



BARBADOS SEGREGATED PENSION FUNDS

ANNUAL REPORT 2013



Wise Financial Thinking for Life

a vibrant company
committed to
improving the lives
of people in the
communities in
which we operate.



BARBADOS SEGREGATED PENSIONS FUNDS

The most important element in pension funding is the investment return on the pension fund. However, the pension fund has to be substantial to provide such diversification of assets as would provide adequate capital security.

This is the principle around which the Segregated Pension Funds Policy was written. In April 1969, Sagicor Life Inc established two registered Unit Trusts in Barbados: Sagicor (Bonds) Fund and Sagicor (Equity) Fund. Investment in these Unit Trusts is restricted to Barbados registered Pension Plans, giving the Unit Trusts tax exempt status. The Unit Trusts are referred to as the Segregated Pension Funds, because the assets are held apart from Sagicor's Life Fund.

CONTENTS

SAGICOR BARBADOS SEGREGATED FUNDS

ANNUAL REPORT 2013

| | |
|--|----|
| Financial Highlights | 4 |
| The Segregated Pension Funds Policy | 5 |
| Chairman's Report | 8 |
| Directors | 16 |
| Pension Services Department Management | 17 |
| Portfolio Management Team | 17 |
| Auditors | 17 |
| Auditor's Report - Bonds Fund | 20 |
| Financial Statements - Bonds Fund | 22 |
| Statement of Financial Position - Bonds Fund | 22 |
| Statement of Changes in Unit Holders' Equity - Bonds Fund | 23 |
| Statement of Comprehensive Income - Bonds Fund | 24 |
| Statement of Cash Flows - Bonds Fund | 25 |
| Notes to the Financial Statements - Bonds Fund | 27 |
| Auditor's Report - Equity Fund | 50 |
| Financial Statement - Equity Fund | 52 |
| Statement of Financial Position - Equity Fund | 52 |
| Statement of Changes in Unit Holders' Equity - Equity Fund | 53 |
| Statement of Comprehensive Income - Equity Fund | 54 |
| Statement of Cash Flows - Equity Fund | 55 |
| Notes to the Financial Statements - Equity Fund | 57 |

Barbados Segregated Pensions Funds Policy

Under this policy, Sagicor offers investment management and administration services to Barbados registered Pension Funds. Investment management is provided by allowing investment in either or both of the two Unit Trusts, in proportions chosen by the client, thereby achieving the security of a diversified portfolio of investments.

Administration services include design of plans, computerized record keeping, regular monthly billing, payment of pension and other benefits and optional provision of actuarial advice.

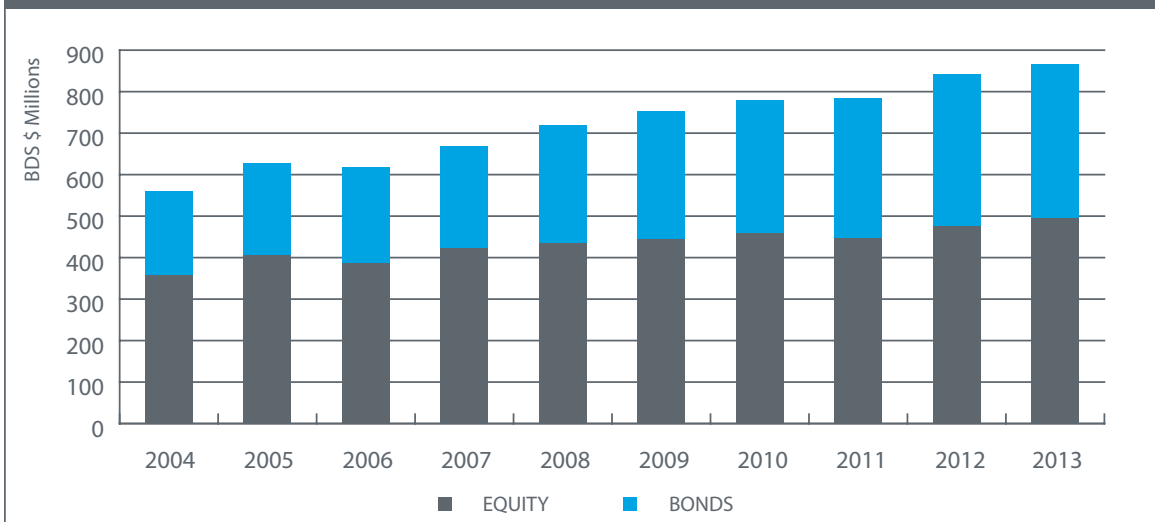
Actuarial advice is provided through our actuary, Sylvain Goulet, FSA, FCIA,MAAA, Affiliate Member of the (British) Institute of Actuaries.

At present, Pension Funds of 241 companies in Barbados amounting to approximately \$868.5 million are invested in these segregated funds; all but fifty-one of these Pension Plans are also administered by Sagicor. The total membership stood at 7,296 which includes 613 Pensioners.

BONDS & EQUITY FUNDS - NET ASSETS, UNIT VALUE, YIELD

| | Equity Fund | | | Bonds Fund | | |
|------|----------------|------------|---------|----------------|------------|---------|
| | Assets (\$000) | Unit Value | Yield % | Assets (\$000) | Unit Value | Yield % |
| 2004 | 357,282 | 33.71 | 22.50% | 203,250 | 13.29 | 6.50% |
| 2005 | 406,687 | 37.90 | 12.40% | 220,594 | 14.08 | 6.00% |
| 2006 | 387,506 | 37.38 | -1.40% | 230,386 | 14.73 | 4.60% |
| 2007 | 422,197 | 42.71 | 14.26% | 246,239 | 16.00 | 8.62% |
| 2008 | 435,613 | 41.01 | -3.98% | 284,074 | 16.89 | 5.56% |
| 2009 | 445,717 | 41.95 | 2.30% | 307,154 | 18.26 | 8.10% |
| 2010 | 458,067 | 43.52 | 3.70% | 322,608 | 19.32 | 5.83% |
| 2011 | 446,569 | 42.74 | -1.79% | 337,633 | 20.12 | 4.14% |
| 2012 | 476,581 | 45.67 | 6.86% | 364,525 | 21.63 | 7.54% |
| 2013 | 495,060 | 47.76 | 4.58% | 371,004 | 22.51 | 4.05% |

GROWTH OF THE SEGREGATED FUND ASSETS





*Wealth is the ability to
fully experience life.*



CHAIRMAN'S STATEMENT



Stephen McNamara
Chairman

International equity markets recorded impressive gains for 2013, led by developed market equities. Global growth remained generally stable, albeit at relatively low levels with moderate improvement. The World Bank estimated global growth of 2.4% for 2013, up 0.1% relative to 2012. During the year, major economies across the developed world experienced economic improvement against a backdrop of increasing or sustained levels of economic stimulus as was the case in Europe and Japan. These exceptionally accommodative monetary and fiscal policy conditions provided the main catalysts for global economic recovery. This supported investor sentiment and reinvigorated investors' appetite for risk seeking assets with a bias towards developed markets.

Emerging market economies were previously the proponent of economic growth; however, over the last two years, their growth rates have been increasing at a decreasing rate. This occurred as growth within large emerging market countries such as Brazil, Russia, India and China (BRICs) continued to be constrained by a general downward trend in commodity prices as well as restrictive fiscal policies with the objective to subdue inflationary pressures and to buttress adverse currency depreciation. Regionally, economies continued to experience relatively depressed levels of economic growth, with growth rates well below their historical averages. The Economic Commission for Latin America and the Caribbean (ECLAC) estimated growth for the region of 2.6% for 2013, which showed moderate improvement as compared to the 1.0% recorded for the previous year.

In concert with improved economic recovery throughout the developed world, most major equity indices within developed markets performed exceptional and registered strong double digit returns for the year. Global equities, as gauged by the MSCI World Index, advanced 27.3% while MSCI EAFE a benchmark for developed market equities outside the U.S. gained 22.8%. However, there was a divergence in the performance of emerging market equities, which countered the trend of their developed market counterparts and registered negative returns. The benchmarks for the performance of emerging equities as measured by the MSCI Emerging Markets Index and the

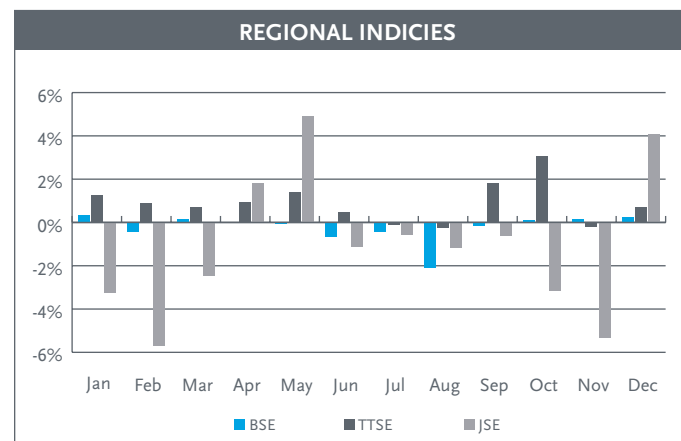
MSCI BRIC Index declined by 2.6% and 3.3%, respectively for the year.

Most notably, developed equity markets within Japan and the United States (U.S.) led the advance in global equities for 2013. The consistent themes within Japan and the U.S. were the exceptionally accommodative policy stance dubbed “Abenomics” and “Quantitative Easing” (QE), respectively, coupled with near zero short-term interest rates. These measures served to stimulate economic growth and lower investor risk aversion. In Japan, the Nikkie 225 Index experienced phenomenal gains of 56.7% for 2013, which represented its best performance in four decades.

Economic data within the U.S. was largely positive and showed gradual improvement. By the close of the year, the unemployment rate declined to 6.7%, and represented the lowest level since the December 2008. Furthermore, average consumer spending increased during the year, and corporate earnings announced were robust and often surprised on the upside. Manufacturing spiked in December to its highest level since 2010. The housing market also showed notable improvement relative to 2012. The S&P/Case-Shiller Home Price Index, a leading measure of home prices in the U.S. in real terms, advanced by 13.6% for the year. The S&P 500 Index experienced its best performance since 1997 and returned 32.4% for the year. The performance of the S&P 500 Index was representative of the broad market advance as all the industry sectors within the index, experienced solid gains for the year. However, value based strategies outperformed growth oriented strategies. The annual gains for the Dow Jones Industrial Average and the NASDAQ Index were 26.5% and 38.3%, respectively.

Global fixed income markets experienced increased volatility, which was largely driven by uncertainty surrounding the timing of the U.S. Federal Reserve tapering of its QE program. The JPM Global Bond Index, a measure of the performance of developed markets’ sovereign debt, fell by 4.5% for the year. The anticipated commencement of the reduction in the level of QE by the Federal Reserve during the latter half of the year drove up yields on Treasury bonds with medium to long-term tenors, which suppressed their corresponding valuations. The

upward movement in Treasury yields adversely impacted the performance of high quality, longer duration strategies. The yield on the 10 year Treasury bond rose from 1.8% at the start of the year and ended the year at 3.0%. The Barclays U.S. Aggregate Bond Index, a proxy for the broad U.S. bond market, recorded its poorest performance since 1994 and declined by 2.0% for the year. The corporate debt market countered the trend and recorded gains for 2013. The Barclays U.S. Corporate High Yield Index returned 7.4% for the year.



The expected monetary tightening within the U.S., had a rippled effect on emerging market debt valuations, as spreads widened on the backdrop of liquidity concerns. The relative strengthening of the U.S. dollar (USD) versus key emerging markets currencies, further compounded the challenges for debt issued by emerging market governments denominated in their respective local currencies. Emerging market debt as gauged by the JPM Emerging Bond Index ended the year in negative territory and declined by 5.25%.

