement: (cont'd):

(ii) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers not retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iii) Non-derivative financial assets – measurement

Loans and receivables: Securities acquired and loans granted with fixed or determinable payments and which are not quoted in an active market, are classified as loans and receivables. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity: Securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that is not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

Financial assets at fair value through profit or loss: Investments that the Group acquires for the purpose of selling or repurchasing in the near term, or that it holds as part of a portfolio that is managed together for short-term profit or position taking, or that it designates as such are classified as at fair value through profit or loss. On initial recognition they are measured at fair value, with directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, as well as any interest or dividend income, are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement (cont'd):

(iii) Non-derivative financial assets – measurement

Available-for-sale: Other investments are classified as available-for-sale. On initial recognition, they are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value, except for impairment losses, and, in the case of debt securities, foreign exchange gains and losses, being recognised in other comprehensive income and accumulated in fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(c) Financial instruments – Other:

(i) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits, including unrestricted balances held with the central bank. 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 rather than for investment or other purposes. (Highly liquid investments include deposits where the maturities do not exceed three months from the acquisition date).

Cash and cash equivalents are carried at amortised cost.

(ii) Resale and repurchase agreements:

Resale agreements are accounted for as short-term collateralised lending, and are classified as loans and receivables. On initial recognition they are measured at fair value. Subsequent to initial recognition they are carried at amortised cost.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retain either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. Repurchase agreements are accounted for as short-term collateralised borrowing, and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised as interest income and interest expense, respectively, over the life of each agreement using the effective interest method.

(iii) Derivatives

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, interest rates, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The company makes use of derivatives to manage its own exposure to foreign exchange risk. Derivatives held for risk management purposes are measured initially at fair value in the statement of financial position. Subsequent to initial recognition, derivatives are measured at fair value, and, if the derivative is not held for trading, and is not designated in a qualifying hedge relationship, changes in fair value are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments – Other (cont'd):

(iv) Other assets:

Other assets are stated at cost or amortised cost, less impairment losses.

(v) Loans payable:

Loans payable are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement on the effective interest basis.

(vi) Other liabilities:

Other liabilities are stated at cost or amortised cost.

(d) Revenue recognition:

(i) Interest income:

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method, except as described in the following paragraph. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the Bank of Jamaica Building Societies Regulations (1995) ("BOJ Regulations") stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, i.e., impaired, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments are expected to be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received. The Group has elected to comply with the BOJ Regulations. For the Group and the Society, had interest income been recognised on past-due loans in accordance with IFRS, the interest income for the year would not have been materially different from the amount included in these financial statements.

(ii) Commissions and other income:

Commission and other fee income, including account servicing fees, investment management fees, sales commissions, and placement fees, are recognised as the related services are performed. When a loan commitment fee is not expected to result in the draw-down of a loan, it is recognised on the straight-line basis over the commitment period.

(e) Interest expense:

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount.

(f) Fee and commission expenses:

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Income tax:

Income tax on the results for the year comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted, or substantively enacted, as of the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised for:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

(h) Employee benefits:

Employee benefits comprise all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing; post-employments benefits, such as pensions and medical care; other long-term employee benefits, such as long service awards; and termination benefits.

(i) General benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as the related service is provided. The expected cost of vacation leave that accumulates is recognised over the period that the employee becomes entitled to the leave. Post employment benefits are accounted for as described in paragraphs (ii), (iii) and (iv) below. Other long-term benefits, including termination benefits, which arise when either: (1) the employer decides to terminate an employee's employment before the normal retirement date, or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned during service and charged as an expense, unless not considered material, in which case they are charged when they fall due for actual payment.

The Group has established a defined-contribution pension plan and a defined-benefit pension plan to provide post-employment pensions (see note 14).

(ii) Defined-contribution pension plan:

This plan is closed to new members and no further contributions are being made.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits (cont'd):

(iii) Defined-benefit pension plan:

The defined-benefit plan provides benefits for retired employees of Group entities. However, while in the financial statements of the Society the plan is accounted for as a defined-benefit plan, as described below, in the financial statements of the individual participating subsidiaries, the plan is accounted for as a defined-contribution plan, that is, pension contributions by the subsidiary, as recommended by the actuary, are expensed as they become due. The reasons for this are that (1) although the plan exposes the participating subsidiaries to actuarial risks associated with current and former employees of Group entities, there is no stated policy for charging the net defined benefit cost among Group entities, and (2) all residual interest in the plan belongs to the Society.

In respect of defined-benefit arrangements, the employee benefit and obligation included in the financial statements are determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Society's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Group's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the Group's obligations. In the absence of such instruments in Jamaica, the rate is estimated by extrapolating from the longest tenor security on the market. The calculation is performed by the Group's independent qualified actuary using the Projected Unit Credit Method.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains ad losses on the settlement of its defined benefit plan when the settlement occurs.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest income on the net defined benefit asset for the year by applying the discount rate use to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the calculation results in a potential asset to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(iv) Other post-employment benefits:

The Group provides post-employment medical and other benefits. The obligations with respect to these benefits are calculated on a basis similar to that for the defined-benefit pension plan.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Interest in subsidiaries:

Interest in subsidiaries is stated at cost, less impairment losses.

(j) Intangible assets:

(i) Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Computer software:

Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These assets are stated at cost, less accumulated amortisation and, if any, impairment losses. The assets are amortised using the straight-line method over their expected useful lives, estimated at five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(k) Investment properties:

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are stated at cost, less accumulated depreciation and impairment losses. Each year's lease income from investment property is accounted for on the straight-line basis over the year.

(l) Property, plant and equipment and depreciation:

(i) Owned assets:

(a) Recognition and measurement:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(b) Subsequent costs:

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised as expenses, as incurred.

(ii) Depreciation:

Property, plant and equipment, with certain exceptions, are depreciated on the straight-line method at annual rates estimated to write off depreciable amounts over the assets' expected useful lives. The exceptions are freehold land, on which no depreciation is provided, and equipment on lease and leasehold improvements, which are amortised over the shorter of their useful lives and the lease terms.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Property, plant and equipment and depreciation (cont'd):

(ii) Depreciation:

The depreciation rates are as follows:-

Buildings	2.5%
Office furniture and equipment	10 - 30%
Motor vehicles	20% - 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(m) Identification and measurement of impairment:

(i) Non-derivative financial assets

At each financial year end, the Group assesses whether there is objective evidence that financial assets, other than those carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets are impaired includes the following:

(1) Default or delinquency by a debtor
(2) Restructuring of an amount due to the Group on terms that the Group would not otherwise consider
(3) Indications that a debtor or issue will enter bankruptcy
(4) Adverse changes in the payment status of borrowers or issuers
(5) The disappearance of an active market for a security
(6) Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of twelve months to be prolonged.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both an individual and a collective level. All individually significant financial assets are individually assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Financial assets that are not individually significant are collectively assessed for impairment. Collective assessment is done by grouping together financial assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than that suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there is no realistic prospect of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(m) Identification and measurement of impairment (cont'd):

(i) Non-derivative financial assets (cont'd)

Differential impacts of IFRS and Regulatory requirements

General provisions for loans are established against the portfolio where a prudent assessment by the Group of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained at the minimum 0.5% of the portfolio for residential mortgages and 1% for all other loans, being the rates established by the regulator, Bank of Jamaica.

As set out above, IFRS permits only specific loan loss provisions, based on impairment of individual loans and/or impairment of a portfolio of loans with similar risk characteristics, and requires that the future cash flows of impaired loans be discounted and, thereafter, the increase in the present value be reported as interest income. The loan loss provision required under the Bank of Jamaica Building Societies Regulations (1995) which is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable reserve, called the "credit facility reserve" [note 27(iv)].

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise it is reversed through other comprehensive income.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets (other than deferred tax) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Identification and measurement of impairment (cont'd):

(ii) Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Foreign currencies:

(i) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income ("OCI").

(ii) Foreign subsidiaries

For the purpose of consolidating the financial statements of subsidiaries operating outside of Jamaica, assets and liabilities are translated at the closing rates and income and expenses at exchange rates at the dates of the transactions (approximated by the average rates for the year). Translation differences are recognised in other comprehensive income and included in the currency translation reserve.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the currency translation reserve.

5. FINANCIAL RISK MANAGEMENT

Introduction and overview

The disclosures provided in this note are based on the Group's investment portfolio as at December 31, 2013.

The Group's activities are principally related to the use of financial instruments. The Group, therefore, has exposure to the following risks from the use of financial instruments in the ordinary course of business and from its operations:

- credit risk
- market risk
- liquidity risk
- operational risk

Notes 5(a) to (d) present information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors of the Society has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the following three committees for risk management purposes:

(i) Risk Management Committee
(ii) Finance, Investment & Loan Committee ("Finance Committee"),
(iii) Audit Committee

These committees are responsible for developing and monitoring risk management policies in their specified areas. All Board committees are comprised of non-executive members and report to the Society's Board of Directors on their activities.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There are, in addition, an Asset and Liability Committee (ALCO) and a Credit Committee, comprising members of executive management. ALCO reports to the Risk Management Committee as well as to the Finance Committee of the Board and has responsibility to monitor the liquidity, interest rate and foreign exchange risks of the Group. The Credit Committee reports to the Finance Committee and has responsibility to monitor the credit risk of the Society.

The Society and Victoria Mutual Wealth Management Limited have audit committees. The Society's Audit Committee is responsible for monitoring the Group's compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committees are assisted in these functions by Group Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

The main risks to which the Group is exposed are managed as follows:

(a) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers in lending activities, investing and stock-broking, and in deposits with other financial institutions. Balances arising from these activities include mainly loans and other receivables, investment securities, resale agreements, cash and cash equivalents and accounts receivable.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd):

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers in lending activities, investing and stock-broking, and in deposits with other financial institutions. Balances arising from these activities include mainly loans and other receivables, investment securities, resale agreements, cash and cash equivalents and accounts receivable.

(i) Exposure to credit risk:

The maximum credit exposure, that is, the amount of loss that would be suffered if every counter-party to the Group's financial assets were to default at once, is represented as follows:

(1) For financial assets recognised at the reporting date:

The carrying amount of financial assets shown on the statement of financial position.

(2) For financial assets not recognised at the reporting date:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Loan commitments	1,138,274	637,886	1,138,274	637,886

(ii) Management of credit risk attaching to key financial assets

The way in which management manages the credit risk exposure attaching to its financial assets is described in notes (1) to (5) following:

(1) Loans receivable:

The management of credit risk in respect of loans receivable is delegated to the Society's Finance Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

Quality of loans receivable

The credit quality of loans is assessed by reference to the extent to which loans are current or past due, and by the extent of impairment.