The U.S. Federal Reserve reaffirmed its commitment to maintain the accommodative monetary policy stance aimed at the fulfillment of its statutory mandate of promoting maximum employment, price stability and moderate long-term interest rates. The Federal Reserve also made known its intention to closely monitor key macroeconomic indicators such as labor market conditions, inflation trends and information regarding financial developments and to provide monetary policy support until these indicators

show signs of stabilization. The target range of 0.00% to 0.25% for the Federal Funds Rate was held constant and the Federal Reserve indicated that this rate would be maintained at the current level, at least until the unemployment rate declines below 6.5% and inflation remains subdued near its target of 2.0%. The Federal Reserve also indicated that the accommodative policy stance maybe warranted beyond the achievement of aforementioned employment benchmark given that inflation continued to trend above the target rate of inflation.

Following two years of anemic economic recovery, the Barbadian economy regressed into recession during 2013 and key economic fundamentals showed worrisome deterioration. Barbados' Gross Domestic Product (GDP) contracted by 0.2% with a beleaguered performance within the traded and non-traded sectors. Vital sectors such as the tourism sector and the construction sector, experienced declines of 1.0% and 12.0%, respectively. The foreign exchange reserves registered a decline of \$0.3 billion and totaled \$1.2 billion at yearend. This was estimated to adequately cover an equivalent of 15 weeks' worth of imports. The decline in reserves was principally attributable to the decrease in private foreign investment inflows, which totaled \$0.5 billion and represented a decline of \$0.2 billion relative to 2012.

An attendant challenge to the decline in foreign inflows was the moderate increase in the fiscal deficit to 8.0% in 2013 from 6.4% in the previous year. During the second half of the year, international rating agencies, Standard and Poor's and Moody's lowered their respective sovereign ratings for Barbados to BB- and Ba3, respectively. These downgrades dampened the valuations of USD denominated Government of Barbados bonds as their yields rose to unprecedented highs with the yields on many of the longer tenor bonds exceeding 9.0% in December. In an effort to achieve fiscal consolidation, the Government announced the fiscal adjustment plan commencing at the start of 2014 for the duration of 18 months. This plan included austerity measures such as a restrictive fiscal policy stance as well as the retrenchment of approximately 11.0% of the public sector labour force. The unemployment rate

remained persistently elevated and averaged 11.2% for the first three quarters of the 2013 and the general decline in international food and energy prices pushed inflation down to 2.0%. The average deposit rate moderately declined to 3.2% while the savings rate was held constant at 2.5%. The Central Bank forecasted GDP growth of less than 1.0% and 1.6% for 2014 and 2015, respectively.

Trinidad and Tobago's economy maintained momentum and moderately expanded by an estimated 1.6%, relative to the growth in GDP of 1.2% recorded for 2012. Economic recovery strengthened with improvement across both the energy and non-energy sectors. The energy sector showed resilience as production increased during the fourth quarter and dwarfed the loss of output, which stemmed from the oil spill in the south western peninsula of Trinidad in December 2013. Production of ammonia and methanol increased for the fourth quarter by 11.0% and 20.0%, respectively. The financial and distribution sectors buoyed the growth within the non-energy sector. The fiscal deficit contracted to 2.6% of GDP for the year. Headline inflation increased 5.8% on a year-on-year basis, which largely resulted from an increase in food price inflation. However, core inflation remained subdued and stood at 2.0% for the year. The Central Bank of Trinidad and Tobago maintained its accommodative policy stance and held the Repo rate at 2.75%. On the backdrop of the persistently high level of liquidity in the economy, yields on Treasury Bills remained near zero.

The Jamaican economy showed relative improvement for 2013. Jamaica achieved all of the prerequisite conditions imposed by the International Monetary Fund (IMF) and was granted a four year Special Drawdown Right (SDR) 615 million extended arrangement under the Extended Fund Facility (EFF) in May 2013. Real GDP was estimated to have grown modestly by 0.9% in 2013, following a marginal contraction of 0.3% in 2012. Growth experienced within crucial industries such as tourism, mining and agriculture underpinned the expansion in real output recorded for the year. Inflationary pressures were principally driven by increased administered prices, which pushed up the inflation rate to 9.3%. The current account deficit declined to 9.6% of

GDP for 2013 as the country progressed towards fiscal consolidation. There was a relative increase in the net international reserves, which exceeded US\$1.0 billion. The annual average exchange rate for the Jamaican dollar (JMD) relative to the USD increased to JMD\$100.77 relative to JAM\$88.99 for 2012, which reflected an average depreciation of 13.2% for the JMD relative to the USD for the year.

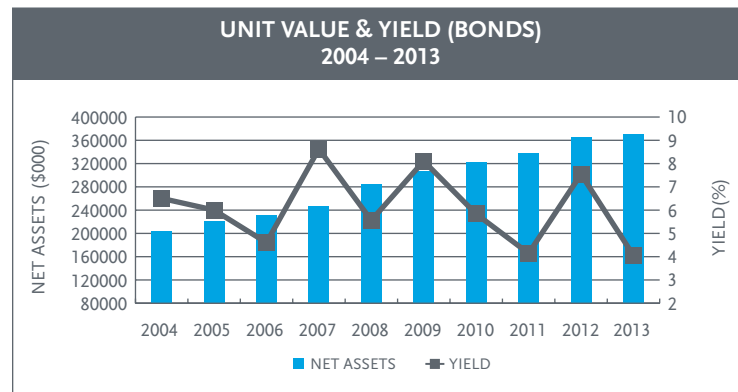
Regional equity markets registered mixed performances and generally remained depressed. The Barbados Stock Exchange (BSE) local index experienced decline by 2.8% for 2013 following a decline of 5.7% 2012. Relative to 2012, the number of shares traded declined by 20.0% for 2013. The trading volume for 2012 was significantly inflated by extraordinary transactions, which related to the offer from AMCL Holdings Limited and Republic Bank Limited to purchase all issued and outstanding shares of ANSA MCAL Barbados Limited and Republic Bank Barbados Limited, respectively. However, in the absence of extraordinary transactions for 2013, normalized trading volume declined 43.0% for the year relative to 2012. The total trading value was impacted in a similar fashion and showed a relative decrease of 60.0% for 2013 as compared to 2012. The Jamaica Stock Exchange declined 12.5% while the Trinidad and Tobago Stock Index advanced 11.3% for 2013.

SAGICOR (BONDS) FUND

The Sagicor (Bonds) Fund realized a yield of 4.1% for 2013. The Fund’s performance for the year was constrained by the protracted low interest rate environment which resulted in depressed reinvestment yields on fixed income securities across all maturity profiles and especially within the investment grade space. High liquidity within the banking system with fewer credit opportunities for redeployment continued to fuel intense competition within the mortgage segment of the portfolio. However, during the year the performance of the Fund benefited from attractive yields on new mortgages issued within the commercial segment of the portfolio.

Global fixed income markets experienced increased volatility during the year, which caused credit spreads to widen and associated fixed income valuations to decline. Regionally, credit events

comprising of sovereign debt defaults and downgrades weighed on the performance of the Fund for 2013. During the year, the downgrade of the Government of Barbados sovereign rating by Standard and Poor’s and Moody’s to BB- and Ba3, respectively, had a significantly negative impact on valuations. Furthermore, the Government of Grenada defaulted on its debt during March 2013. The impact of this default was relatively muted given the Fund’s nominal exposure to the Government of Grenada debt.



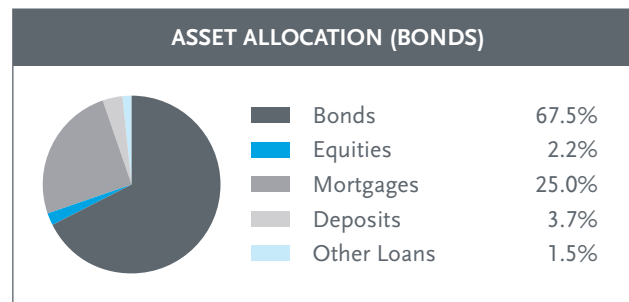
The Fund remained principally allocated to the fixed income asset class which represented 67.5% of financial investments and totaled \$243.8 million at December 31, 2013. The Fund’s bond portfolio remained bias historically towards debt issued by the Government of Barbados (73.1%) and totaled \$178.3 million. However, the consolidated Government of Barbados exposure was maintained at the designated portfolio limits. The Government of Barbados sovereign debt denominated in USD accounted for 17.3% of the Fund’s total exposure of the Government of Barbados fixed income holdings. During the year, the fair value impact of Barbados’ sovereign rating downgrade was through the decline in the valuation of Fund’s USD denominated Government of Barbados bonds. The prolonged low interest rate environment continued to favour a relatively short duration strategy. Therefore, prudent management of the portfolio’s duration was accomplished through the acquisition of debt with short-term to medium-term maturity profiles.

During the year, growth within the bond portfolio occurred principally through the acquisition of regional sovereign debt. Where possible,

investment grade sovereign debt was acquired to improve the overall credit profile of the portfolio, and included USD denominated debt issued by the Government of Bermuda and the Government of Aruba. However, within the investment grade space for regional sovereign debt, there remained a paucity of issuances and demand continued to outpace supply which resulted in the decline of yields on these bonds as they traded at premiums. The tenor of the investment grade debt acquired was 10 years with an average yield slightly below 5.0%. Nominal acquisition of Barbados dollar denominated sovereign bonds issued by the Government of Barbados were made with yields ranging from 6.25% to 7.0% and tenors ranging from 5 years to 11 years. The average bond yield of the Fund declined marginally from the previous year, and was recorded at 6.9% for 2013.

2012, which represented a yield of 4.1% for the year. The Fund's financial investments experienced a relative increase of 2.9% and totaled \$361.0 million at the end of 2013.

Total revenue declined significantly by 38.2% and was recorded at \$17.0 million for the year. Interest income was the primary contributor to revenue and stood at \$24.1 million for 2013, an increase of 6.8% relative to 2012. There was a positive contribution from dividend income, which increased 16.2% for the year. However, total revenue was adversely impacted by net investment losses recorded on financial investments, which totaled \$7.2 million. Net investment losses were principally attributable to the fair value losses realized on the Government of Barbados USD denominated bonds during the year. The Fund's net comprehensive income attributable to unit holders for 2013 stood at \$14.5 million.



SAGICOR (EQUITY) FUND

The performance of the Sagicor (Equity) Fund benefited from the buoyancy within developed market equities. However, the domestic investment climate remained challenging for equity investors and the beleaguered performances of local equities weighed on the Fund's performance for the year. Against this backdrop, the Fund advanced by 4.6% for the financial year ended December 31, 2013, a relative decline over the comparable period in 2012. The net assets of the Sagicor (Equity) Fund increased by 3.9% and totaled \$495.1 million at December 31, 2013.

The Fund's exposure to the mortgage asset class remained relatively unchanged and totaled \$90.4 million, which represented 25.0% of financial investments at the end of the year. Residential mortgages accounted for 41.8% of the mortgage portfolio and totaled \$37.8 million, while commercial mortgages remained the larger portfolio, representing 58.2% of the mortgage portfolio and totaling \$52.6 million. The average interest yield on mortgage loans showed improvement and increased to 8.4%, as compared to 7.6% recorded in 2012. The relative increase in the average mortgage rate was driven by disbursement of loans within the commercial sector. Undistributed mortgage commitments totaled \$7.6 million at December 31, 2013.

The asset allocation of the Fund remained biased towards risk seeking asset classes with core exposures to equities and domestic real estate. Equities represented 89.5% of financial investments and totaled \$358.9 million at December 31, 2013. Within the equity asset class, 43.8% was allocated to local and regional equities with 56.2% allocated to international equities. The Fund's international portfolio remained well diversified and consisted of exposure to global equity markets, international fixed income strategies as well as alternative investment strategies to provide enhanced diversification, mitigate downside risk and improve the Fund's overall expected risk adjusted returns. The diversification of the portfolio was enhanced

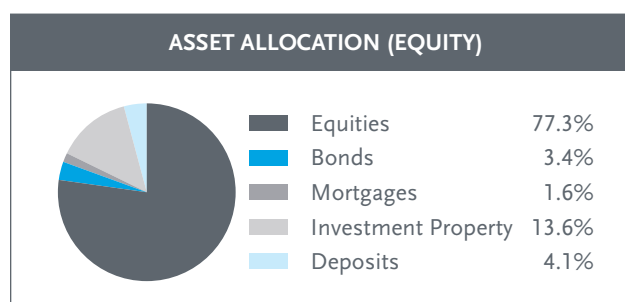
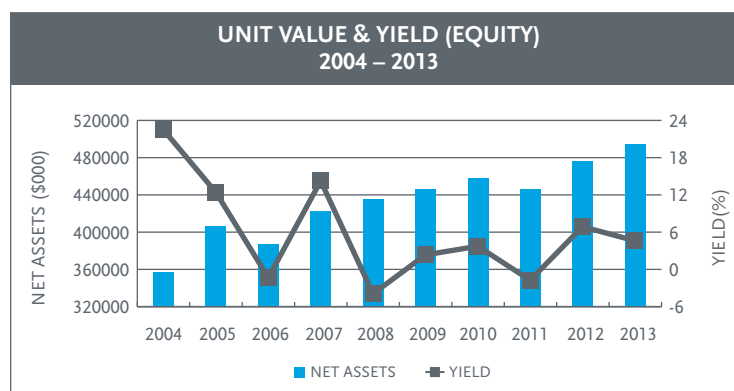
Net assets attributable to unit holders showed moderate growth of 1.8% for the year and totaled \$371.0 million at December 31, 2013. The Fund's net asset value per unit at the end of the year, increased to \$22.51 from \$21.63 at the end of

through moderate exposure to fixed income holdings and mortgage loans. The investment property portfolio declined to \$63.2 million and represented 12.8% of net assets attributable to unit holders. The relative decrease of investment in property was primarily due to disposals of \$5.4 million as well as depreciation in fair value of \$1.5 million.

During the year, the Fund's investment strategy continued to favour expansion within the international equity portfolio. The Fund's international portfolio was rebalanced in accordance with long-term capital market expectations of upward movement in interest rates and economic improvement within international economies. Therefore, substantial exposure to international fixed income holdings was liquidated and reinvestment occurred within international equities. These actions resulted in the decline in debt securities of 63.3% and the growth within equities of 22.1% for the financial year ended December 31, 2013 relative to the comparable period of the previous year. During the year, the Fund also experienced a relative decline in its total liquidity position as a result of systematic reinvestment within the international portfolio. At the end of the year, the Fund's exposure to cash and deposits totaled \$32.8 million and \$19.1 million, respectively.

The Fund experienced declines in major regional holdings which included First Caribbean International Bank (Barbados) Ltd, Cable & Wireless (Barbados) Limited and Banks Holding Limited. These declines were counteracted by advances of Fund's holdings of Goddard Enterprises Limited and Neal & Massy Holdings Ltd shares.

Net comprehensive income for the year attributable to unit holders moderated as compared to the prior year and totaled \$21.7 million at December 31, 2013. Net investment gains totaled \$17.4 million was the main contributor to total revenue, which totaled \$27.0 million for the year. Collectively, investment income experienced a marginal increase as dividend income showed relative improvement, which outweighed the slight declines in income received through the interest and rent categories for 2013.



OUTLOOK

Growth within the global economy for 2013 remained relatively low but showed positive signs of stabilization, which has improved investor confidence and the general investment outlook for 2014. The highly accommodative monetary policy stance within developed economies is expected to persist with the economic recovery within the U.S. and Europe projected to gain traction. However, Japan's economy is expected to slow as the Bank of Japan is expected to implement a restrictive fiscal policy stance in an effort to achieve fiscal consolidation. On the backdrop of improved recovery within countries across the developed world, the IMF forecasted an increase in global growth to 3.7% for 2014. The accommodative policy environment is expected to continue to favour risk seeking asset classes. Therefore, developed market equities are expected maintain their relative outperformance in 2014.

Within the emerging world, growth rates are expected to lag their historical averages. However, emerging markets economies led by the BRICs are expected to achieve rates of growth that exceeds that of their developed counterparts and maintain the lead in spurring economic growth. Emerging market securities are poised to

experience heightened volatility with respect to the U.S. Federal Reserve's anticipated tapering of its QE program. This would serve to advance capital flows from emerging markets and into advanced markets, which would also depress currency values relative to major market currencies and inflate bond yields as investors command higher risk premiums. Additionally, moderate monetary policy tightening is likely to subdue inflationary pressures within some emerging market economies, which may cause an element of fiscal drag on economic performance. Though the general outlook for emerging markets is uncertain, value can be derived with circumspection within those markets, which show strong fundamentals, sound policy frameworks and prudent macro-economic policies.

Regionally, economic recovery remains fragile and highly dependent upon the economic improvement of developed economies. The tourism sector is

expected to show modest improvement while the financial services and the construction sectors are expected to weigh on region's economic stability. Furthermore, high public debt levels together with fiscal imbalances remain key challenges and will continue to impede the competitiveness of the region.

On behalf of the Board of Directors, I wish to thank our management, staff and advisors for their extraordinary commitment throughout 2013. I also extend my sincerest appreciation to our unit holders for their confidence and trust.



Stephen McNamara
Chairman

*The future belongs to those
who prepare for it today.*



TRUSTEE OF THE SEGREGATED PENSION FUNDS

DIRECTORS OF SAGICOR LIFE INC

Stephen McNamara – Chairman
Andrew Aleong, MBA
Professor Sir Hilary Beckles, PhD
Peter Clarke, BA, LLB
Dr. L Jeannine Comma, Ed.D.
Joyce Dear, MBA, FCCA
Dr. Marjorie Patricia Downes-Grant, BA, MA (Econ), MBA (Fin), DBA
William Lucie-Smith, MA (Oxon), FCA
Dodridge Miller, FCCA, MBA, LLM, LLD (Hon)
David Wright, FFA, FAIA

TRUSTEE OF THE SEGREGATED PENSION FUNDS

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

PENSION SERVICES DEPARTMENT MANAGEMENT

Stephen Robinson, BMath (Hons)
Donna Gibbs, MSc, FLMI, ALHC, HIA, ACS
Sarah-Jane Griffith, BSc (Hons), ASA

Vice President
Manager
Manager

PORTFOLIO MANAGEMENT TEAM

Dexter Moe, BSc, MBA, ACIS, CFA
Michael Millar, BSc, MSc

Vice President
Portfolio Manager

AUDITORS

PricewaterhouseCoopers



*No one can see tomorrow,
but we can plan for today.*





INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Sagicor (Bonds) Fund

We have audited the accompanying financial statements of Sagicor (Bonds) Fund, which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in unitholders' equity 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: +246-626-6700, F: 246-436-1275, www.pwc.com/bb

PwC refers to PricewaterhouseCoopers SRL, a Barbados society with restricted liability which is a member of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Bonds) Fund as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

August 4, 2014
Bridgetown, Barbados

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

Statement of Financial Position

As of December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

| | Notes | 2013 | 2012 |
|---|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Due from Sagicor (Equity) Fund | 4 | \$ 6,535,819 | \$ 3,832,529 |
| Due from Sagicor (Eastern Caribbean) Fund | 4 | 32,572 | - |
| Due from Sagicor Asset Management Inc | 4 | 72,461 | - |
| Income tax assets | 5 | 5,688,997 | 5,140,982 |
| Interest and other receivables | 6 | 2,419,229 | 3,428,973 |
| Financial investments | 7 | 361,046,421 | 350,880,561 |
| Cash resources | | 2,692,960 | 2,626,652 |
| Total assets | | \$ 378,488,459 | \$ 365,909,697 |
| LIABILITIES | | | |
| Bank Overdraft | | - | 597,425 |
| Due to Sagicor Life Inc | 4 | 5,945,409 | 565,489 |
| Accounts payable | 9 | 1,538,888 | 222,222 |
| Total liabilities | | 7,484,297 | 1,385,136 |
| Net assets | | \$ 371,004,162 | \$ 364,524,561 |
| Represented by: | | | |
| UNIT HOLDERS' EQUITY | | \$ 371,004,162 | \$ 364,524,561 |
| No. of units outstanding at end of year | | 16,485,244 | 16,849,207 |
| Net asset value per unit at end of year | | \$ 22.51 | \$ 21.63 |
| Increase in net asset value per unit for year | | 4.1% | 7.5% |

The notes on pages 25 to 47 are an integral part of these financial statements

Approved by the Board of Directors on August 3, 2014.


Chairman


Director

Statement of Changes in Unit Holders' Equity

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

| | 2013 | | 2012 | |
|--|--------------------|--------------|--------------------|--------------|
| | Number of Units | Total \$ | Number of Units | Total \$ |
| Balance, beginning of year | 16,849,207 | 364,524,561 | 16,783,671 | 337,633,340 |
| Proceeds from issue of units | 714,738 | 15,754,521 | 772,336 | 15,953,394 |
| Redemption of units | (1,078,701) | (23,810,556) | (706,800) | (14,651,763) |
| Net (decrease)/increase from unit transactions | (363,963) | (8,056,035) | 65,536 | 1,301,631 |
| Net income and total comprehensive income for the year attributable to unit holders | - | 14,535,636 | - | 25,589,590 |
| Balance, end of year | 16,485,244 | 371,004,162 | 16,849,207 | 364,524,561 |

The notes on pages 25 to 47 are an integral part of these financial statements

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

Statement of Comprehensive Income

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

| | Notes | 2013 | 2012 |
|--|-------|----------------------|----------------------|
| REVENUE | | | |
| Interest income | 10 | \$ 24,053,515 | \$ 22,523,394 |
| Dividend income | | 66,906 | 57,602 |
| Net investment (losses)/gains | 11 | (7,167,088) | 4,854,355 |
| | | <u>16,953,333</u> | <u>27,435,351</u> |
| EXPENSES | | | |
| Management fee | 12 | 1,846,344 | 1,760,100 |
| Allowance for impairment losses on income tax assets | 5 | 500,000 | - |
| Investment expenses | | 61,785 | 50,944 |
| Bank and interest charges | | 9,451 | 8,813 |
| Exchange loss | | 117 | 25,904 |
| | | <u>2,417,697</u> | <u>1,845,761</u> |
| NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO UNIT HOLDERS | | <u>\$ 14,535,636</u> | <u>\$ 25,589,590</u> |

The notes on pages 25 to 47 are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

| | 2013 | 2012 |
|--|---------------|---------------|
| Cash flows from operating activities: | | |
| Net income attributable to unit holders for the year | \$ 14,535,636 | \$ 25,589,590 |
| Adjustments for: | | |
| Interest income | (24,053,515) | (22,523,394) |
| Dividend income | (66,906) | (57,602) |
| Allowance for impairment losses on income tax assets | 500,000 | - |
| Net losses/(gains) on financial investments | 5,913,484 | (4,304,553) |
| Allowances for impairment losses | 1,253,604 | (549,802) |
| | (1,917,697) | (1,845,761) |
| Changes in operating assets and liabilities | | |
| Due from Sagicor Life Inc | - | 1,002,879 |
| Due from Sagicor (Eastern Caribbean) Fund | (32,572) | - |
| Due from Sagicor (Equity) Fund | (2,703,290) | 681,708 |
| Due from Sagicor Asset Management Inc | (72,461) | - |
| Issue of mortgage loans | (6,137,664) | (12,592,482) |
| Repayment of mortgage loans | 6,923,875 | 6,647,289 |
| Purchase of debt securities | (25,256,692) | (38,942,140) |
| Redemption of debt securities | 14,279,241 | 21,635,454 |
| Purchase of equity securities | (53,469) | (46,333) |
| Amounts deposited | (22,289,196) | (17,981,350) |
| Deposits redeemed | 17,675,648 | 14,966,890 |
| Other receivables | 1,009,744 | 55,766 |
| Due to Sagicor Life Inc | 5,379,920 | 565,489 |
| Accounts payable | 1,316,666 | (41,401) |
| Interest received | 21,578,824 | 22,690,323 |
| Dividends received | 66,906 | 57,602 |
| Cash generated from/(used in) operations | 9,767,783 | (3,146,067) |
| Taxes paid/(net) | (1,048,015) | (950,731) |
| Net cash generated from/(used in) operating activities carried forward | 8,719,768 | (4,096,798) |

Statement of Cash Flows (continued)

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

| | 2013 | 2012 |
|--|--------------|--------------|
| Net cash generated from/(used in) operating activities brought forward | 8,719,768 | (4,096,798) |
| Cash flows from financing activities | | |
| Proceeds from issue of units | 15,754,521 | 15,953,394 |
| Redemption of units | (23,810,556) | (14,651,763) |
| Net cash (used in)/generated from financing activities | (8,056,035) | 1,301,631 |
| Net increase/(decrease) in cash and cash equivalents | 663,733 | (2,795,167) |
| Cash and cash equivalents - beginning of year | 2,029,227 | 4,824,394 |
| Cash and cash equivalents - end of year | \$ 2,692,960 | \$ 2,029,227 |
| Cash and cash equivalents comprise: | | |
| Cash resources | 2,692,960 | 2,626,652 |
| Bank overdraft | - | (597,425) |
| | \$ 2,692,960 | \$ 2,029,227 |

The notes on pages 25 to 47 are an integral part of these financial statements

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Bonds) Fund (“The Fund”) was registered in April 1969 as a Unit Trust, responsible for the management of investments of Barbados registered pension plans.