Definition of impaired loans

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd):

(ii) Management of credit risk attaching to key financial assets (cont'd)

(1) Loans receivable (cont'd):

The following tables summarise the quality of loans receivable:

Past due but not impaired loans:

These are loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

	Group and Society	
	2013	2012
	$'000	$'000
Past due but not impaired loans	5,850,211	6,446,342
Aging analysis of past due but not impaired loans		
Under 3 months	4,497,229	4,877,054
3 months – 6 months	506,831	689,787
Over 6 months – 12 months	378,009	493,585
Over 12 months	468,142	385,916
Total carrying amount	5,850,211	6,446,342

Past due and impaired loans:

These are loans where contractual interest or principal payments are past due and the Group believes that impairment is appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

	Group and Society	
	2013	2012
	$'000	$'000
Past due and impaired loans	337,050	569,307
Aging analysis of past due and impaired loans		
3 months – 6 months	22,095	132,828
Over 6 months – 12 months	26,549	61,011
Over 12 months	288,406	375,468
Total carrying amount	337,050	569,307

Loans with renegotiated terms:

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. The main restructuring activities for 2009 to 2013 were granting moratoria and rescheduling repayments. At December 31, 2013, the outstanding principal balances on loans that were restructured amounted to $761,691,402 (2012: $513,211,351).

5. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(a) **Credit risk (cont'd):**

(ii) **Management of credit risk attaching to key financial assets (cont'd)**

(1) Loans receivable (cont'd):

Allowances for impairment:

The Group has established an allowance for impairment losses that represents its estimat incurred losses in its loan portfolio in the manner described in note 4(m)(i). Information impairment charge is provided in note 11(b).

Write-off policy:

The Group writes off a loan (and any related allowances for impairment losses) when it determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral:

Collateral held in respect of loans is in the form of mortgages over property, liens over m vehicles and hypothecation of deposits held. The fair value of collateral that the Group h for loans past due was $19,438,669,000 (2012: $21,056,104,000). For details refer to no 5(a)(iii) below.

Foreclosure:

During the current and previous years, the Group acquired real properties by way of foreclosure. At the reporting date the carrying amount of these assets was $403,974,935 (2012: $456,959,000). The Group's policy is, in accordance with regulatory requirement pursue realisation of the collateral in a timely manner, that is, it intends to dispose of these properties within three years of acquisition. No financial or other assets (other than real property mentioned herein) were obtained during the year by taking possession of collateral.

(2) Cash and cash equivalents:

These are held with regulated financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

(3) Investment securities:

There is a significant concentration in securities issued or guaranteed by Government of Jamaica. The Group manages the level of risk it undertakes by investing substantially in short-term investments which are Government of Jamaica securities, and subsequently monitoring the financial condition and performance of the debtors/issuers.

No investment securities were considered impaired at the reporting date.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd):

(ii) Management of credit risk attaching to key financial assets (cont'd)

(4) Resale agreements and certificates of deposit:

Collateral is held for all resale agreements other than those acquired from Bank of Jamaica, as set out in note 5(a)(iii) below.

(5) Accounts receivable:

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet repayment obligations and by changing these lending limits where appropriate.

(iii) Collateral and other credit enhancements held against financial assets

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Estimates of fair value of such collateral are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the current and previous reporting dates.

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

	The Group				The Society			
	Loans and advances		Resale agreements		Loans and advances		Resale agreements	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:								
Property	55,266,894	51,476,454	-	-	55,266,894	51,476,454	-	-
Debt securities	-	-	12,563,903	12,156,692		-	10,343,713	10,074,210
Liens on motor vehicles	21,930	578	-	-	21,930	578	-	-
Hypothecation of deposits	32,324	230,871	-	-	32,324	230,871	-	-
Subtotal	55,321,148	51,707,903	12,563,903	12,156,692	55,321,148	51,707,903	10,343,713	10,074,210
Against past due but not impaired finanical assets:								
Property	18,777,708	20,262,575	-	-	18,777,708	20,262,575	-	-
Hypothecation of deposits	-	88,263	-	-	-	88,263	-	-
Subtotal	18,779,208	20,363,838	-	-	18,777,708	20,363,838	-	-
Against past due and impaired financial assets:								
Property	660,961	780,529	-	-	660,961	793,529	-	-
Total	74,759,817	72,865,270	12,563,903	12,156,692	74,759,817	72,865,270	10,343,713	10,074,210

There was no change in the types of exposures to credit risk to which the Group is subject or its approach to measuring and managing this risk during the year.

(b) Market risks:

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 exchange rates, credit spreads and equity prices and will affect the Group'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 returns.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

Management of market risks

The Group separates its exposure to market risks between trading and non-trading portfolios. The market risks from trading activities are concentrated in the securities dealing subsidiary, Victoria Mutual Wealth Management Limited, and are monitored by ALCO. ALCO monitors the price movement of securities on both the local and international markets. Market risks are managed through risk limits approved by the Board of Directors of Victoria Mutual Wealth Management Limited.

The principal risk to which non-trading portfolios are exposed 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. Interest rate risk and the other market risks associated with the non-trading portfolio are monitored by ALCO as well, and managed in the following way:

(i) Interest rate risk:

Interest rate risk is the potential for economic loss due to future interest rate changes. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustment 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 following table summarises the carrying amounts of financial assets and liabilities in the statement of financial position to arrive at the Group's interest rate gap based on the earlier of contractual re-pricing and maturity dates.

The Group manages the risk by monitoring the savings fund, taking steps to ensure its stability, monitoring lending activity, and by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings, facilitating home ownership, and carefully managing interest margins.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd):

A summary of the interest rate gap at the reporting date, using historical data as a basis, is as follows:

	Group					
	2013					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6,668,754	2,695,355	1,258,542	132,468	973,898	11,729,017
Investments	-	5,582,363	132,480	5,497,734	18,459,727	29,672,304
Resale agreements	1,627,392	2,994,222	6,301,132	68,950	-	10,991,696
Loans	-	27,169,852	-	-	-	27,169,852
Other assets	-	15,440	-	-	1,774,775	1,789,615
Total financial assets	8,296,146	38,457,231	7,692,154	5,699,152	21,207,800	81,352,484
Savings fund	-	44,578,778	8,984,477	946,521	-	54,509,776
Due to specialised institution	-	1,713,918	6,332	6,715,132	-	8,435,382
Other liabilities	-	-	-	-	595,117	595,117
Repurchase agreements	-	8,036,694	3,039,549	-	-	11,076,243
Total financial liabilities	-	54,329,390	12,030,358	7,661,653	595,117	74,616,518
Total interest rate sensitivity gap *	8,296,146	(15,872,158)	(4,338,204)	(1,962,501)	20,612,683	6,735,966
Cumulative gap	8,296,146	(7,576,012)	(11,914,216)	(13,876,717)	6,735,966	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd):

	Group					
	2012					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,070,425	2,724,632	1,681,939	192,836	631,350	8,301,182
Investments	612,741	17,891,859	5,334,876	3,461,661	143,082	27,444,219
Resale agreements	322,092	4,328,431	5,798,152	-	-	10,448,675
Loans	-	26,667,330	-	-	-	26,667,330
Other assets	-	367	-	-	1,969,951	1,970,318
Total financial assets	4,005,258	51,612,619	12,814,967	3,654,497	2,744,383	74,831,724
Due to specialised institutions	-	1,713,918	6,330	6,715,134	-	8,435,382
Savings fund	-	42,044,634	6,047,376	9,578,284	-	57,670,294
Other liabilities	32,588	-	-	-	469,143	501,731
Repurchase agreements		7,008,101	2,375,956	-	-	9,384,057
Loans payable	3,769	-	462,819	-	-	466,588
Total financial liabilities	36,357	49,052,735	8,886,151	9,578,284	469,143	68,022,670
Total interest rate sensitivity gap *	3,968,901	2,559,884	3,928,816	(5,923,787)	2,275,240	6,809,054
Cumulative gap	3,968,901	6,528,785	10,457,601	4,533,814	6,809,054	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd):

	Society 2013					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	6,633,900	2,686,872	1,258,542	132,468	842,674	11,554,456
Investments	-	12,898,081	5,029,300	285,634	210,811	18,423,826
Resale agreements	2,350,716	1,048,413	6,235,815	68,950	-	9,703,894
Loans	-	27,190,355	-	-	-	27,190,355
Other assets	-	-	-	-	1,493,217	1,493,217
Total financial assets	8,984,616	43,823,721	12,523,657	487,052	2,546,702	68,365,748
Savings fund	-	44,835,635	8,984,477	946,521	-	54,766,633
Due to specialised institutions	-	1,713,918	6,330	6,715,134	-	8,435,382
Other liabilities	-	-	-	-	380,398	380,398
Total financial liabilities	-	46,549,553	8,990,807	7,661,655	380,398	63,582,413
Total interest rate sensitivity gap *	8,984,616	(2,725,832)	3,532,850	(7,174,603)	2,166,304	4,783,335
Cumulative gap	8,984,616	6,258,784	9,791,634	2,617,031	4,783,335	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd):

	Society					
	2012					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	2,690,621	2,724,632	1,681,939	192,836	611,480	7,901,508
Investments	612,742	12,282,120	5,409,876	-	118,833	18,423,571
Resale agreements	1,057,333	2,424,189	5,520,461	-	-	9,001,983
Loans	-	26,684,989	-	-	-	26,684,989
Other assets	-	-	-	-	1,283,602	1,283,602
Total financial assets	4,360,696	44,115,930	12,612,276	192,836	2,013,915	63,295,653
Savings fund	-	42,601,809	6,047,376	9,578,283	-	58,227,468
Other liabilities	-	-	-	-	289,773	289,773
Loans payable	3,769	-	462,819	-	-	466,588
Total financial liabilities	3,769	42,601,809	6,510,195	9,578,283	289,773	58,983,829
Total interest rate sensitivity gap *	4,356,927	1,514,121	6,102,081	(9,385,447)	1,724,142	4,311,824
Cumulative gap	4,356,927	5,871,048	11,973,129	2,587,682	4,311,824	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd):

Sensitivity to interest rate movements

The following table shows the effect on profit and reserves of a reasonably possible change in interest rates of the amount indicated. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

	Group		Society	
	$'000 Increase	$'000 (Decrease)	$'000 Increase	$'000 (Decrease)
	2013			
Jamaica dollar	400 bps	100 bps	250 bps	100 bps
Foreign currency	250 bps	50 bps	200 bps	50 bps
Effect on profit or loss	103,373	(56,459)	194,768	(77,907)
Effect on reserves	(755,427)	313,704	387,233	(192,800)
	2012			
Jamaica dollar	400 bps	100 bps	400 bps	100 bps
Foreign currency	250 bps	50 bps	250 bps	50 bps
Effect on profit or loss	357,061	(85,716)	311,708	(77,927)
Effect on reserves	660,926	(154,991)	307,548	(78,489)

(ii) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations in respect of transactions and balances that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the United States dollar, Canadian dollar, Euro and the British pound.