The Fund’s objective is to generate income and preserve capital through investment in competitively yielding fixed income securities including mortgages, bonds and other debt instruments.

Sagicor Life Inc is the appointed Trustee and Manager of the Fund. The registered office of the Fund is located at the Cecil F. de Caires Building, Wildey, St. Michael.

If required, these financial statements can be amended after issue, at the recommendation of the Audit Committee and with the approval of the Board of directors.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial investments held at fair value through income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in Barbados dollars unless otherwise stated.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Amendments to IFRS

Several new or amended standards are effective for the current financial year, and where required those standards have been applied in preparing these financial statements with restatement of comparative disclosures.

Amended standards which are effective for the 2013 financial year that have no significant impact on the Fund's financial statements are listed in the following table.

| | |
|--|--|
| IFRS 7 Financial Instrument Disclosures (January 1, 2013) | These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements. |
| IFRS 10 – Consolidated Financial Statements (January 1, 2013) | The standard refines the definition of control over entities and consequently defines interests that require consolidation. |
| IFRS 11 – Joint Arrangements (January 1, 2013) | This standard provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. |
| IFRS 12 – Disclosure of Interest in Other Entities (January 1, 2013) | Require enhanced disclosures about both consolidated and unconsolidated entities so that users of financial statements may evaluate the basis of control, restrictions on assets and liabilities, risk exposures from involvements with unconsolidated entities and non-controlling interests' involvement in consolidated entities. |

Amended standards which are effective for the 2013 financial year that resulted in additional disclosures on the Fund's financial statements are listed in the following table.

| | |
|--|--|
| IFRS 13 – Fair Value Measurement (January 1, 2013) | <p>The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements.</p> <p>The standard applies to financial and non-financial assets and liabilities that are measured at fair value. The fair value hierarchy concept formerly defined in IFRS 7 has been transferred to and enhanced by this standard. The standard summarises the main valuation techniques which should be applied.</p> <p>The Fund has adopted this standard from the current year. These statements include new disclosures of the fair value hierarchy as applied to financial instruments carried at amortised cost (note 8.5). Disclosures of the fair value hierarchy as applied to financial instruments carried at fair value continues from prior years in note 8.5.</p> |
|--|--|

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(b) New standards and amendments to standards which are not yet effective**

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The Fund has not adopted these new standards and amendments. The changes which may have a significant effect on future presentation, measurement or disclosure of the Fund's financial statements are as follows:

| IFRS (Effective Date) | Subject / Comments |
|--|--|
| IFRS 9 – Financial Instruments (January 1, 2015) | <p>IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The determination is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.</p> <p>IFRS 9 has amended the treatment, applicable to financial liabilities designated at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship.</p> <p>This standard does not address changes contemplated by the International Accounting Standards Board with respect to the following related items:</p> <ul style="list-style-type: none"> • impairment methodology for financial assets • hedge accounting |
| FRS 10 – Consolidated Financial Statements (January 1, 2014) | <p>These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics.</p> |
| IAS 32 Financial Instrument Presentation (January 1, 2014) | <p>These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements.</p> |
| IAS 36 - Impairment of Assets (January 1, 2014) | <p>These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.</p> |

2.2 Foreign currency translation**(a) Functional and presentational currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentational currency.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses which result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held at fair value through income are reported as part of the net investment gains or losses in the statement of comprehensive income.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted into Barbados dollars at the pegged rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

| | 2013 closing rate | 2013 average rate | 2012 closing rate | 2012 average rate |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| Eastern Caribbean dollar | 1.35 | 1.35 | 1.35 | 1.35 |
| Trinidad & Tobago dollar | 3.2193 | 3.2032 | 3.1907 | 3.2003 |
| United States dollar | 0.50 | 0.50 | 0.50 | 0.50 |

2.3 Financial assets

(a) Classification

The Fund classifies its financial assets into two categories:

- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through income have been so designated by management at inception since the assets form part of a managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, unless designated as fair value through income on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Financial assets (continued)****(b) Recognition, derecognition and measurement**

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on financial investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards and rewards of ownership.

Loans and receivables initially recorded at fair value and are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses are recorded as net investment gains or losses in the statement of comprehensive income. Interest and dividend income are recorded under their respective headings in investment income.

(c) Fair value

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. In estimating the fair value of non-traded financial assets, the Fund uses a variety of methods such as obtaining dealer quotes and using discounted cashflow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security according to the perceived additional risk of the non-government security.

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.4 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,

Cash equivalents are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.6 Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.7 Taxation

The Fund is exempt from Barbados taxation.

The Fund currently incurs withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income and the related tax imposed is recorded as receivable until the amounts are recovered.

2.8 Management fee, Investment Advisory and Custodian fees

As a result of serving as Trustee and Manager of the Fund, Sagicor Life Inc receives a management fee based on the Net Asset Value of the Fund, calculated daily at a rate of 0.5% per annum.

2.9 Units

The Fund issues redeemable units which are redeemable at the holder's option. Units are carried at the redemption amount that is payable at the balance sheet date should the holder exercise the right to redeem the shares. Units redeemed may be put back to the fund for cash or transfer of assets representing the value of the units redeemed.

Units are classified as equity as they meet the following criteria:

- They entitle the holder to a pro-rata share of the net assets of the Fund.
- The total expected cash flows attributable to the units over their life are based substantially on the profits or loss of the Fund.
- The Fund is contractually obliged to deliver cash to unit holders on the repurchase of units or transfer assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.10 Net asset value per unit

The consideration received or paid for units issued or repurchased respectively is based on the Fund's net asset value per unit at the date of the transaction.

The net asset value per unit is calculated by dividing the net assets by the number of units.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Fund's financial statements are set out below.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**3.1 Valuation of unquoted debt securities**

The Fund uses internally developed models to estimate market values for unquoted debt securities. The estimated market value is based on best estimate assumptions and may vary substantially as these assumptions are varied. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3.2 Impairment of financial assets

A loan or a receivable is considered impaired when management determines that it is probable amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral, and the financial condition and the financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

4. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$2,456,777 (2012 - \$2,897,482) due from Sagicor (Equity) Fund which bears interest at a rate of 7.750% (2012 – 7.750%) and is repayable over 5 years in monthly instalments of

\$61,498. This balance is in relation to the interest held by Sagicor (Equity) Fund in United Nations House joint venture.

5. INCOME TAX ASSETS

Income tax assets arise from deductions of withholding tax at source on interest income on local financial investments. The Fund's tax-exempt status entitles it to a refund of these taxes by the Commissioner of Inland Revenue.

Income tax assets are reported at the gross value of \$6,188,997, net of an estimated impairment of \$500,000 (2012 - gross value of \$5,140,982; impairment of \$Nil)

Withholding tax incurred on extra-regional financial investments is not collectable by the Fund, and is therefore written off as an expense.

6. INTEREST AND OTHER RECEIVABLES

| | 2013 \$ | 2012 \$ |
|------------------------|------------|------------|
| Bond interest due | 399,017 | 312,312 |
| Unsettled transactions | - | 500,000 |
| Other | 2,020,212 | 2,616,661 |
| | 2,419,229 | 3,428,973 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS

Analysis of financial investments

| | 2013 Fair value \$ | 2012 Fair value \$ |
|---|--------------------------|--------------------------|
| Financial assets at fair value through income: | | |
| Debt securities | 243,759,804 | 238,573,694 |
| Equity securities | 7,938,822 | 7,422,720 |
| | <u>251,698,626</u> | <u>245,996,414</u> |

The Fund's financial assets and financial liabilities carried at amortised cost approximate their fair value.

| | Amortised Cost \$ | Amortised Cost \$ |
|---------------------------------|------------------------|------------------------|
| Loans and receivables: | | |
| Deposits | 13,413,551 | 8,759,670 |
| Mortgage loans, net | 90,402,013 | 90,592,334 |
| Other loans | 5,532,231 | 5,532,143 |
| | <u>109,347,795</u> | <u>104,884,147</u> |
| Total financial investments | <u>361,046,421</u> | <u>350,880,561</u> |

Mortgage loans are reported at the gross principal of \$98,745,020, net of impairment of \$8,343,007 (2012 - gross principal of \$98,400,807, net of impairment of \$7,808,473). The fair value of the fixed rate mortgage loans is \$31,322,949 (2012 - \$15,489,069) and the carrying value is \$32,121,259 (2012 - \$20,143,259). The fair value of other loans is \$5,532,231 (2012 - \$5,500,00). All other loans and receivables approximate their fair value.

See note 8.5 for the fair value of loans and receivables.

The movement in the provision for impairment is as follows:

| | 2013 \$ | 2012 \$ |
|----------------------------------|--------------------|--------------------|
| Balance beginning of the year | (7,808,473) | (11,556,699) |
| (Increase)/decrease in provision | (534,534) | 3,748,226 |
| Balance at end of year | <u>(8,343,007)</u> | <u>(7,808,473)</u> |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Debt securities comprise:

| | 2013 \$ | 2012 \$ |
|----------------------------|--------------------|--------------------|
| Government debt securities | 223,798,941 | 211,517,171 |
| Corporate debt securities | 19,960,863 | 27,056,523 |
| | <u>243,759,804</u> | <u>238,573,694</u> |

Debt securities designated at fair value through income and valued using internally developed valuation models amounted to \$169,488,498 (2012 - \$165,307,742).

8. FINANCIAL RISK

Financial risk factors

The Fund's activities of accepting funds from unit holders and investing these funds in a variety of financial and other assets expose the Fund to various financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below:

The overriding objective of the Fund's risk management framework is to enhance its capital base through investment in competitively yielding income securities and to protect capital against inherent business risks. This means that the Fund accepts certain levels of risk in order to generate returns, and the Fund manages the levels of risk assumed through risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

8.1 Credit risk

The effects of financial risks are disclosed in the sections below.

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Fund. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as the local and regional stock exchanges act as clearing facilitators, ensuring that monies are placed in the clearing accounts.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's credit position on a quarterly basis.

The maximum exposures of the Fund to credit risk are set out in the following table.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.1 Credit risk (continued)

| | 2013 | | 2012 | |
|-------------------------------|-------------|-----|-------------|-----|
| | \$ | % | \$ | % |
| Investment portfolios | 257,173,355 | 69 | 247,333,364 | 68 |
| Lending portfolios | 95,934,244 | 26 | 96,124,477 | 26 |
| Other financial assets | 11,753,041 | 3 | 9,888,154 | 3 |
| Total balance sheet exposures | 364,860,640 | 98 | 353,345,995 | 97 |
| Mortgage loan commitments | 6,157,384 | 2 | 9,679,779 | 3 |
| Total | 371,018,024 | 100 | 363,025,774 | 100 |

The Fund's largest exposures to individual counterparty credit risks as at December 31, 2013 with their comparative amounts are set out below.

| | Risk rating | 2013 \$ | Risk rating | 2012 \$ |
|---|-------------|-------------|-------------|-------------|
| Debt securities: | | | | |
| Government of Barbados – denominated in Barbados dollars | BB- | 147,387,225 | BB+ | 139,524,207 |
| Government of Barbados – denominated in US dollars | BB- | 30,883,582 | BB+ | 34,888,819 |
| Republic of Trinidad and Tobago – denominated in United States dollars | A | 7,405,956 | A | 6,943,083 |
| Arawak Cement Co. Ltd. – denominated in Barbados dollars | Unrated | 7,212,382 | Unrated | 7,427,509 |
| Needham's Point Development – denominated in Barbados dollars | BB- | 5,027,984 | BB+ | 4,933,484 |
| Government of Aruba – denominated in United States dollars | BBB+ | 9,322,515 | A- | 6,018,933 |
| Republic of Panama – denominated in United States dollars | BBB | 4,923,817 | BBB | 6,083,384 |
| Government of Bermuda – denominated in United States dollars | AA- | 7,237,003 | - | - |
| Deposits and cash resources: | | | | |
| Bank of Montreal | A+ | 1,538,756 | A+ | 1,045,688 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.1 Credit risk (continued)

An element of the change in the fair value of the Fund's debt securities designated at fair value through income which were held within the portfolio over the full course of the year and valued using internally developed valuation models is attributable to movements in credit spreads on these securities.

| | Change in fair value \$ | Attributable to credit risk \$ |
|-------------------|-------------------------------|--------------------------------------|
| As of | | |
| December 31, 2013 | 2,161,331 | (53,250) |
| As of | | |
| December 31, 2012 | 2,192,803 | (407,567) |

Exposure to credit risk in respect of mortgage loans is managed in part by obtaining collateral. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

Exposure to mortgage loans by sector is as follows: -

| | 2013 \$ | 2012 \$ |
|--------------------|------------|------------|
| Commercial sector | 52,571,749 | 51,419,791 |
| Residential sector | 37,830,264 | 39,172,543 |
| Total | 90,402,013 | 90,592,334 |

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Fund is most exposed to the risk of past due assets with respect to its financial investments namely debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 180 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Fund's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities and mortgage loans analysed by past due or impairment status.

The tables below summarise the carrying value of the financial investments which are past due but are not considered to be impaired.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.1 Credit risk (continued)

| 2013 | Debt securities | Mortgage loans |
|--|-----------------|----------------|
| Neither past due nor impaired | 233,287,207 | 50,726,440 |
| Past due up to 3 months, but not impaired | 10,311,089 | 11,323,168 |
| Past due up to 12 months, but not impaired | - | 9,364,263 |
| Past due up to 5 years, but not impaired | 161,508 | 4,377,207 |
| Past due over 5 years, but not impaired | - | 4,402,201 |
| Total past due but not impaired | 10,472,597 | 29,466,839 |
| Impaired assets | - | 10,208,734 |
| Total carrying value | 243,759,804 | 90,402,013 |
| Accumulated allowances on impaired assets | - | 8,343,007 |
| Accrued interest on impaired assets | - | 3,892,255 |
| 2012 | Debt securities | Mortgage loans |
| Neither past due nor impaired | 229,413,205 | 58,851,903 |
| Past due up to 3 months, but not impaired | 9,046,252 | 12,281,850 |
| Past due up to 12 months, but not impaired | - | 3,277,933 |
| Past due up to 5 years, but not impaired | 114,237 | 5,685,663 |
| Past due over 5 years, but not impaired | - | 727,634 |
| Total past due but not impaired | 9,160,489 | 21,973,080 |
| Impaired assets | - | 9,767,351 |
| Total carrying value | 238,573,694 | 90,592,334 |
| Accumulated allowances on impaired assets | - | 7,808,473 |
| Accrued interest on impaired assets | - | 2,916,852 |

Balances relating to impaired financial investments are summarised in the following table. The accumulated allowance for impairment losses reflects the Fund's assessment of total individually impaired investments at date of the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.1 Credit risk (continued)

| | Gross carrying value \$ | Accumulated allowance for impairment \$ | Net carrying value \$ | Estimated fair value of collateral \$ |
|--------------------------------|----------------------------------|--|-----------------------------|--|
| As of December 31, 2013 | | | | |
| Mortgage loans | 18,551,741 | 8,343,007 | 10,208,734 | 14,648,681 |
| As of December 31, 2012 | | | | |
| Mortgage loans | 17,575,824 | 7,808,473 | 9,767,351 | 14,018,681 |

Interest of \$3,892,255 (2012 - \$2,916,852) has been accrued on impaired mortgages.

(b) Repossessed assets

The Fund may foreclose on overdue mortgage loans by repossessing the pledged asset. In some instances, the Fund may provide re-financing to a new purchaser on customary terms.

No assets were repossessed during the year.

(c) Renegotiated assets

The Fund may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Fund classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated.

8.2 Liquidity risk

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due.

In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short term obligations.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's liquidity position on a quarterly basis.

Contractual cash flow obligations of the Fund in respect of its financial liabilities are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2013

| | On demand or within 1 year \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|--------------------------------|--|--------------------|------------------------|-------------------|
| Accounts payable | 1,538,888 | - | - | 1,538,888 |
| Due to Sagicor Life Inc | 5,945,511 | - | - | 5,945,511 |
| Off balance sheet commitments: | | | | |
| Mortgage loan commitments | 6,157,384 | - | - | 6,157,384 |
| Total | 13,641,783 | - | - | 13,641,783 |

As of December 31, 2012

| | On demand or within 1 year \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|--------------------------------|--|--------------------|------------------------|-------------------|
| Bank overdraft | 597,425 | - | - | 597,425 |
| Accounts payable | 222,222 | - | - | 222,222 |
| Due to Sagicor Life Inc | 565,489 | - | - | 565,489 |
| Off balance sheet commitments: | | | | |
| Mortgage loan commitments | 9,679,779 | - | - | 9,679,779 |
| Total | 11,064,915 | - | - | 11,064,915 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.2 Liquidity risk (continued)

(b) Financial assets

Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns. Through experience and monitoring, the Fund is able to maintain sufficient liquid resources to meet current obligations.

The Fund's monetary financial assets mature in periods which are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

| As of December 31, 2013 | Maturing within 1 year \$ | Maturing within 1 to 5 years \$ | Maturing after 5 years \$ | Total \$ |
|---|------------------------------|------------------------------------|------------------------------|--------------------|
| Due from Sagicor (Equity) Fund | 4,745,441 | 1,790,378 | - | 6,535,819 |
| Due from Sagicor (Eastern Caribbean) Fund | 32,572 | - | - | 32,572 |
| Due from Sagicor Asset Management Inc | 72,461 | - | - | 72,461 |
| Interest and other receivables | 2,419,229 | - | - | 2,419,229 |
| Debt securities | 16,871,517 | 62,974,936 | 163,913,351 | 243,759,804 |
| Deposits | 12,536,071 | 877,480 | - | 13,413,551 |
| Mortgage loans | 9,294,126 | 9,906,825 | 71,201,062 | 90,402,013 |
| Other loans | 5,532,231 | - | - | 5,532,231 |
| Cash resources | 2,692,960 | - | - | 2,692,960 |
| Total | 54,196,608 | 75,549,619 | 235,114,413 | 364,860,640 |

| As of December 31, 2012 | Maturing within 1 year \$ | Maturing within 1 to 5 years \$ | Maturing after 5 years \$ | Total \$ |
|--------------------------------|------------------------------|------------------------------------|------------------------------|--------------------|
| Due from Sagicor (Equity) Fund | 1,593,631 | 2,238,898 | - | 3,832,529 |
| Interest and other receivables | 3,428,973 | - | - | 3,428,973 |
| Debt securities | 6,920,601 | 50,105,199 | 181,547,894 | 238,573,694 |
| Deposits | 8,759,670 | - | - | 8,759,670 |
| Mortgage loans | 9,695,808 | 6,164,932 | 74,731,594 | 90,592,334 |
| Other loans | 5,532,143 | - | - | 5,532,143 |
| Cash resources | 2,626,652 | - | - | 2,626,652 |
| Total | 38,557,478 | 58,509,029 | 256,279,488 | 353,345,995 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.3 Interest rate risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor and review the Fund's overall interest sensitivity on a quarterly basis.

(a) Financial liabilities

As of December 31, 2013 and 2012 all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

(b) Financial assets

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual maturity dates.

| As of December 31, 2013 | Exposure within 1 year \$ | Exposure of 1 to 5 years \$ | Exposure after 5 years \$ | Not exposed to interest \$ | Total \$ |
|--------------------------------|------------------------------|--------------------------------|------------------------------|-------------------------------|--------------------|
| Due from related parties | 666,399 | 1,790,378 | - | 4,184,075 | 6,640,852 |
| Interest and other receivables | - | - | - | 2,419,229 | 2,419,229 |
| Debt securities | 16,689,596 | 62,518,417 | 162,040,654 | 2,511,137 | 243,759,804 |
| Equity securities | - | - | - | 7,938,822 | 7,938,822 |
| Deposits and other loans | 17,917,145 | 868,279 | - | 160,358 | 18,945,782 |
| Mortgage loans | 5,688,653 | 4,712,701 | 73,440,044 | 6,560,615 | 90,402,013 |
| Cash resources | - | - | - | 2,692,960 | 2,692,960 |
| Total | 40,961,793 | 69,889,775 | 235,480,698 | 26,467,196 | 372,799,462 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.3 Interest rate risk (continued)

(b) Financial assets

| As of December 31, 2012 | Exposure within 1 year \$ | Exposure of 1 to 5 years \$ | Exposure after 5 years \$ | Not exposed to interest \$ | Total \$ |
|--------------------------------|------------------------------|--------------------------------|------------------------------|-------------------------------|--------------------|
| Due from related parties | 532,181 | 1,866,935 | 498,366 | 935,047 | 3,832,529 |
| Interest and other receivables | - | - | - | 3,428,973 | 3,428,973 |
| Debt securities | 6,888,722 | 49,581,449 | 179,761,488 | 2,342,035 | 238,573,694 |
| Equity securities | - | - | - | 7,422,720 | 7,422,720 |
| Deposits and other loans | 14,171,877 | - | - | 119,936 | 14,291,813 |
| Mortgage loans | 7,226,157 | 6,130,505 | 72,307,872 | 4,927,800 | 90,592,334 |
| Cash resources | - | - | - | 2,626,652 | 2,626,652 |
| Total | 28,818,937 | 57,578,889 | 252,567,726 | 21,803,163 | 360,768,715 |

The table below summarises the average interest yields on financial assets held during the year.

| | 2013 | 2012 |
|-----------------|------|------|
| Debt securities | 6.9% | 7.0% |
| Deposits | 3.8% | 3.1% |
| Mortgage loans | 8.4% | 7.6% |
| Other loans | 7.1% | 7.1% |

Sensitivity

The effect of a 1% change in interest rates, with all other variables remaining constant, to the fair value of the interest bearing financial assets at the date of the financial statements is as follows.

| As of December 31, 2013 | | \$ |
|--|----|--------------|
| Total interest bearing financial assets | | 346,332,266 |
| The fair value impact of an increase in interest rates of: | 1% | (13,361,769) |
| The fair value impact of a decrease in interest rates of: | 1% | 14,623,148 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.4 Foreign exchange risk

The Fund is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets are denominated in a number of different currencies. In order to manage foreign exchange risk, the Fund monitors the fluctuation in foreign exchange rates on a periodic basis. The Fund's exposure to foreign exchange risk is however not considered to be significant.