The Group manages this risk by ensuring that the net exposure is kept to an acceptable level through matching foreign currency assets and liabilities as far as practicable. At the reporting date, the net exposure in nominal currencies was as follows:

	Group					
	2013			2012		
	US$ $'000	£ $'000	CDN$ $000	US$ $'000	£ $'000	CDN$ $'000
Foreign currency assets	186,771	59,257	7,426	204,870	58,750	6,853
Foreign currency liabilities	(179,836)	(58,771)	(7,284)	(198,862)	(58,077)	(6,495)
Net foreign currency assets	6,935	486	142	6,008	673	358

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(ii) Foreign currency risk (cont'd):

	Society					
	2013			2012		
	US$ $'000	£ $'000	CDN$ $'000	US$ $'000	£ $'000	CDN$ $'000
Foreign currency assets	121,735	59,341	7,425	151,008	58,795	6,852
Foreign currency liabilities	(113,532)	(58,933)	(7,284)	(145,983)	(58,349)	(6,495)
Net foreign currency assets	8,203	408	141	5,025	446	357

Sensitivity to foreign exchange rate movements

A one percent (1%) [2012: one percent (1%)] strengthening of the Jamaica dollar against the following currencies at December 31, 2013 would have decreased profit by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
United States	(7,355)	(5,561)	(8,699)	(4,705)
Pounds Sterling	(849)	(1,012)	(713)	(659)
Canadian Dollar	(141)	(330)	(140)	(332)
	(8,345)	(6,903)	(9,552)	(5,696)

A fifteen percent (15%) [2012: ten percent (10%)] weakening of the Jamaica dollar against the following currencies at December 31, 2013 would have increased profit by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2012.

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
United States	110,324	55,609	130,492	47,048
Pounds Sterling	12,741	10,116	10,692	6,591
Canadian Dollar	2,114	3,303	2,101	3,322
	125,179	69,028	143,285	56,961

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns.

The equity securities which the Group holds are listed on the Jamaica Stock Exchange. An increase or decrease of 10% (2012: 20%) in share prices would result in an increase or an equal decrease, respectively, in reserves of \$24,341,101 (2012: \$13,471,265) for the Group and \$20,216,064 (2012: \$11,046,237) for the Society.

There was no change during the year in the nature of the market risks to which the Group is exposed or the way in which it measures and manages these risks.

(c) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

The management of the Group ensures that sufficient funds are held in short-term marketa ble instruments to meet its liabilities when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The daily liquidity position is monitored by reports covering the position of the Group. All liquidity policies and procedures are subject to review and approval by the Board.

The Society and Victoria Mutual Wealth Management Limited are subject to externally imposed liquidity ratios. These ratios are taken into account by management in their measurement and management of liquidity risk.

(i) The key measure used by the Group for managing liquidity risk of the Society is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets include cash and cash equivalents and investment in debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. This calculation is used to measure the Society's compliance with the liquidity limit established by Bank of Jamaica.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd):

	Ratio of net liquid assets to deposits from customers 2013	2012
Regulator's minimum requirement	5.00%	5.00%
Actuals:		
As at December 31	12.86%	14.23%
Average for the year	13.66%	7.97%
Highest % attained for the year	15.17%	14.90%
Lowest % attained for the year	12.67%	4.29%

(ii) The stockbroking subsidiary, Victoria Mutual Wealth Management Limited, manages liquidity risk by keeping a pre-determined portion of its financial assets in liquid form. The key measure used for monitoring liquidity risk is the ninety day liquidity gap ratio. The numerator is calculated by subtracting the total assets maturing within ninety days from the total liabilities which fall due in ninety days. The denominator is total liabilities. The ninety day liquidity gap ratio at the end of the year was 74.37% (2012: 65.38%). The ratio stipulated by the regulator is 25% (2012: 25%).

The following table presents the contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	Group						
	Within One month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
				2013			
Due to savers	93,442	43,623,683	9,829,555	5,493,167	-	59,039,847	54,509,776
Due to specialised institution	-	1,726,016	6,531	338,214	6,702,442	8,773,203	8,435,382
Repurchase agreements	-	8,311,199	3,067,224	-	-	11,378,423	11,076,243
Other liabilities	4,918	441,790	148,409	-	-	595,117	595,117
				2012			
Due to savers	44,331	41,781,863	6,748,508	5,920,649	-	54,495,351	49,674,876
Due to specialised inst	-	975,926	777	57,626	7,275,645	8,309,974	7,995,418
Repurchase agreements	-	6,975,852	2,474,451	-	-	9,450,303	9,384,057
Loans payable	26,007	-	466,848	-	-	492,855	466,588
Other liabilities	29,583	228,734	243,414	-	-	501,731	501,731

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd):

	Society						
	Within One month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
				2013			
Due to savers	93,441	43,880,540	9,829,555	5,493,167	-	59,296,703	54,766,633
Due to specialised institution	-	1,726,016	6,531	338,214	6,702,442	8,773,203	8,435,382
Other liabilities	-	380,398	-	-	-	380,398	380,398
				2012			
Due to savers	44,330	42,757,789	6,749,285	13,253,920	-	62,805,324	50,232,050
Due to specialised institution	-	975,926	777	57,626	7,275,645	8,309,974	7,995,418
Loans payable	-	-	466,588	-	-	466,588	466,588
Other liabilities	-	289,773	-	-	-	289,773	289,773

There was no change to the Group's approach to managing liquidity risk during the year.

(d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to senior management. This responsibility is supported by overall Group standards for the management of operational risk in the following areas:

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management of the Group and the Audit Committee.

6. CAPITAL MANAGEMENT

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of capital adequacy ratios and the possible suspension or loss of one or more licenses. The Group's objectives when managing capital, which is a broader concept than the "capital" mentioned on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

(a) The Financial Services Commission monitors compliance with the capital requirements established for entities involved in non-deposit taking financial services. The Regulations require that Victoria Mutual Wealth Management Limited.

The subsidiary's regulatory capital position as at the reporting date was as follows:

	2013 $'000	2012 $'000
Tier 1 Capital		
Ordinary share capital	115,000	115,000
Retained earnings	909,622	765,848
Current year-to- date profit	46,526	143,507
	1,071,148	1,024,355
Less: Revaluation reserves	(143,226)	(37,210)
Total Tier 1 Capital	927,922	987,145
Tier 2 Capital		
Preference shares	42,667	50,000
Total qualifying capital	970,589	1,037,145
Risk weighted assets		
Deposits & other amounts due from local banks	16,253	88,496
Equity investments	35,901	24,250
Property, plant and equipment	36,787	43,560
Other assets	5,905,388	4,050,578
Foreign exchange exposure	145,709	82,429
	6,140,038	4,289,313
Capital ratios:		
Total regulatory qualifying capital expressed as a percentage of total risk weighted assets	15.83%	24.18%
Total Tier 1 Capital expressed as a percentage of total risk weighted assets	15.01%	23.01%
Required ratio	10.00%	10.00%

6. CAPITAL MANAGEMENT (CONT'D)

(b) Bank of Jamaica requires that building societies maintain a minimum of 10% (2012: 10%) of their risk weighted assets in capital.

	Society	
	2013	2012
	$'000	$'000
Capital base (note 28)	8,752,544	7,883,829
Qualifying capital	7,361,398	7,055,228
On balance sheet risk weighted assets	34,282,611	32,227,494
Off balance sheet risk weighted assets – Loan commitments	1,138,275	3,455,380
Foreign exchange exposure	1,897,795	825,030
Total risk assessed assets	37,318,681	36,507,904
Risk based capital adequacy ratio	19.73%	19.33%
Regulatory requirement	10.00%	10.00%

7. CASH AND CASH EQUIVALENTS

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash in hand and at banks and other financial institutions	2,250,957	2,912,134	2,076,396	2,512,461
Statutory reserves held at Bank of Jamaica	610,619	553,769	610,619	553,769
Term deposits at banks	8,867,441	4,835,279	8,867,441	4,835,278
	11,729,017	8,301,182	11,554,456	7,901,508

Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves. They are not available for use by the Society in the ordinary course of business. The amounts are determined by the percentage of specified liabilities stipulated by Bank of Jamaica (see note 2). For the rate to remain at no more than one percent of specified liabilities, as defined, the Society must have qualifying assets of a stipulated percentage of the specified liabilities, currently 40% (2012: 40%).

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These are securities issued or guaranteed by Government of Jamaica and comprise the following

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Held-to-maturity securities:				
Securities denominated in United States dollars:				
Bonds	-	477,966	-	-
Available-for-sale securities:				
Securities denominated in United States dollars:				
Bonds	7,830,559	4,956,122	2,438,787	2,076,667
Securities denominated in Jamaica dollars:				
Bonds	9,256,929	9,784,559	9,241,285	9,784,559
Certificates of deposit	5,734,437	5,322,234	-	-
	14,991,366	15,106,793	9,241,285	9,784,559
	22,821,925	20,062,915	11,680,072	11,861,226
Fair value through profit or loss:				
Securities denominated in Jamaica dollar:				
Derivative - Put option	260,125	-	260,125	-
Loans and receivables:				
Securities denominated in United States dollars:				
Bonds	2,972,001	2,581,972	2,933,107	2,547,930
Securities denominated in Jamaica dollars:				
Certificates of deposit	-	653,734	-	653,734
	2,972,001	3,235,706	2,933,107	3,201,664
	26,054,051	23,776,587	14,873,304	15,062,890

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

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within 3 months	1,302,206	1,374,669	919,292	1,223,982
From 3 months to 1 year	106,381	3,919,108	-	3,637,565
From 1 year to 5 years	5,929,393	7,919,730	2,830,561	3,922,321
Thereafter	18,716,071	10,563,080	11,123,451	6,279,022
	26,054,051	23,776,587	14,873,304	15,062,890

Certain Government of Jamaica securities are pledged by a subsidiary as collateral for repurchase agreements (note 23).

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

Reclassification of financial assets

As at October 1, 2008, the Group reclassified certain investment securities, previously classified as available-for-sale, to loans and receivables, in accordance with paragraph 50(E) of IAS 39. The standard requires that the reclassification be made at the fair value of the assets at the date of the reclassification.