Assets and liabilities by currency are summarised in the following table.

| As of December 31, 2013 | Balances denominated in | | | | Total \$ |
|--|-------------------------|----------------|-------------------|------------------|--------------------|
| | Barbados \$ | Trinidad \$ | US \$ | EC \$ | |
| ASSETS | | | | | |
| Due from Sagicor (Equity) Fund | 6,535,819 | - | - | - | 6,535,819 |
| Due from Sagicor (Eastern Caribbean) Fund | - | - | - | 32,572 | 32,572 |
| Due for Sagicor Asset Management Inc | 72,461 | - | - | - | 72,461 |
| Income tax assets | 5,688,997 | - | - | - | 5,688,997 |
| Interest and other receivables | 2,278,462 | - | 140,767 | - | 2,419,229 |
| Financial investments | 273,069,334 | 266,580 | 86,676,616 | 1,033,891 | 361,046,421 |
| Cash resources | 642,317 | - | 2,050,643 | - | 2,692,960 |
| Total assets | 288,287,390 | 266,580 | 88,868,026 | 1,066,463 | 378,488,459 |
| LIABILITIES | | | | | |
| Due to Sagicor Life Inc | 5,945,511 | - | - | - | 5,945,511 |
| Accounts payable | 1,538,888 | - | - | - | 1,538,888 |
| Total liabilities | 7,484,399 | - | - | - | 7,484,399 |
| Net position | 280,803,093 | 266,580 | 88,868,026 | 1,066,463 | 371,004,162 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.4 Foreign exchange risk (continued)

Balances denominated in

| As of December 31, 2012 | Barbados \$ | Trinidad \$ | US \$ | EC \$ | Total \$ |
|--------------------------------|--------------------|----------------|-------------------|------------------|--------------------|
| ASSETS | | | | | |
| Due from Sagicor (Equity) Fund | 3,832,529 | - | - | - | 3,832,529 |
| Income tax assets | 5,140,982 | - | - | - | 5,140,982 |
| Interest and other receivables | 3,353,727 | - | 75,246 | - | 3,428,973 |
| Financial investments | 263,575,850 | 460,667 | 85,820,628 | 1,023,416 | 350,880,561 |
| Cash resources | 81,701 | - | 2,544,951 | - | 2,626,652 |
| Total assets | 275,984,789 | 460,667 | 88,440,825 | 1,023,416 | 365,909,697 |
| LIABILITIES | | | | | |
| Bank Overdraft | 597,425 | - | - | - | 597,425 |
| Due to Sagicor Life Inc | 565,489 | - | - | - | 565,489 |
| Accounts payable | 222,222 | - | - | - | 222,222 |
| Total liabilities | 1,385,136 | - | - | - | 1,385,136 |
| Net position | 274,599,653 | 460,667 | 88,440,825 | 1,023,416 | 364,524,561 |

8.5 Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

- (a) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.5 Fair value of financial instruments (continued)

(b) Level 2 – inputs that are observable for the instrument, either directly or indirectly.

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In assessing the fair value of non-traded financial liabilities, the Fund uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 financial assets designated at fair value through income comprise primarily of corporate and government agency debt instruments issued in the Caribbean. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

The techniques and methods described in 2.3 (c) for non traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

The following table shows the financial assets carried at fair value by level of the fair value hierarchy.

| 2013 | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|--------------------|--------------------|
| Financial assets designated at fair value through income: | \$ | \$ | \$ | \$ |
| Debt securities | 70,423,618 | 3,847,688 | 169,488,498 | 243,759,804 |
| Equity securities | - | 437,302 | 7,501,520 | 7,938,822 |
| Total assets | 70,423,618 | 4,284,990 | 176,990,018 | 251,698,626 |
| Total assets by percentage | 28% | 5% | 67% | 100% |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.5 Fair value of financial instruments (continued)

(c) Level 3 – inputs for the instrument that are not based on observable market data (continued)

| 2012 | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|--------------------|--------------------|
| Financial assets designated at fair value through income: | | | | |
| | \$ | \$ | \$ | \$ |
| Debt securities | 69,305,734 | 3,960,218 | 165,307,742 | 238,573,694 |
| Equity securities | 7,417,794 | - | 4,926 | 7,422,720 |
| Total assets | 76,723,528 | 3,960,218 | 165,312,668 | 245,996,414 |
| Total assets by percentage | 31% | 2% | 67% | 100% |

There have been no material transfers between Level 1 and Level 2 during 2013 and 2012.

For the debt securities classified under Level 3, if the discount rate used in the internal models was increased by 1%, this would have resulted in an decrease in fair value of \$8,420,380.

The following table presents the movement in Level 3 instruments for the year.

| | 2013 \$ | 2012 \$ |
|---------------------------------------|--------------------|--------------------|
| Balance, beginning of year | 165,312,668 | 155,456,883 |
| Fair value changes recorded in income | 1,281,809 | 2,248,449 |
| Additions | 11,728,998 | 20,635,664 |
| Transfers in | 7,496,594 | - |
| Disposals | (8,877,751) | (13,263,770) |
| Effect of accrued income changes | 47,700 | 235,442 |
| Balance, end of year | 176,990,018 | 165,312,668 |

The Fund is exposed to other price risk arising from changes in equity prices. The Fund mitigates this risk by holding a diversified portfolio and by selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

The Fund's policy also limits individual equity securities to no more than 10% of the equity portion of the portfolio.

The majority of the Fund's equity investments are publicly traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and reviewed on a quarterly basis by the Board of Directors of the Trustee.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.5 Fair value of financial instruments (continued)

(c) Level 3 – inputs for the instrument that are not based on observable market data (continued)

The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2013 is set out in the following table.

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------|---------|------------|------------|
| Loans and receivables: | \$ | \$ | \$ | \$ |
| Mortgage loans | - | - | 89,603,703 | 89,603,703 |
| Other loans | - | - | 5,532,231 | 5,532,231 |
| | - | - | 95,135,934 | 95,135,934 |

Sensitivity

The effects of an across the board 20% decline in equity prices of the Fund's fair value through income equity securities on income is as follows.

| | Fair value | Effect of a 20% decline at Dec 31, 2013 |
|--|------------------|---|
| | \$ | \$ |
| Fair value through income equity securities: | 7,938,822 | (1,587,764) |
| Listed on Caribbean and US stock exchanges and markets | | |

Capital risk management

The capital of the Fund is represented by unit holders' equity. Unit holders' equity changes on a daily basis as the Fund is subject to the redemption and issue of units at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

The Board of Directors of the Trustee and Fund Manager monitor capital on the basis of unit holders' equity.

9. ACCOUNTS PAYABLE

| | 2013 | 2012 |
|-------------------------------------|-----------|---------|
| | \$ | \$ |
| Pension benefits and other payables | 1,538,888 | 222,222 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

10. INTEREST INCOME

The Fund manages its financial investments by the type of financial instrument (i.e. debt securities, deposits, mortgage loans, etc) and the income therefrom is presented accordingly.

| | 2013 \$ | 2012 \$ |
|-----------------------|------------|------------|
| Debt securities | 15,998,750 | 15,447,509 |
| Deposits | 417,428 | 233,231 |
| Mortgage loans | 7,257,720 | 6,463,092 |
| Other loans | 379,617 | 379,562 |
| Total interest income | 24,053,515 | 22,523,394 |

11. NET INVESTMENT (LOSSES)/GAINS

| | 2013 \$ | 2012 \$ |
|--|-------------|------------|
| Net (losses)/ gains on financial investments | (5,913,484) | 4,304,553 |
| (Allowances for)/reversal of impairment losses | (1,253,604) | 549,802 |
| | (7,167,088) | 4,854,355 |

12. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

| | 2013 \$ | 2012 \$ |
|-----------------|------------|------------|
| Management fee | 1,846,344 | 1,760,100 |
| Interest income | 205,790 | 245,411 |

(b) Units held by related parties

| | 2013 \$ | 2012 \$ |
|--|------------|------------|
| Parties related to the Fund held units in the Fund during the year as follows: | | |
| Value of units held at January 1 | 26,713,264 | 24,165,088 |
| Net value of transactions for the year | 2,204,987 | 2,548,176 |
| Value of units at December 31 | 28,918,251 | 26,713,264 |



INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Sagicor (Equity) Fund

We have audited the accompanying financial statements of Sagicor (Equity) Fund, which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in unitholders' equity 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: +246-626-6700, F: 246-436-1275, www.pwc.com/bb

PwC refers to PricewaterhouseCoopers SRL, a Barbados society with restricted liability which is a member of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Equity) Fund as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SA

August 4, 2014
Bridgetown, Barbados

Statement of Financial Position

As of December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

| | Notes | 2013 | 2012 |
|---|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Investment property | 4 | \$ 63,222,489 | \$ 70,176,327 |
| Property, plant and equipment | | 469,052 | - |
| Investment in associated companies | 5 | 2,992,877 | 6,062,500 |
| Due from associated company | 5 | 22,663 | 22,663 |
| Income tax assets | 7 | 947,372 | 871,397 |
| Real estate developed for resale | 8 | 327,547 | 327,547 |
| Accounts receivable | 9 | 3,367,350 | 3,677,618 |
| Financial investments | 10 | 401,218,594 | 370,695,979 |
| Cash resources | | 32,820,320 | 31,530,391 |
| Total assets | | \$ 505,388,264 | \$ 483,364,422 |
| LIABILITIES | | | |
| Deposits received on real estate developed for resale | 8 | 5,600 | 5,600 |
| Due to Sagicor Life Inc | 6 | 1,599,835 | 1,251,069 |
| Due to Sagicor (Bonds) Fund | 6 | 6,535,819 | 3,832,495 |
| Due to Sagicor (Eastern Caribbean) Fund | 6 | 8,985 | - |
| Due to Sagicor Global Balanced Fund | 6 | 16,205 | - |
| Accounts payable | 14 | 2,161,616 | 1,694,020 |
| Total liabilities | | 10,328,060 | 6,783,184 |
| Net assets | | \$ 495,060,204 | \$ 476,581,238 |
| Represented by: | | | |
| UNIT HOLDERS' EQUITY | | \$ 495,060,204 | \$ 476,581,238 |
| | 2013 | 2012 | |
| No. of units outstanding at end of year | | 10,366,419 | 10,435,304 |
| Net asset value per unit at end of year | | \$ 47.76 | \$ 45.67 |
| Increase in net asset value per unit for year | | 4.6% | 6.9% |

The notes on pages 55 to 85 are an integral part of these financial statements.

Approved by the Board of Directors on August 3, 2014.