	Group			
	2013		2012	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
US$ denominated GOJ Global bonds	143,621	141,070	125,978	130,413
	Society			
US$ denominated GOJ Global bonds	104,726	102,558	91,935	94,970

(a) Fair value gain/(losses) of $2,157,356 (2012: 1,901,764) for the Group and $2,167,956 (2012: 3,034,764) for the Society, excluding deferred taxation, would have been included in reserves for the year had the investments not been reclassified as loans and receivables. This amount was estimated on the basis of the bid-price of the securities as at December 31, 2013. Management believes that this price is indicative of the active market for the securities at that date.

(b) The annual weighted average effective interest rate on the investment securities at the date of reclassification was 9.76% for US$ denominated securities and 10.50% for EURO denominated securities, for the Group, and 11.625% for US$ denominated securities for the Society. The undiscounted cash flows to be recovered from the investment securities reclassified are $189,274,517 (2012: $176,446,440) for the Group and $160,234,517 (2013: $148,039,440) for the Society.

9. INVESTMENTS – OTHER

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Loans and receivables:				
Bank deposits	26,481	282,701	-	-
Bonds	2,931,747	2,953,884	2,931,747	2,953,884
Held to maturity securities:				
Bonds	90,750	98,150	90,750	98,150
Available-for-sale:				
Bonds	317,216	189,815	317,216	189,815
Ordinary shares - quoted	243,411	134,712	202,161	110,462
Ordinary shares - unquoted	39	39	39	39
Units in unit trusts	8,609	8,331	8,609	8,331
	3,618,253	3,667,632	3,550,522	3,360,681

Bank deposits include certificates of deposit issued by Bank of Jamaica.

9. INVESTMENTS – OTHER (CONT'D)

Other investments mature, in relation to the reporting date, as follows:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
No maturity	246,710	143,083	210,809	118,833
Within 3 months	26,481	272,623	-	-
From 3 months to 1 year	5,349	10,078	-	-
From 1 year to 5 years	1,216,358	1,011,417	1,216,358	1,011,417
Thereafter	2,123,355	2,230,431	2,123,355	2,230,431
	3,618,253	3,667,632	3,550,522	3,360,681

10. RESALE AGREEMENTS

Government and corporate securities are purchased under agreements to resell them on a specified date and at a specified price before their maturity ('resale agreements').

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	5,492,573	3,403,723	5,756,488	3,991,964
Denominated in Sterling	1,251,486	952,569	1,251,486	952,569
Denominated in United States dollars	4,247,637	6,092,383	2,695,920	4,057,450
	10,991,696	10,448,675	9,703,894	9,001,983

Under resale agreements, the securities obtained as collateral may themselves be sold under repurchase agreements (see note 23). At December 31, 2013, securities with such permission that the Group and the Society held had a fair value of $12,563,903,738 (2012: $12,156,692,000) and $10,343,712,549 (2012: $10,074,210,696), respectively.

11. LOANS

(a) Composition of loans:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Conventional mortgage loans	26,094,367	25,128,547	26,094,367	25,128,547
Mortgage escrow (see below)	271,159	669,339	271,159	669,339
Allowance for impairment	(193,816)	(291,442)	(193,816)	(291,442)
Net conventional mortgage loans	26,171,710	25,506,444	26,171,710	25,506,444
Share loans	893,255	850,142	893,255	850,142
Commercial loans	31,051	230,902	51,554	248,561
Staff loans	73,836	79,842	73,836	79,842
Total loans, net	27,169,852	26,667,330	27,190,355	26,684,989

Mortgage escrow

This represents insurance premiums paid by the Society on behalf of mortgagors. These amounts are recoverable over one year and are collected as part of monthly mortgage instalments.

11. LOANS (CONT'D)

(b) Allowance for impairment:

	Group and Society	
	2013	2012
	$'000	$'000
Balances at the beginning of the year	291,442	326,973
Charged against income during the year	11,080	26,394
Allowance no longer required	(108,706)	(61,925)
Balances at the end of the year per IAS 39 [see (c) below]	193,816	291,442

(c) Credit facility reserve:

	Group and Society	
	2013	2012
	$'000	$'000
Regulatory impairment allowance	1,381,750	1,273,745
Less: Impairment allowance based on IAS 39 [see (b) above]	(193,816)	(291,442)
Credit facility reserve at end of year	1,187,934	982,303

The impairment allowance in excess of the amount required under IFRS is included in a non-distributable credit facility reserve [note 27(iv)].

(d) Loan principal repayments and mortgage escrow payments are projected to be received, in relation to the reporting date, as follows:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within three months	115,255	408,859	115,255	408,859
3 months to 1 year	115,219	141,791	115,219	159,450
From 1 year to 5 years	1,990,349	1,892,902	1,990,349	1,892,902
Thereafter	24,949,029	24,223,778	24,969,532	24,223,778
	27,169,852	26,667,330	27,190,355	26,684,989

12. OTHER ASSETS

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Interest receivable	600,545	646,381	444,794	585,561
Income tax recoverable	34,502	314,600	-	262,397
Late fees	172,202	179,781	172,202	179,781
Sundry receivables, deferrals and prepayments	982,366	829,556	876,221	255,863
	1,789,615	1,970,318	1,493,217	1,283,602

13. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets:

Deferred tax assets are attributable to the following:

	Group	
	2013	2012
	$'000	$'000
Investments	83,491	26,230
Other receivables	(40,467)	(27,509)
Property, plant and equipment	(2,595)	(2,792)
Other liabilities	32,602	25,981
Employee benefit obligation	11,175	5,466
Unrealised foreign exchange (losses)/gains	6,710	(1,572)
Accrued vacation leave	436	776
	91,352	26,580

Movement in temporary differences during the year for the Group:

	Group			
	2012	Recognised in income	Recognised in equity	2013
	$'000	$'000	$'000	$'000
Investments	26,230	4,253	53,008	83,491
Other receivables	(27,509)	(13,033)	-	(40,467)
Property, plant and equipment	(2,792)	197	-	(2,595)
Other liabilities	25,981	6,621	-	32,602
Employee benefit obligation	5,466	1,242	4,467	11,175
Unrealised foreign exchange (loss)/gain	(1,572)	8,282	-	6,710
Provision for vacation leave	776	(340)	-	436
	26,580	7,222	57,475	91,352

Deferred tax assets of approximately $4,895,836 (2012: $11,107,756) have not been recognised in respect of tax losses of certain subsidiaries [note 35(b)], as, at this time, management does not consider that, in the foreseeable future, it is probable that taxable profits will be available against which the asset will be realised.

13. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

(b) Deferred tax liabilities:

Deferred tax liabilities are attributable to the following:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Other receivables	(357)	(332)	-	-
Employee benefit asset	(531,090)	(437,370)	(531,090)	(437,370)
Property, plant and equipment	4,351	(1,512)	4,351	(1,512)
Employee benefit obligation	179,880	93,271	179,880	93,271
	(347,216)	(345,943)	(346,859)	(345,611)

Movement in temporary differences during the year:

	Group			
	2012	Recognised in income	Recognised in equity	2013
	$'000	$'000	$'000	$'000
Other receivables	(332)	(25)	-	(357)
Employee benefit asset	(437,370)	(93,720)	-	(531,090)
Property, plant and equipment	(1,512)	5,863	-	4,351
Employee benefit obligation	93,271	88,979	(2,370)	179,880
	(345,943)	1,097	(2,370)	(347,216)

	Society			
	2012	Recognised in income	Recognised in equity	2013
	$'000	$'000	$'000	$'000
Employee benefit asset	(437,370)	(93,720)	-	(531,090)
Property, plant and equipment	(1,512)	5,863	-	4,351
Employee benefit obligation	93,271	88,979	(2,370)	179,880
	(345,611)	1,122	(2,370)	(346,859)

14. EMPLOYEE BENEFIT ASSET/OBLIGATION

The Group provides for post-employment pension benefits through a defined-contribution pension plan and defined-benefit pension plan, both administered by trustees.

The defined-contribution plan is closed to new entrants and there are no further contributions. The defined-benefit plan is funded by contributions from the Group and employees in accordance with the rules of the plan. Under the defined-contribution plan, retirement benefits are based on the Group's and employees' accumulated contributions plus interest and, therefore, the Group has no further liability to fund benefits.

The defined-benefit plan, under which retirement benefits are calculated by reference to, inter alia, final salary, is subject to a triennial actuarial funding valuation, the most recent being as at December 31, 2010. For purposes of determining the employee benefit or obligation included in the financial statements at the end of the period and the costs for the period an IAS 19 actuarial valuation is done each year.

The Group also provides post-employment medical benefits to retirees.

The amounts in the statement of financial position in respect of the defined-benefit pension plans and post-employment medical benefits are as follows:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Employee benefit asset (i)	1,770,300	1,457,900	1,770,300	1,457,900
Post-employment medical benefit obligation (ii)	711,885	333,004	675,185	310,904

(i) Employee benefit asset:

(a) Amount recognised in the statement of financial position:

	Group and Society	
	2013	2012
	$'000	$'000
Present value of funded obligations	(2,236,900)	(2,031,600)
Fair value of plan assets	4,009,800	3,920,800
	1,772,900	1,889,200
Effect of asset ceiling	(2,600)	(431,300)
	1,770,300	1,457,900

(b) Movements in the present value of defined benefit obligations

	Group and Society	
	2013	2012
	$'000	$'000
Balance at beginning of year	2,031,600	1,975,300
Benefits paid	(180,500)	(120,600)
Voluntary contributions	22,700	15,300
Service cost	83,800	77,700
Interest cost	212,300	200,000
Gain on curtailment	(89,200)	-
Re-measurement loss/(gain) arising from:		
Experience adjustment	(48,400)	(116,100)
Financial assumption	204,600	-
Balance at end of year	2,236,900	2,031,600

14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

(c) Movement in plan assets:

Fair value of plan assets at beginning of year	3,920,800	3,801,300
Contributions paid into the plan	61,800	52,700
Benefits paid by the plan	(180,500)	(120,600)
Net interest income on plan assets	405,500	376,700
Re-measurement gain/(loss) on assets included in OCI	(197,800)	(189,300)
Fair value of plan assets at end of year	4,009,800	3,920,800
Plan assets consist of the following:		
Equity securities	868,400	834,800
Government securities	2,231,900	2,045,100
Resale agreements	478,900	489,900
Investments properties	-	99,800
Other assets	430,600	451,200
	4,009,800	3,920,800

(d) Income recognised in profit or loss:

Current service costs	48,300	43,700
Interest on obligation	212,300	200,000
Net interest income on plan assets	(405,500)	(376,700)
Effect of asset ceiling	45,300	47,100
Effect of curtailment /settlement	(89,200)	-
	(188,800)	(85,900)

(e) Items recognised in other comprehensive income:

Re-measurement (gain)/loss in obligation for OCI	156,200	(116,100)
Re-measurement (gain)/loss in asset for OCI	197,800	189,300
Change in effect of asset ceiling	(474,000)	(86,500)
	(120,000)	(13,300)

(f) Principal actuarial assumptions at the reporting date (expressed as Group and Society weighted averages):

	Group and Society	
	2013	2012
	%	%
Discount rate at December 31	9.5	10.5
Future salary increases	6.0	7.0
Future pension increases	5.0	5.0

14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

(g) Sensitivity analysis

A one percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by amounts shown below:

	Group and Society	
Actuarial assumption	One percentage point increase	One percentage point decrease
Discount rate	(286,200)	358,200
Assumed rate of salary escalation	105,000	(93,900)
Future rate of pension	217,000	(189,600)

(ii) Other post employment benefits:

The employee benefit obligation represents the present value of the constructive obligation to provide medical and other benefits.

(a) Movement in present value of defined benefit obligation:

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Present value of obligation at the start of the year	333,004	447,726	310,904	417,426
Interest cost	35,198	46,458	33,198	43,658
Current service cost	18,435	24,781	16,435	22,181
Benefit paid	(13,543)	16,754	(13,543)	16,754
Gain on curtailment	(30,500)	(6,352)	(29,000)	(6,352)
Re-measurement loss/(gain) arising from:				
Experience adjustment	518,191	(196,363)	506,091	(182,763)
Financial assumption	(148,900)	-	(148,900)	-
	711,885	333,004	675,185	310,904

14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

(ii) Other post employment benefits (cont'd):

(b) Expense recognised in the profit or loss:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current service costs	18,235	24,781	16,435	22,181
Interest cost	35,098	46,458	33,198	43,658
Past service cost	-	16,754	-	16,754
Effects of curtailment	(30,500)	42,800	(29,000)	-
	22,833	130,793	20,633	82,593

(c) Items in other comprehensive income;

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Re-measurement loss on obligation	369,291	(196,363)	357,191	(182,763)

14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

(ii) Other post employment benefits (cont'd):

(d) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group and Society	
	2013	2012
	%	%
Discount rate	9.5	10.5
Medical claims growth	7.5	9.5

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining life expectancy of an individual retiring at age 65 is 21 years for males and 26 years for females.

The overall expected long-term rate of return on assets is nine percent (9%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The Group expects to pay $8,870,751 in contributions to the defined-benefit plan in 2014.

(e) Sensitivity analysis

A one percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by amounts shown below:

	One percentage point increase	One percentage point decrease
	J$'000	J$'000
Assumed medical cost trend rate and rate of salary escalation	199,200	(62,400)
Discount rate	(62,400)	199,200

15. INTEREST IN SUBSIDIARIES

	Society	
	2013	2012
	$'000	$'000
Shares, at cost [see note 1(b)]	933,825	287,751
Current accounts	63,339	30,787
	997,164	318,538

16. INTEREST IN ASSOCIATES

The carrying amount of interest in associated companies represents the cost of shares acquired and the Group's share of post acquisition reserves, viz:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Shares, at cost	659,200	659,200	659,200	659,200
Share of post-acquisition profits	241,119	132,950	-	-
Share of investment revaluation reserve	7,558	15,772	-	-
	907,877	807,922	659,200	659,200

The following table summarises the financial information of British Caribbean Insurance Company Limited (BCIC) as included in its financial statements, showing fair value adjustments on acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the group's interest in this material associate.

	2013	2012
	$'000	$'000
Percentage ownership interest	**31.5%**	**31.5%**
Assets	6,633,906	6,366,881
Liabilities	(4,229,022)	(4,025,191)
Net assets (100%)	2,404,884	2,341,690
Group's share of net assets/(liabilities)	757,538	737,632
Fair value adjustments and elimination of differences in accounting policies and intercompany transactions	150,339	70,290
Carrying amount of interest BCIC	907,877	807,922
Revenue	4,494,173	4,147,505
Profit	342,460	282,952
Other comprehensive income, net of tax	(25,142)	(17,723)
Total comprehensive income	317,318	265,229
Group's share of total comprehensive income	99,955	83,547

17. INTANGIBLE ASSETS

	Group				Society		
	Goodwill	Computer software $'000	Improvements in progress $'000	Total $'000	Computer software $'000	Improvements in progress $'000	Total $'000
Cost:							
December 31, 2011	7,940	253,682	56,581	318,203	228,157	56,581	284,738
Additions	-	24,389	48,807	73,196	-	48,807	48,807
Transfers	-	33,323	(33,323)	-	33,323	(33,323)	-
December 31, 2012	7,940	311,394	72,065	391,399	261,480	72,065	333,545
Acquisition through business combination	601,275	-	-	601,275	-	-	-
Additions	-	2,827	24,956	27,783	-	24,956	24,956
Transfers	-	3,591	(3,591)	-	3,591	(3,591)	-
December 31, 2013	609,215	317,812	93,430	1,020,457	265,071	93,430	358,501
Depreciation:							
December 31, 2011	-	213,774	-	213,774	193,791	-	193,791
Charge for year	-	19,413	-	19,413	13,484	-	13,484
December 31, 2012	-	233,187	-	233,187	207,275	-	207,275
Charge for year	-	27,662	-	27,662	21,542	-	21,542
December 31, 2013	-	260,849	-	260,849	228,817	-	228,817
Carrying value							
December 31, 2013	609,215	56,963	93,430	759,608	36,254	93,430	129,684
December 31, 2012	7,940	78,207	72,065	158,212	54,205	72,065	126,270
December 31, 2011	7,940	39,908	56,581	104,429	34,366	56,581	90,947

18. INVESTMENT PROPERTIES

	Group $'000	Society $'000
Cost:		
December 31, 2011	617,057	736,356
Additions:		
Improvements	5,695	5,695
Properties acquired by way of foreclosure	179,818	179,818
Disposals	(56,877)	(56,877)
	128,636	128,636
December 31, 2012	745,693	864,992
Additions:		
Improvements (note 19)	24,162	24,162
Properties acquired by way of foreclosure	80,447	80,447
Eliminated on disposals	(115,030)	(115,030)
	(10,421)	(10,421)
December 31, 2013	735,272	854,571
Depreciation:		
December 31, 2011	55,390	57,369
Charge for the year	16,133	16,133
Eliminated on disposal	(1,149)	(1,149)
December 31, 2012	70,374	72,353
Charge for the year	18,100	18,100
Eliminated on disposal	(4,308)	(4,308)
December 31, 2013	84,166	86,145
Net book values:		
December 31, 2013	651,106	768,426
December 31, 2012	675,319	792,639
December 31, 2011	561,667	678,987

18. INVESTMENT PROPERTIES (CONT'D)

The fair values of investment properties were determined, in the case of properties acquired by way of foreclosure, by several different VMBS-approved qualified independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, and, in the case of other properties, by Victoria Mutual (Property Services) Limited (note 1). This fair value measurement has been categorised as Level 3 based on the inputs to the valuation techniques used.

(a) Reconciliation of opening to closing balances:

	Group and Society						
	2013	Additions	Disposal	2012	Additions	Disposal	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Properties acquired by way of foreclosure	850,841	172,250	(211,656)	886,647	335,285	(89,300)	640,622
Other properties	1,765,000	124,600*	-	1,640,400	103,400*	-	1,537,000
	2,615,841	296,850	(211,656)	2,527,047	438,685	(89,300)	2,177,622

* Gain on revaluation

(b) Valuation techniques and significant unobservable inputs

The fair value of investment properties was determined generally by the comparison method, taking account of what similar properties in similar locations have been sold for in the recent past (or near similar properties and locations, with appropriate adjustments made) and current market conditions.

19. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold and freehold land and buildings $'000	Office furniture and equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost:					
December 31, 2011	248,367	1,072,458	14,435	652	1,335,912
Translation adjustment*	565	5,898	-	-	6,463
Additions	2,758	13,220	9,950	121,346	147,274
Transfer from work in progress	3,426	60,016	-	(63,442)	-
Disposals	(5,413)	(6,616)	(5,900)	-	(17,929)
December 31, 2012	249,703	1,144,976	18,485	58,556	1,471,720
Translation adjustment*	1,126	8,912	3,430		13,468
Additions	15,922	12,406	5,900	176,001	210,229
Transfer from work in progress	40,907	90,004	-	(130,911)	-
Transfer to investment property (note 18)	-	-	-	(24,162)	(24,162)
Disposals	(1,012)	(12,149)	(1,136)	-	(14,297)
December 31, 2013	306,646	1,244,149	26,679	79,484	1,656,958
Depreciation					
December 31, 2011	75,228	802,023	9,828	-	887,079
Translation adjustment *	-	3,765	-	-	3,765
Charge for year	8,266	35,674	2,690	-	46,630
Eliminated on disposals	(5,409)	(6,035)	(5,900)	-	(17,344)
December 31, 2012	78,085	835,427	6,618	-	920,130
Translation adjustment *	(2,564)	18,739	-	-	16,175
Charge for year	10,000	65,519	7,546	-	83,065
Eliminated on disposals	(922)	(11,920)	(1,136)	-	(13,978)
December 31, 2013	84,599	907,765	13,028	-	1,005,392
Net book values:					
December 31, 2013	222,047	336,384	13,651	79,484	651,566
December 31, 2012	171,618	309,549	11,867	58,556	551,590
December 31, 2011	173,139	270,435	4,607	652	448,833

* The translation adjustment arises from translation of the opening balances of the property, plant and equipment of a foreign subsidiary at exchange rates prevailing at the reporting date which differed from those prevailing at the end of the previous year.