Chairman


Director

Statement of Changes in Unit Holders' Equity

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

| | 2013 | | 2012 | |
|--|--------------------|--------------|--------------------|--------------|
| | Number of Units | Total \$ | Number of Units | Total \$ |
| Balance, beginning of year | 10,435,304 | 476,581,238 | 10,448,757 | 446,569,219 |
| Proceeds from issue of units | 418,509 | 19,323,774 | 395,034 | 17,398,255 |
| Redemption of units | (487,394) | (22,550,549) | (408,487) | (17,979,985) |
| Net decrease from unit transactions | (68,885) | (3,226,775) | (13,453) | (581,730) |
| Net income and total comprehensive income for the year attributable to unit holders | - | 21,705,741 | - | 30,593,749 |
| Balance, end of year | 10,366,419 | 495,060,204 | 10,435,304 | 476,581,238 |

The notes on pages 55 to 85 are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

| | Notes | 2013 | 2012 |
|--|-------|----------------------|----------------------|
| REVENUE | | | |
| Interest income | 14 | 1,908,396 | \$2,217,653 |
| Dividend income | | 8,588,859 | 7,537,792 |
| Net rental income | 15 | 2,225,629 | 2,839,096 |
| Share of operating loss of associated company | 5 | (3,121,373) | - |
| Net investment gains | 16 | 17,398,885 | 23,340,318 |
| | | <u>27,000,396</u> | <u>35,934,859</u> |
| EXPENSES | | | |
| Management fee | 17 | 3,651,610 | 3,490,032 |
| Investment expenses | | 195,128 | 450,273 |
| Commissions and brokers' fees | | 1,141,073 | 1,218,043 |
| | | <u>4,987,811</u> | <u>5,158,348</u> |
| Total operating expenses | | | |
| | | 22,012,585 | 30,776,511 |
| INCOME FROM ORDINARY ACTIVITIES | | | |
| Withholding taxes | | (306,844) | (182,762) |
| | | <u>\$ 21,705,741</u> | <u>\$ 30,593,749</u> |
| NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO UNIT HOLDERS | | | |

The notes on pages 55 to 85 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

| | 2013 | 2012 |
|--|---------------|----------------|
| Cash flows from operating activities: | | |
| Net income attributable to unit holders for the year | \$ 21,705,741 | \$ 30,593,749 |
| Adjustments for: | | |
| Interest income | (1,908,396) | (2,217,653) |
| Dividend income | (8,588,859) | (7,537,792) |
| Net gains on financial investments | (18,915,552) | (22,673,439) |
| Depreciation/(appreciation) in fair value of investment property | 1,516,667 | (552,034) |
| Allowances for impairment losses | - | (119,444) |
| Share of operating loss of associated company | 3,121,373 | - |
| | (3,069,026) | (2,506,613) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 310,268 | (110,379) |
| Due to Sagicor Life Inc | 348,766 | (67,988) |
| Due to Sagicor Global Balanced Fund | 16,205 | - |
| Due to Sagicor (Bonds) Fund | 2,703,324 | (615,567) |
| Due to Sagicor (Eastern Caribbean) Fund | 8,985 | - |
| Accounts payable | 467,596 | (503,939) |
| Issue of mortgage loans | (6,000,000) | - |
| Repayment of mortgage loans | 408,042 | 598,507 |
| Purchase of debt securities | (22,019,656) | (36,208,289) |
| Redemption of debt securities | 48,352,696 | 20,757,171 |
| Proceeds from sale of equity securities | 107,898,897 | 70,169,928 |
| Purchase of equity securities | (153,271,593) | (60,195,467) |
| Additions to investment property | - | (14,366) |
| Proceeds from sale of investment property | 5,437,171 | - |
| Investment in associate | (51,750) | - |
| Additions to equipment | (469,052) | - |
| Amounts deposited | (189,521,697) | (95,352,504) |
| Deposits redeemed | 202,161,330 | 90,023,224 |
| Interest received | 2,293,314 | 2,959,392 |
| Dividends received | 8,588,859 | 7,537,792 |
| Cash generated from/(used in) operations (carried forward) | \$ 4,592,679 | \$ (3,529,098) |

Statement of Cash Flows (continued)

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

| | 2013 | 2012 |
|--|---------------|----------------|
| Cash generated from/(used in) operations (brought forward) | \$ 4,592,679 | \$ (3,529,098) |
| Taxes paid | (75,975) | (125,166) |
| Net cash generated from/(used in) operating activities | 4,516,704 | (3,654,264) |
| Cash flows from financing activities | | |
| Proceeds from issue of units | 19,323,774 | 17,398,255 |
| Redemptions of units | (22,550,549) | (17,979,985) |
| Net cash used in financing activities | (3,226,775) | (581,730) |
| Net increase/(decrease) in cash and cash equivalents | 1,289,929 | (4,235,994) |
| Cash and cash equivalents - beginning of year | 31,530,391 | 35,766,385 |
| Cash and cash equivalents - end of year | \$ 32,820,320 | \$ 31,530,391 |
| Cash and cash equivalents comprise: | | |
| Cash resources | 32,820,320 | 31,530,391 |
| | \$ 32,820,320 | \$ 31,530,391 |

The notes on pages 55 to 85 are an integral part of these financial statements.

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Equity) Fund, (“The Fund”), was registered in April 1969 as a Unit Trust, responsible for the management of investments of registered pension plans of Barbados Companies.

The Fund’s objective is to provide long-term capital growth through investment in a diversified portfolio of equity securities including real estate.

Sagicor Life Inc is the appointed Trustee and Manager of the Fund. The registered office of the Fund is located at the Cecil F. de Caires Building, Wildey, St. Michael.

If required, these financial statements can be amended after issue, at the recommendation of the Audit Committee and with the approval of the Board of directors.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments held at fair value through income and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in Barbados dollars unless otherwise stated.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Amendments to IFRS

Several new or amended standards are effective for the current financial year, and where required those standards have been applied in preparing these financial statements with restatement of comparative disclosures.

Amended standards which are effective for the 2013 financial year that have no significant impact on the Fund's financial statements are listed in the following table.

| | |
|---|---|
| IFRS 7 Financial Instrument Disclosures (January 1, 2013) | These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements. |
| IFRS 10 – Consolidated Financial Statements (January 1, 2013) | The standard refines the definition of control over entities and consequently defines interests that require consolidation. |
| IFRS 11 – Joint Arrangements (January 1, 2013) | This standard provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. |

Amended standards which are effective for the 2013 financial year that resulted in additional disclosures on the Fund's financial statements are listed in the following table.

| | |
|--|---|
| IFRS 12 – Disclosure of Interest in Other Entities (January 1, 2013) | Require enhanced disclosures about both consolidated and unconsolidated entities so that users of financial statements may evaluate the basis of control, restrictions on assets and liabilities, risk exposures from involvements with unconsolidated entities and non-controlling interests' involvement in consolidated entities. |
| IFRS 13 – Fair Value Measurement (January 1, 2013) | <p>The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements.</p> <p>The standard applies to financial and non-financial assets and liabilities that are measured at fair value. The fair value hierarchy concept formerly defined in IFRS 7 has been transferred to and enhanced by this standard. The standard summarises the main valuation techniques which should be applied.</p> <p>The Fund has adopted this standard from the current year. These statements include new disclosures of the fair value hierarchy as applied to investment property (note 11) and to financial instruments carried at amortised cost (note 12.5). Disclosures of the fair value hierarchy as applied to financial instruments carried at fair value continues from prior years in note 12.5.</p> |

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(b) New standards and amendments to standards which are not yet effective**

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The Fund has not adopted these new standards and amendments. The changes which may have a significant effect on future presentation, measurement or disclosure of the Fund's financial statements are as follows:

| IFRS (Effective Date) | Subject / Comments |
|---|--|
| IFRS 9 – Financial Instruments (January 1, 2015) | <p>IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The determination is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.</p> <p>IFRS 9 has amended the treatment, applicable to financial liabilities designated at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship.</p> <p>This standard does not address changes contemplated by the International Accounting Standards Board with respect to the following related items:</p> <ul style="list-style-type: none"> • impairment methodology for financial assets • hedge accounting |
| IFRS 10 – Consolidated Financial Statements (January 1, 2014) | These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics. |
| IAS 32 Financial Instrument Presentation (January 1, 2014) | These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements. |
| IAS 36 - Impairment of Assets (January 1, 2014) | These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. |

2.2 Investments in other entities**(a) Joint operations**

Interests in the assets, liabilities and earnings of jointly controlled operations are included in these financial statements using the proportionate consolidation method, eliminating all material related party balances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Investments in other entities (continued)

(b) Investment in associated companies

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these financial statements using the equity method of accounting. Investments in associated companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Fund.

The Fund recognises in income its share of associated companies' post acquisition income and its share of the amortisation and impairment of any intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Fund and its associates are eliminated to the extent of the Fund's interest in the associates. The Fund recognises in other comprehensive income, its share of associated companies' post acquisition other comprehensive income.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the net investment gains or losses in the statement of comprehensive income.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted into Barbados dollars at the pegged rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

| | 2013 closing rate | 2013 average rate | 2012 closing rate | 2012 average rate |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| Eastern Caribbean dollar | 1.35 | 1.35 | 1.35 | 1.35 |
| Jamaica dollar | 52.9976 | 50.4332 | 46.3383 | 44.4830 |
| Trinidad & Tobago dollar | 3.2193 | 3.2032 | 3.1907 | 3.2015 |
| United States dollar | 0.50 | 0.50 | 0.50 | 0.50 |

2.4 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property partially owned by the Fund and held under joint operations with third parties for which the Fund recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows.

Transfers to or from investment properties are recorded when there is a change in use of the property. Transfers to real estate developed for resale are recorded at the lower of carrying value or fair value less costs to sell.

Rental income is recognised on an accruals basis.

2.5 Financial assets

(a) Classification

The Fund classifies its financial assets into two categories:

- Financial assets at fair value through income;
- Loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through income have been so designated by management at inception since the assets form part of a managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, unless designated as fair value through income on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

(b) Recognition, derecognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards and rewards of ownership.

Loans and receivables are initially recognised at fair value and are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net investment gains or losses in the statement of comprehensive income. Interest and dividend income are recorded under their respective heads in investment income.

(c) Fair value

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. In estimating the fair value of non-traded financial assets, the Fund uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security according to the perceived additional risk of the non-government security.

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.6 Real estate developed for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are stated at the lower of carrying value and fair value less costs to sell.

Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Impairment of assets**

The Fund's policy for the potential impairment of investments in associated companies and any intangible assets are set out below.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date, Cash equivalents are subject to an insignificant risk of change in value.

2.9 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.10 Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon and accrued discount and premium on financial instruments.

2.11 Taxation

The Fund is exempt from Barbados taxation.

The Fund currently incurs withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income and the related tax imposed is recorded as a receivable until these amounts are recoverable.

2.12 Management fee, Investment Advisory and Custodian fees

As a result of serving as Trustee and Manager of the Fund, Sagicor Life Inc receives a management fee based on the Net Asset Value of the Fund, calculated daily at a rate of 0.75% per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Units

The Fund issues redeemable units which are redeemable at the holder's option. Units are carried at the redemption amount that is payable at the balance sheet date should the holder exercise the right to redeem the shares. Units redeemed may be put back to the fund for cash or transfer of assets representing the value of the units redeemed.

- Units are classified as equity as they meet the following criteria:
- They entitle the holder to a pro-rata share of the net assets of the Fund.
- The total expected cash flows attributable to the units over their life are based substantially on the profits or loss of the Fund.
- The Fund is contractually obliged to deliver cash to unit holders on the repurchase of units or transfer assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.14 Net asset value per unit

The consideration received or paid for units issued or repurchased respectively is based on the Fund's net asset value per unit at the date of the transaction.

The net asset value per unit is calculated by dividing the net assets by the number of units.

2.15 Property, plant and equipment

Property, plant and equipment comprise mainly furnishings and office equipment and represent the Fund's proportionate interest in joint operations. These assets are initially recorded at cost and subsequent expenditure is capitalised if future economic benefits are expected.

Depreciation is calculated on property, plant and equipment on the straight line basis at rates calculated to allocate the cost of the assets concerned over their estimated useful lives. The estimated useful lives for this purpose are as follows:

| | |
|---|--------------|
| Plant and equipment, furniture and fittings | 10 years |
| Computer software and equipment | 3 - 10 years |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any gain or loss on disposal included in the statement of comprehensive income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, income and other comprehensive income. The items which may have the most effect on the Fund's financial statements are set out below.

3.1 Valuation of investment property

The Fund utilises professional valuers to determine the fair value of its investment properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values.

For some tracts of land which are currently un-developed, the fair value may reflect the potential for development within a reasonable period of time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 Valuation of unquoted debt securities**

The Fund uses internally developed models to estimate market values for unquoted debt securities. The estimated market value is based on best estimate assumptions and may vary substantially as these assumptions are varied. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3.3 Impairment of financial assets

A loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral, and the financial condition and the financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

4. INVESTMENT PROPERTY

Investment property is carried at fair value as determined by independent valuers using internationally recognised valuation techniques.