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Society				
	Leasehold and freehold land and buildings $'000	Office furniture & equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost:					
December 31, 2011	217,429	982,384	14,320	652	1,214,785
Additions	-	2,791	9,950	121,346	134,087
Transfer from work in progress	3,426	60,016	-	(63,442)	-
Disposals	-	(2,208)	(5,900)	-	(8,108)
December 31, 2012	220,855	1,042,983	18,370	58,556	1,340,764
Additions	12,504	1,316	5,900	176,001	195,721
Transfer from work in progress	40,907	90,004	-	(155,073)	(24,162)
Eliminated on disposals	-	(1,397)	(1,136)	-	(2,533)
December 31, 2013	274,266	1,132,906	23,134	79,484	1,509,790
Depreciation:					
December 31, 2011	60,609	723,202	9,735	-	793,546
Charge for year	4,848	31,389	2,667	-	38,904
Eliminated on disposals	-	(1,630)	(5,900)	-	(7,530)
December 31, 2012	65,457	752,961	6,502	-	824,920
Charge for year	5,403	67,397	4,116	-	76,916
Eliminated on disposals	-	(1,216)	(1,136)	-	(2,352)
December 31, 2013	70,860	819,142	9,482	-	899,484
Net book values:					
December 31, 2013	203,406	313,764	13,652	79,484	610,306
December 31, 2012	155,398	290,022	11,868	58,556	515,844
December 31, 2011	156,820	259,182	4,585	652	421,239

20. SHAREHOLDERS' SAVINGS

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
General investment ("B") shares	1,376,888	1,357,097	1,376,888	1,357,097
Paid up investment ("C") shares	50,539,693	45,774,771	50,796,550	46,331,945
	51,916,581	47,131,868	52,173,438	47,689,042
Deferred shares [notes 27(i) and 28]	1,455,657	1,466,643	1,455,657	1,466,643
	53,372,238	48,598,511	53,629,095	49,155,685

Deferred shares are issued on terms that they shall not be withdrawable before the expiration of three years and may be interest bearing.

Included in shareholders' savings are accounts with the following maturity profile:

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
On demand to 3 months	43,613,381	41,403,106	43,693,669	40,556,351
Three to 12 months	8,988,596	5,934,508	8,988,596	6,047,376
Over 12 months	770,261	1,260,897	946,830	2,552,711
	53,372,238	48,598,511	53,629,095	49,155,685

21. DEPOSITORS' SAVINGS

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Due to depositors	1,137,538	1,076,365	1,137,538	1,076,365
Percentage of the Society's mortgage loan balances *	4.36%	4.23%	4.36%	4.23%

* See section 27(B) of the Building Society's Act

22. OTHER LIABILITIES

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deposits – private treaty sales	43,318	31,435	43,318	31,435
Accrued expenses and other payables	551,799	470,296	337,080	258,338
	595,117	501,731	380,398	289,773

23. REPURCHASE AGREEMENTS

The Group sells Government and corporate securities, or interests therein, and agrees to repurchase them on a specified date and at a specified price prior to their maturity ("repurchase agreements").

	Group	
	2013	2012
	$'000	$'000
Denominated in Jamaica dollars	4,478,530	4,132,957
Denominated in United States dollars	6,597,713	5,251,100
	11,076,243	9,384,057

At December 31, 2013, securities obtained under resale agreements and certain investments (see notes 8 and 10) and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a carrying value of $14,123,051,000 (2012: $11,189,921,000) for the Group.

24. INSURANCE UNDERWRITING PROVISIONS

	Group	
	2013	2012
	$'000	$'000
Outstanding claims	353	426

25. LOANS PAYABLE

	Group and Society	
	2013	2012
	$'000	$'000
United States dollar loan [see (a) below]	-	462,819
Interest payable	-	3,769
	-	466,588

(a) The loan of US$5 million matured on March 7, 2013.

26. PERMANENT CAPITAL FUND

The regulations (see note 2) require that every building society maintain a minimum subscribed capital of $25,000,000. At least four-fifths of such subscribed capital is to be paid up in cash. In view of the non-applicability of "subscribed capital" to a mutual society, and in accordance with an agreement with Bank of Jamaica, pending passage of appropriate legislation, a "Permanent Capital Fund" has been established in lieu of subscribed capital [see note 27(i)].

27. RESERVES

(i) Reserve fund:

The regulations (see note 2) require the Society to transfer at least 10% of its net surplus after income tax each year to the reserve fund until the amount of the reserve fund is equal to the amount paid up on its Permanent Capital Fund [which, though not formally recognised, is the fund substituted for the capital shares referred to in the regulations (see notes 26 and 28)] and its deferred shares (note 20).

(ii) Retained earnings reserve:

The regulations (see note 2) permit the Society to transfer a portion of its profits to a retained earnings reserve, which constitutes a part of the capital base (see note 28). Transfers of profits to the retained earnings reserve are made at the discretion of the Directors, but must be notified to Bank of Jamaica to be effective.

(iii) Capital reserve on consolidation:

Capital reserve on consolidation represents primarily subsidiaries' post acquisition retained earnings capitalised by the issue of bonus shares.

(iv) Credit facility reserve:

Credit facility reserve represents provisions for loan loss required under the Building Societies Act in excess of the requirements of IFRS [see notes 4(m)(i) and 11(c)].

(v) Investment revaluation reserve:

Investment revaluation reserve represents cumulative unrealised gains, net of losses, arising from the changes in fair value of available-for-sale investments until the investment is derecognised or impaired.

(vi) Currency translation reserve:

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Society's net investment in foreign operations.

28. CAPITAL BASE

	Group and Society	
	2013	2012
	$'000	$'000
Permanent capital fund (note 26)	6,445,465	5,241,518
Reserve fund [note 27(i)]	747,435	613,664
Retained earnings reserve [note 27(ii)]	103,987	562,004
Deferred shares (note 20)	1,455,657	1,466,643
Total capital base [note 6(b)]	8,752,544	7,883,829

Capital base has the meaning ascribed in the regulations (see note 2).

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) 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. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Group 2013									
		Carrying amount						Fair value			
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or and loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Ordinary shares - quoted	9	-	207,510	35,901	-	-	243,411	243,411	-	-	243,411
Ordinary shares - unquoted	9	-	39	-	-	-	39	39	-	-	39
US$ denominated securities		-	7,830,559	-	-	-	7,830,559	-	7,830,559	-	7,830,559
J$ denominated securities	8	-	9,256,929	-	-	-	9,256,929	-	9,241,285	-	9,241,285
Certificates of deposit	8	-	5,734,437	-	-	-	5,734,437	-	5,734,437	-	5,734,437
Derivative		-	-	260,125	-	-	260,125	-	260,125	-	260,125
Investments - other	9	-	317,216	-	-	-	317,216	-	317,216	-	317,216
Units in unit trust	9	-	8,609	-	-	-	8,609	-	8,609	-	8,609
		-	23,355,299	296,026	-	-	23,651,325	243,450	23,392,231	-	23,635,681
Financial assets not measured at fair value:											
Cash and cash equivalents	7	11,729,016	-	-	-	-	11,729,016	-	-	-	-
US$ denominated securities	8	2,972,001	-	-	-	-	2,972,001		2,746,410		2,746,410
Investments other	9	2,931,747	-	-	90,750		3,022,497	-	-	-	-
Bank deposits	9	26,481	-	-	-	-	26,481	-	-	-	-
Resale agreements	10	10,991,696	-	-	-	-	10,991,696	-	-	-	-
Loans receivable	11	27,169,852	-	-	-	-	27,169,852	-	-	-	-
Other assets	12	1,789,615	-	-	-	-	1,789,615	-	-	-	-
		57,610,408	-	-	90,750	-	57,701,158	-	2,746,410	-	2,746,410
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	53,372,238	53,372,238	-	-	-	-
Depositors' savings	21	-	-	-	-	1,137,538	1,137,538	-	-	-	-
Due to specialised institution		-	-	-	-	8,435,382	8,435,382	-	-	-	-
Other liabilities	22	-	-	-	-	595,117	595,117	-	-	-	-
		-	-	-	-	63,540,275	63,540,275	-	-	-	-

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Accounting classifications and fair values (cont'd):

		Group									
		2012									
		Carrying amount						Fair value			
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or and loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Ordinary shares - quoted	9	-	110,462	24,250	-	-	134,712	134,712	-	-	134,712
Ordinary shares - unquoted	9	-	39	-	-	-	39	39	-	-	39
US$ denominated securities		-	4,956,122	-	-	-	4,956,122	-	4,956,122	-	4,956,122
J$ denominated securities	8	-	9,784,559	-	-	-	9,784,559	-	9,784,559	-	9,784,559
Certificates of deposit		-	5,322,234	-	-	-	5,322,234	-	5,322,234	-	5,322,234
Investments - other	9	-	189,815	-	-	-	189,815	-	189,815	-	189,815
Units in unit trust	9	-	8,331	-	-	-	8,331	-	8,331	-	8,331
		-	20,371,562	24,250	-	-	20,395,812	134,751	20,261,061	-	20,395,812
Financial assets not measured at fair value:											
Cash and cash equivalents	7	8,301,182	-	-	-	-	8,301,182	-	-	-	-
Certificates of deposit	8	653,734	-	-	-	-	653,734	-	-	-	-
US$ denominated securities	8	2,581,972	-	-	477,966	-	3,059,938	-	2,428,156		2,428,156
Investments other	9	2,953,884	-	-	98,150		3,052,034	-	-	-	-
Bank deposits	9	282,701	-	-	-	-	282,701	-	-	-	-
Resale agreements	10	10,448,675	-	-	-	-	10,448,675	-	-	-	-
Loans receivable	11	26,667,330	-	-	-	-	26,667,330	-	-	-	-
Other assets	12	1,970,318	-	-	-	-	1,970,318	-	-	-	-
		53,859,796	-	-	576,116	-	54,435,912	-	2,428,156	-	2,428,156
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	48,418,986	48,418,986	-	-	-	-
Depositors' savings	21	-	-	-	-	1,076,365	1,076,365	-	-	-	-
Due to specialised institution		-	-	-	-	7,995,418	7,995,418	-	-	-	-
Other liabilities	22	-	-	-	-	501,731	501,731	-	-	-	-
		-	-	-	-	57,992,500	57,992,500	-	-	-	-

		Society									
		2013									
		Carrying amount						Fair value			
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or and loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Ordinary shares quoted	9	-	202,161	-	-	-	202,161	202,161	-	-	202,161
Ordinary shares unquoted	9	-	39	-	-	-	39	39	-	-	39
Government of Jamaica securities	8	-	11,680,072	-	-	-	11,680,072	-	11,680,072	-	11,680,072
Derivative	8	-	-	260,125	-	-	260,125	-	260,125	-	260,125
Investments other	9	-	317,216	-	-	-	317,216	-	317,216	-	317,216
Units in unit trust	9	-	8,609	-	-	-	8,609	-	8,609	-	8,609
		-	12,208,097	260,125	-	-	12,468,222	202,200	12,266,022	-	12,468,222
Financial assets not measured at fair value:											
Cash and cash equivalents	7	11,554,456	-	-	-	-	11,554,456	-	-	-	-
US$ denominated securities	8	2,933,107	-	-	-	-	2,933,107		2,707,515		2,707,515
Investments other	9	2,931,747	-	-	90,750	-	3,022,497	-	-	-	-
Resale agreements	10	9,703,894	-	-	-		9,703,894	-	-	-	-
Loans receivable	11	27,190,355	-	-	-	-	27,190,355	-	-	-	-
Other assets	12	1,493,217	-	-	-	-	1,493,217	-	-	-	-
		55,806,776	-	-	90,750	-	55,897,526	-	2,707,515	-	2,707,515
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	53,629,095	53,629,095	-	-	-	-
Depositors' savings	21	-	-	-	-	1,137,538	1,137,538	-	-	-	-
Due to specialised institutions		-	-	-	-	8,435,382	8,435,382	-	-	-	-
Other liabilities	22	-	-	-	-	380,398	380,398	-	-	-	-
		-	-	-	-	63,582,413	63,582,413	-	-	-	-

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Accounting classifications and fair values (cont'd):

		Society								
		2012								
		Carrying amount					Fair value			
	Notes	Loans and receivables $'000	Available -for-sale $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:										
Ordinary shares - quoted	9	-	110,462	-	-	110,462	110,462	-	-	110,462
Ordinary shares - unquoted	9	-	39	-	-	39	39	-	-	39
Government of Jamaica securities	8	-	9,784,559	-	-	9,784,559	-	9,784,559	-	9,784,559
Investments - other	9	-	189,815	-	-	189,815	-	189,815	-	189,815
Units in unit trust	9	-	8,331	-	-	8,331	-	8,331	-	8,331
		-	10,093,206	-	-	10,093,206	110,501	9,982,705	-	10,093,206
Financial assets not measured at fair value:										
Cash and cash equivalents	7	7,901,508	-	-	-	7,901,508	-	-	-	-
Foreign government securities	8	2,547,930	-	-	-	2,547,930	-	2,393,113	-	2,393,113
Investments other	9	2,953,884	-	98,150	-	3,052,034	-	-	-	-
Resale agreements	10	9,001,983	-	-		9,001,983	-	-	-	-
Loans receivable	11	26,684,989	-	-	-	26,684,989	-	-	-	-
Other assets	12	1,283,602	-	-	-	1,283,602	-	-	-	-
		50,373,896	-	98,150	-	50,472,046	-	2,393,113	-	2,393,113
Financial liabilities not measured at fair value:										
Shareholders' savings	20	-	-	-	49,155,685	49,155,685	-	-	-	-
Depositors' savings	21	-	-	-	1,076,365	1,076,365	-	-	-	-
Due to specialised institution		-	-	-	7,995,418	7,995,418	-	-	-	-
Other liabilities	22	-	-	-	289,773	289,773	-	-	-	-
		-	-	-	58,517,241	58,517,241	-	-	-	-

(b) Valuation techniques for investment securities classified as Level 2

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	Valuation techniques
US$ denominated GOJ securities	• Obtain bid price provided by a recognized broker/dealer, namely, Oppenheimer • Apply price to estimate fair value
J$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognized pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value
Units in unit trusts	• Obtain prices quoted by unit trust managers • Apply price to estimate fair value

30. NET INTEREST INCOME

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Interest income				
Investment securities	2,968,356	2,599,876	2,057,008	1,837,916
Loans to customers	2,364,622	2,596,378	2,438,660	2,602,120
	5,332,978	5,196,254	4,495,668	4,440,036
Interest expense				
On borrowings	1,689	3,281	1,689	8,464
To shareholders	1,501,842	1,814,241	1,049,305	1,389,241
To depositors	305,993	36,411	305,993	36,410
	1,809,524	1,853,933	1,356,987	1,434,115
Net interest income	3,523,454	3,342,321	3,138,681	3,005,921

31. NET FEE AND COMMISSION INCOME

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fee and commission income				
Customers	184,619	115,703	99,602	57,328
Associated company	105,210	102,051	105,210	102,051
Other	7,711	6,680	7,711	6,679
	297,540	224,434	212,523	166,058
Fee and commission expenses				
Inter-bank transaction fees	40,624	30,523	40,624	30,523
Other	24,310	20,363	24,309	20,363
	64,934	50,886	64,933	50,886
Net fee and commission income	232,606	173,548	147,590	115,172

32. OTHER OPERATING REVENUE

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trading gains	337,691	157,829	269,074	157,829
Maintenance income – investment properties	88,022	84,565	105,159	84,565
Fines for late payments	58,433	69,008	58,433	69,008
Unrealised foreign exchange gains	46,366	54,377	-	13,598
Rent	34,335	31,323	37,742	34,142
Dividends - in specie	-	-	529,781	-
- from subsidiaries and associates	87,790	11,237	208,013	11,237
- other	15,843	35,085	15,843	35,085
Gain on sale of investments	-	120,134	-	120,134
Recovery of specific provision for loan loss	28,511	-	28,511	-
Gain on disposal of property, plant and equipment	26,251	9,146	26,251	9,146
Re-measurement to fair value of equity–accounted holding upon entity becoming a subsidiary (note 40)	116,293	-	116,293	-
Other income	146,121	167,467	59,872	87,282
	985,656	740,171	1,454,972	622,026

33. PERSONNEL COSTS

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Salaries	1,133,460	1,038,157	873,518	836,519
Statutory payroll contributions	135,375	122,069	109,503	102,845
Reduction in liability for defined benefit plan	(185,310)	(13,027)*	(185,310)	(13,059)*
Termination payments	123,543	4,892	122,899	4,892
Other staff benefits	376,627	445,168	336,764	419,911
	1,583,695	1,597,259	1,257,374	1,351,108

* Amounts restated.

34. OTHER OPERATING EXPENSES

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Direct operating expenses for investment property that generated rental income	163,192	103,409	163,992	103,409
Administration	262,514	122,615	380,941	280,124
Marketing	181,701	260,889	141,818	215,159
Postage	13,083	26,673	10,062	22,549
Courier	41,565	35,976	37,412	35,976
Maintenance – buildings, furniture and fixtures	181,021	186,962	125,097	169,573
Computer maintenance	105,591	80,753	84,783	69,791
Consultancy and other professional fees	47,656	55,421	21,772	47,988
Service contracts	29,511	28,981	24,814	24,284
Overseas business development	222,893	235,231	222,893	235,231
Telephone	42,379	47,353	39,972	40,387
Insurance	97,604	88,100	97,100	87,696
Utilities	46,638	41,109	42,354	37,671
Stationery	31,503	27,048	27,621	22,610
Security	25,492	24,488	24,935	23,479
Audit fees	33,437	30,081	19,251	16,525
Directors' fees [note 37(e)]	35,489	34,272	21,500	20,560
Loss on sale of investments	279,168	-	279,168	-
Unrealised foreign exchange loss	2,525	-	2,250	-
Specific impairment charge for loan losses	-	25,594	-	26,393
	1,842,962	1,454,955	1,767,735	1,479,405

35. INCOME TAX EXPENSE

(a) Income tax expense is based on the surplus for the year, as adjusted for tax purposes, and is computed at statutory rates of 30% for the Society, 33⅓% for local subsidiaries and 25% for certain foreign subsidiaries [note 35(c)]. In computing taxable income of the Society, transfers to general reserves (as defined in the Income Tax Act) are exempt from income tax if the general reserves after such transfers do not exceed 5% of assets. The charge is made up as follows:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(i) Current tax expense:				
Current tax at 30%	275,802	122,510	275,800	122,510
Current tax at 25% and 33⅓%				
- current year	56,173	73,081	-	-
- prior years	913	3,109	-	-
	332,888	198,700	275,800	122,510
(ii) Deferred tax expense:				
Origination and reversal of temporary differences [notes 13(a) and (b)]	(8,319)	(1,722)	(1,122)	7,617
Actual tax expense recognised	324,569	196,978	274,678	130,127

35. INCOME TAX EXPENSE (CONT'D)

(b) At the reporting date, taxation losses of certain subsidiaries, subject to agreement by the Commissioner General, Tax Administration Jamaica, amounted to approximately $20,624,331 (2012: $41,236,870). These losses may be carried forward indefinitely, but in any one year, prior year losses can be used to offset only 50% of chargeable income (before the deduction of any prior year losses). Chargeable income, as defined in the Income Tax Act, is arrived at after taking into account all tax deductions, including prior year losses. However, in calculating the chargeable income against which 50% of the prior year losses may be offset, the prior year losses may not be deducted.

(c) Reconciliation of effective tax charge:

The effective tax rate, that is, the income tax expense as a percentage of the reported surplus, is different from the statutory rates [note 35(a)] and is 16% (2012: 15.41%) for the Group and 25.15% (2012: 4.1%) for the Society. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Surplus before income tax	1,290,395	1,205,426	1,599,570	844,084
Computed "expected" income tax using statutory tax rates	387,119	361,628	479,871	253,225
Tax effect of treating the following items differently for income tax than for financial statement purposes:				
Depreciation charge and capital allowances	7,648	(24,754)	(7,209)	(26,278)
Disallowed expenses	(21,549)	(56,976)	-	-
Unrealised exchange gain/loss	-	(5,428)	(1,308)	(4,079)
Other	(48,592)	(80,601)	(213,709)	(92,741)
	324,626	193,869	274,678	130,127
Adjustment for prior year under-provision	(57)	3,109	-	-
Actual tax expense recognised	324,569	196,978	274,678	130,127

(d) During the year, Government of Jamaica enacted new income tax legislation, effective for January 1, 2014. The provisions most likely to impact the Group are the following:

- The corporate income tax rate for all unregulated companies will be 25%.
- Although tax losses may still be carried forward indefinitely, the amount that can be utilised in any one year is restricted to 50% of the chargeable income for that year.
- Businesses that are tax compliant with respect to statutory payroll liabilities (both employer and employee portions) are now able to claim, as an employment tax credit ("ETC") against up to 30% of their income tax liability, the statutory liabilities settled. Unused ETC cannot be carried forward or refunded and some or all of the ETC claimed may be clawed back out of future distributions to shareholders.

36. RELATED PARTY TRANSACTIONS

(a) Definition of related party:

A related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if that person:
(1) has control or joint control over the Group;
(2) has significant influence over the Group; or
(3) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(2) 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).
(3) Both entities are joint ventures of the same third party.
(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(6) The entity is controlled, or jointly controlled by a person identified in (1).
(7) A person identified in (2)(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).

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

(b) Identity of related parties:

The Society has a related party relationship with its subsidiaries, with its Directors, executives and senior officers, as well as those of its subsidiaries, and with its associated company [note 1(c)]. The Directors, senior officers and executives are collectively referred to as "key management personnel".

(c) The Society's statement of financial position includes balances, arising in the ordinary course of business, with related parties, as follows:

	2013 $'000	2012 $'000
Subsidiaries:		
Resale agreements	723,324	1,171,629
Shareholders' savings	(223,470)	(555,480)
Net lease payable	-	(258)
Key management personnel:		
Mortgage loans	50,434	43,496
Other loans	9,623	3,121
Shareholders' savings	(51,271)	(48,380)
Non-executive directors - mortgage loans	33,799	34,909

Average interest rates charged on loans are lower than the rates that would be charged in an arm's length transaction.

36. RELATED PARTY TRANSACTIONS (CONT'D)

(c) The Society's statement of financial position includes balances, arising in the ordinary course of business, with related parties, as follows (cont'd):

The mortgages and secured loans granted are secured on property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

In relation to balances owing by key management personnel, or their immediate relatives, there has not been any specific provision for impairment losses or general provision for losses against this class of balances.

(d) The Society's income statement includes income earned/(expenses incurred) from transactions with related parties, as follows:

	2013 $'000	2012 $'000
Directors:		
Interest from loans	3,197	3,388
Key management personnel:		
Interest from loans	5,446	3,935
Interest expense	(2,005)	(1,628)
Subsidiaries:		
Interest and dividends from investments	834,983	67,127
Interest on loans	1,640	1,984
Other operating revenue	18,791	12,364
Interest expense	(16,226)	(17,195)
Other operating expenses	(285,476)	(248,631)

(e) Key management personnel compensation:

In addition to directors' fees paid to non-executive directors (note 34), compensation of key management personnel, included in personnel costs (note 33), is as follows:

	Group		Society	
	2013 $'000	2012 $'000	2013 $'000	201 $'000
Short-term employee benefits	158,327	140,383	81,166	85,557
Post employment benefits	343	2,052	343	2,052
	158,670	142,435	81,509	87,609

In addition to their salaries, key management personnel are provided with non-cash benefits, as well as post-employment benefits under a defined-benefit pension plan (note14). In accordance with the rules of the plan, key management personnel retire at age 62 (or 65 if joining after January 1, 2006) and may continue to receive medical benefits, at the discretion and approval of the Board of Directors. In the case of preferential staff rates on loans, this benefit continues to age 65 when the rate is adjusted with reference to market.

Non-executive Directors who have served the Board continuously for at least five years and attained the age of 65 receive a pension at a specified percentage of the gross annual average director's fee received during the five years immediately preceding retirement, or alternatively, a gratuity in lieu of pension, based on a multiple of a percentage of the annual pensions.

37. COMMITMENTS

(a) Operating lease commitments at the reporting date expire as follows:

	Group		Society	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within one year after that date	35,199	26,171	31,489	23,050
Subsequent years	36,426	44,701	30,486	39,585

(b) Commitments for capital expenditure for the Group and the Society amount to approximately $173,000,000 (2012: $40,600,000) at the reporting date.

The Group leases a number of branch and office premises under operating leases. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect market rentals.

38. FOREIGN EXCHANGE RATES

The Group uses the average of Bank of Jamaica's buying and selling rates for balances denominated in foreign currencies [see policy 4(n)]; the rates are as follows:

	2013	2012
	J$	J$
United States Dollar	106.05	92.56
Canadian Dollar	99.36	92.35
Pound Sterling	174.70	150.46

39. PRIOR YEAR RESTATEMENT

The following table summarises the impact of the change in accounting policies described in note 3(a)(iv).

(a) Group

(i) Effect on statement of financial position:

	2012			2011		
	As previously reported	Effect of* prior year restatement or reclassification	As restated	As previously reported	Effect of* prior year restatement or reclassification	As restated
ASSETS						
Employee benefit asset	1,369,900	88,000	1,457,900	1,260,200	95,100	1,355,300
LIABILITIES						
Income tax payable	61,942	(40,741)	21,201	131,452	22,801	154,253
Deferred tax liabilities	322,649	23,294	345,943	333,924	(16,818)	317,106
Employee benefit obligations	316,600	16,404	333,004	247,800	194,226	442,026
	701,191	(1,042)	700,149	713,176	200,208	913,385
SHAREHOLDERS EQUITY						
Permanent capital fund	5,215,864	25,654	5,241,518	4,523,824	16,114	4,539,938
Reserve fund	610,812	2,852	613,664	533,919	1,792	535,711
Retained earnings reserve	504,268	57,736	562,004	504,268	(117,415)	386,853
Retained earnings	2,173,056	1,867	2,174,923	1,878,765	(3,733)	1,875,032
	6,330,944	86,242	6,417,186	7,440,776	(103,242)	7,337,534

39. PRIOR YEAR RESTATEMENT (CONT'D)

(a) Group (cont'd)

(ii) Effect on income statement:

	2012		
		As	Effect of*
	previously	prior year	As
	reported	adjustment	restated
Personnel cost	1,524,269	33,442	1,557,711
Reduction in liability for defined benefit plan	1,524,269	33,442	1,557,711
Profit before tax	1,121,650	-	1,205,426
Deferred tax expense	(21,336)	19,202	(2,134)
Income tax expense	241,219	(42,107)	-
Profit after tax	880,431	(14,355)	1,008,448

(b) Society

(i) Effect on statement of financial position:

	2012			2011		
	As previously reported	Effect of* prior year restatement or reclassification	As restated	As previously reported	Effect of* prior year restatement or reclassification	As restated
ASSETS						
Employee benefit asset	1,369,900	88,000	1,457,900	1,260,200	95,100	1,355,300
LIABILITIES						
Income tax payable	50,996	(40,740)	10,256	131,357	22,802	154,159
Defined tax liabilities	322,316	23,295	345,611	333,901	(16,819)	317,082
Employee benefit obligations	291,700	19,204	310,904	228,800	188,626	417,426
	665,012	1,759	666,771	694,058	194,609	888,667
SHAREHOLDERS EQUITY						
Permanent capital fund	5,215,864	25,654	5,241,518	4,523,824	16,114	4,539,938
Reserve fund	610,812	2,852	613,664	533,919	1,792	535,711
Retained earnings reserve	504,268	57,736	562,004	504,268	(117,415)	386,853
	6,330,944	86,242	6,417,185	5,562,011	(99,509)	5,462,503

(ii) Effect on income statement:

	2012		
	As previously reported	Effect of* prior year adjustment	As restated
Personnel cost	1,277,818	33,741	1,311,559
Reduction in liability for defined benefit plan	1,277,818	33,741	1,311,559
Profit before tax	877,825	-	844,084
Deferred tax expense	(11,585)	19,202	7,616
Income tax expense	186,053	(63,542)	122,511
Profit after tax	703,357	(44,341)	713,957

* Refer to notes 2, 4(h) and 14

40. BUSINESS COMBINATION

On May 1, 2013, the Group acquired the remaining 82% shares in Prime Pension Limited (PPL). As a result, the Group's equity interest in PPL increased from 18% to 100%.

Taking control of PPL will enable the Group to increase its share of the pension market through access to the customer base of Prime Asset Management Limited, ("Prime") a wholly-owned subsidiary of PPL.

The Group is expected to reduce cost through economies of scale.

For the eight months to December 31, 2013, PPL and Prime contributed revenue of $110,481,000 and profit of $24,621,000 to the Group results. If the acquisition had occurred January 1, 2013, management estimates that consolidated revenue would have been $146,397,000 and consolidated profit for the year would have been $32,169,000. In determining these amounts management assumed that the fair value adjustments, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2013.

The consideration for the acquisition was cash of US$5,332,470.

Acquisition-related costs

The Group incurred acquisition-related costs of $2,850,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The assets and liabilities arising from the acquisition are as follows:

	$'000
Deferred tax asset	1,088
Property, plant & equipment	1,360
Cash and cash equivalents	32,531
Short-term investments	19,284
Accounts receivable	23,390
Accounts payable	(9,305)
Due to related parties	(11,559)
Income tax payable	(11,989)
	44,799

	$'000
Cash and consideration	529,781
Cash and cash equivalent acquired	(32,531)
Net cash outflow on acquisition	497,250

Goodwill was calculated as follows:

	$'000
Cash consideration paid	529,781
Fair value of pre-existing shares	116,293
Cost of acquisition	646,074
Fair value of net assets acquired	(44,799)
Goodwill	601,275

40. BUSINESS COMBINATION (CONT'D)

The re-measurement of fair value of the Group's existing 18% interest in PPL at the date of acquisition resulted in a gain of $116,293,000 [the equivalent of US$1,170,541 (US$1,170,542 less US$1 carrying amount of equity-accounted investee)].

The goodwill is attributable mainly to the skills and technical talent of Prime's work force and the synergies expected to be achieved from integrating the company into the Group's existing operations. None of the goodwill recognized is expected to be deductible for tax purposes.

41. NATIONAL DEBT EXCHANGE

During the year, the Group participated in the National Debt Exchange ("NDX"). The NDX involved a par-for-par exchange of then existing Government of Jamaica domestic debt instruments issued for new debt instruments having lower interest rates and longer maturities.

The par value of the debt instruments exchanged and the result on profits was as follows:

	Group	Society
Jamaica dollar securities (J$'000)	14,484,527	9,133,793
United States dollar (US$'000)	4,938	4,687
Loss arising from the exchange (J$'000)	(340,437)	(333,758)





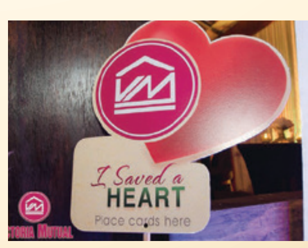


Victoria Mutual in the Community

As a family, we celebrated excellence, gave back to our community, joined hands and gave thanks for 135 years of service to our Members at home and in the Diaspora.









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CORPORATE DATA

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Senior Vice-President & Chief Operating Officer

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Vice-President, Group Human Resource Administration

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- Honourable Justice Ian Forte,
  President of the Court of Appeal (retired)
- Honourable Justice Clarence Walker, C.D.
  Justice of the Court of Appeal (retired)
- Mr. Karl P. Wright, C.D., MBA, B.Sc (Hons)
- Miss Megan Dean, MBA, B.Sc (Hons)

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- DunnCox
- Phillips, Malcolm, Morgan & Matthies
- M.N. Hamaty & Company
- O.G. Harding & Company
- G. Anthony Levy & Company
- Livingston, Alexander & Levy
- Murray & Tucker
- Myers, Fletcher & Gordon
- Nunes, Scholefield, DeLeon & Company
- Rattray, Patterson, Rattray
- Clarke, Robb & Company
- Robertson, Smith, Ledgister & Company
- Robinson, Phillips & Whitehourne
- Tenn, Russell, Chin-Sang, Hamilton & Ramsey
- Watt, King & Robinson

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Bank of Nova Scotia
Bank of Nova Scotia Jamaica Ltd.
Barclays Bank PLC
CIBC First Caribbean International Bank of Jamaica Ltd.
Citibank N.A.
First Global Bank
National Commercial Bank Jamaica Ltd.
RBC Royal Bank Jamaica Ltd.

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