The movement in investment property for the year is as follows:

| | 2013 \$ | 2012 \$ |
|---|-------------|------------|
| Investment Property | | |
| Balance, beginning of year | 70,176,327 | 69,609,927 |
| Additions at cost | - | 14,366 |
| Disposals | (5,437,171) | - |
| (Depreciation)/appreciation in fair value | (1,516,667) | 552,034 |
| Balance, end of year | 63,222,489 | 70,176,327 |

Wholly owned properties:

Letchworth Complex, Garrison, St. Michael
Letchworth Cottage, Garrison, St. Michael
CIBC First Caribbean International Bank, Rendezvous, Christ Church
City Centre, Bridgetown
Land Bank

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

4. INVESTMENT PROPERTY (continued)

Investment property includes \$33,100,000 (2012 - \$33,816,667) which represents the Fund's proportionate interest in joint operations summarized in the following table.

| Description of property | Percentage ownership |
|--|----------------------|
| Land at Fort George Heights, Upton, St. Michael | 50.0% |
| Land at Plum Tree, St. Thomas | 50.0% |
| One Financial Place, Collymore Rock, St. Michael | 50.0% |
| United Nations House, Marine Gardens, Christ Church | 50.0% |
| Trident House Properties, Lower Broad Street, Bridgetown | 33.3% |

A related party owns a 50% interest in Fort George Heights, Plum Tree and United Nations House respectively and a 33% interest in Trident House Properties.

Other balances included in the financial statements in respect of the above joint operations are as follows:

| | 2013 \$ | 2012 \$ |
|---|------------|------------|
| Real estate developed for resale | 327,547 | 327,547 |
| Accounts receivable | 1,056,974 | 1,484,879 |
| Property, plant and equipment | 469,052 | - |
| Cash resources | 653,943 | 452,182 |
| Deposits received on real estate developed for resale | 5,600 | 5,600 |
| Accounts payable | 1,049,926 | 1,069,522 |
| Net rental income | 1,061,180 | 1,239,834 |
| Loss on real estate developed for resale | - | (126,536) |
| Depreciation in fair value of investment property | (716,667) | (333,332) |

5. INVESTMENT IN ASSOCIATED COMPANIES

The movements in the investment in associated companies during the year are summarised in the following table.

| | 2013 \$ | 2012 \$ |
|-------------------------------|-------------|------------|
| Investment, beginning of year | 6,062,500 | 6,062,500 |
| Addition during year | 51,750 | - |
| Loss from ordinary activities | (3,121,373) | - |
| Investment, end of year | 2,992,877 | 6,062,500 |

The Fund holds interests in two property investment companies. Proportionate interests are as follows:

- 37.5% in Primo Holdings Limited
- 33.3% in Haggatt Hall Holdings Limited.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The amount of \$22,663 which is due from associated company Primo Holdings Limited, is interest free, unsecured and has no fixed terms of repayment.

The aggregate balances and results in respect of the associated companies for the year are set out below:

| | 2013 \$ | 2012 \$ |
|-----------------------|--------------|--------------|
| Assets | 34,261,174 | 40,770,331 |
| Liabilities | (25,775,098) | (23,762,823) |
| Net loss for the year | (8,148,196) | (28,308) |

6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$2,456,777 (2012 - \$2,897,482) due to Sagicor (Bonds) Fund which bears interest at a rate of 7.750% (2012 - 7.750%) and is repayable over 5 years in monthly instalments of \$61,498.

7. INCOME TAX ASSETS

Income tax assets arise from deductions of withholding tax at source on interest income from local financial investments. The Fund's tax-exempt status entitles it to a refund of these taxes by the Commissioner of Inland Revenue.

Withholding tax incurred on extra-regional financial investments is not collectable by the Fund, and is therefore written off as an expense in the year in which it is incurred.

8. REAL ESTATE DEVELOPED FOR RESALE, DEPOSITS RECEIVED ON REAL ESTATE DEVELOPED FOR RESALE

Real estate developed for resale and deposits received on real estate developed for resale represent the Fund's proportionate interests in joint operations as set out below:

| Description of property | Percentage owned by the Fund |
|---|------------------------------|
| Land at Fort George Heights, Upton, St. Michael | 50% |

9. ACCOUNTS RECEIVABLE

| | 2013 \$ | 2012 \$ |
|---|------------|------------|
| Rent receivable | 1,600,981 | 1,761,576 |
| Dividend receivable | 1,297,594 | 1,231,572 |
| Other receivables | 1,162,296 | 1,377,991 |
| Total accounts receivable | 4,060,871 | 4,371,139 |
| Less: Provision for impairment of receivables | (693,521) | (693,521) |
| | 3,367,350 | 3,677,618 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

9. ACCOUNTS RECEIVABLE (continued)

The movement in the provision for impairment is as follows:

| | 2013 \$ | 2012 \$ |
|-------------------------------|------------|------------|
| Balance beginning of the year | (693,521) | (688,921) |
| Increase in provision | - | (4,600) |
| Balance at end of year | (693,521) | (693,521) |

10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

| | 2013 Fair Value \$ | 2012 Fair Value \$ |
|---|-----------------------------|-----------------------------|
| Financial assets at fair value through income: | | |
| Debt securities | 15,971,597 | 43,510,371 |
| Equity securities | 358,900,110 | 293,857,840 |
| | 374,871,707 | 337,368,211 |

The Fund's financial assets and financial liabilities carried at amortised cost approximate their fair value.

| | Amortised Cost \$ | Amortised Cost \$ |
|-------------------------------|----------------------|----------------------|
| Loans and receivables: | | |
| Deposits | 19,118,349 | 31,759,582 |
| Mortgage loans | 7,228,538 | 1,568,186 |
| Total loans and receivables | 26,346,887 | 33,327,768 |
| Total financial investments | 401,218,594 | 370,695,979 |

The fair value of the fixed rate mortgage loans is \$5,570,386 (2012 - \$Nil) and the carrying value is \$5,908,918 (2012 - \$Nil). All other loans and receivables approximate their fair value.

See note 12.5 for the fair value of loans and receivables.

Debt securities comprise:

| | 2013 \$ | 2012 \$ |
|----------------------------|------------|------------|
| Government debt securities | 11,712,082 | 20,362,693 |
| Corporate debt securities | 4,259,515 | 23,147,678 |
| | 15,971,597 | 43,510,371 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

Equity securities include shares in Sagicor Financial Corporation, related party, of \$6,907,602 (2012 - \$7,184,713).

Debt securities designated at fair value through income and valued using internally developed models amounted to \$11,162,913 (2012 - \$12,636,302).

Significant concentrations of equity securities are as follows:

| | % of Total | 2013 \$ | 2012 \$ |
|---|------------|------------|------------|
| Banks Holdings Ltd | 2.6% | 9,296,607 | 9,627,447 |
| Cable & Wireless (Barbados) Limited | 4.5% | 16,095,714 | 24,680,095 |
| First Caribbean International Bank (Barbados) Ltd | 9.1% | 32,566,292 | 33,331,272 |
| Goddard Enterprises Limited | 8.9% | 31,889,958 | 30,075,082 |
| Neal & Massy Holdings Ltd | 10.0% | 36,064,486 | 28,897,214 |
| RBC Royal Bank of Canada | 6.3% | 22,678,301 | 20,336,843 |
| York Credit Opportunity Fund, L.P. | 2.4% | 8,789,818 | 7,646,165 |

11. FAIR VALUE OF PROPERTY

Investment property is carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Fund has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Fund's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Group's property as of December 31, 2013 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------|---------|------------|------------|
| Investment property | - | - | 63,222,489 | 63,222,489 |
| Owner-occupied lands | - | - | - | - |
| Owner-occupied land and buildings | - | - | - | - |
| | - | - | 63,222,489 | 63,222,489 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK

Financial risk factors

The Fund's activities of accepting funds from unit holders and investing these funds in a variety of financial and other assets expose the Fund to various financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

The overriding objective of the Fund's risk management framework is to enhance its capital base through long term capital growth and to protect capital against inherent business risks. This means that the Fund accepts certain levels of risk in order to generate returns, and the Fund manages the levels of risk assumed through risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The effects of financial risks are disclosed in the sections below.

12.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Fund. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as the local and regional stock exchanges act as the clearing facilitator, ensuring that monies are placed in the clearing accounts.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors monitor the Fund's credit position on a quarterly basis.

The maximum exposures of the Fund to credit risk are set out in the following table.

| | 2013 | | 2012 | |
|-------------------------------|------------|-----|-------------|-----|
| | \$ | % | \$ | % |
| Investment portfolios | 35,089,946 | 45 | 75,269,953 | 67 |
| Lending portfolios | 7,228,538 | 9 | 1,568,186 | 1 |
| Other financial assets | 36,210,333 | 46 | 35,230,673 | 32 |
| Total balance sheet exposures | 78,528,817 | 100 | 112,068,812 | 100 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.1 Credit risk (continued)

The Fund's largest exposures to individual counterparty credit risks as at December 31, 2013 with their comparative amounts are set out below.

| | Risk rating | 2013 \$ | Risk rating | 2012 \$ |
|---|----------------|------------|----------------|------------|
| Debt securities: | | | | |
| Government of Barbados - denominated in Barbados dollars | BB- | 10,737,270 | BB+ | 11,876,541 |
| US Treasury Notes – denominated in United States dollars | - | - | AA+ | 6,854,106 |
| Irish Life & Permanent PLC | - | - | BBB+ | 2,034,534 |
| Republic of Trinidad & Tobago | A | 1,157,181 | A | 1,150,000 |
| Deposits and cash resources: | | | | |
| Bank of Montreal | - | 14,000,237 | - | - |
| Globe Finance Inc. | Unrated | 3,203,298 | Unrated | 3,201,857 |
| Sagicor Investments Jamaica Limited | - | - | BB+ | 28,010,526 |

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Fund is most exposed to the risk of past due assets with respect to its financial investments namely debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.1 Credit risk (continued)

Mortgage loans less than 180 days past due are not assessed for impairment unless other information is available to indicate the contrary. The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Fund's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities and mortgage loans analysed by past due or impairment status.

| 2013 | Debt securities | Mortgage loans |
|--|-----------------|----------------|
| Neither past due nor impaired | 15,971,597 | 6,927,413 |
| Past due up to 3 months, but not impaired | - | 264,450 |
| Past due up to 12 months, but not impaired | - | 36,675 |
| Total past due but not impaired | - | 301,125 |
| Impaired assets | - | - |
| Total carrying value | 15,971,597 | 7,228,538 |

| 2012 | Debt securities | Mortgage loans |
|---|-----------------|----------------|
| Neither past due nor impaired | 43,510,371 | 1,529,701 |
| Past due up to 3 months, but not impaired | - | 38,485 |
| Total past due but not impaired | - | 38,485 |
| Impaired assets | - | - |
| Total carrying value | 43,510,371 | 1,568,186 |

There were no debt securities or deposits which were past due and impaired at the year end.

Exposure to credit risk in respect of mortgage loans is managed in part by obtaining collateral. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

Exposure to mortgage loans by sector is as follows: -

| | 2013 \$ | 2012 \$ |
|--------------------|------------|------------|
| Commercial sector | 5,976,861 | 44,933 |
| Residential sector | 1,251,677 | 1,523,253 |
| Total | 7,228,538 | 1,568,186 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.1 Credit risk (continued)

An element of the change in the fair value of the Fund's debt securities designated at fair value through income which were held within the portfolio over the full course of the year and valued using internally developed valuation models is attributable to movements in credit spreads on these securities.

| | Change in fair value \$ | Attributable to credit risk \$ |
|-------------------------|-------------------------------|--------------------------------------|
| As of December 31, 2013 | 44,783 | (145,870) |
| As of December 31, 2012 | 43,357 | (122,258) |

(b) Repossessed assets

The Fund may foreclose on overdue mortgage loans by repossessing the pledged asset. In some instances the Fund may provide re-financing to a new purchaser on customary terms.

No assets were repossessed during the year.

(c) Renegotiated assets

The Fund may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive adjust or postpone scheduled amounts due may be entered into. The Fund classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated.

There were no financial investments which were renegotiated during the year.

12.2 Liquidity risk

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short term obligations.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's liquidity position on a quarterly basis.

Contractual cash flow obligations of the Fund in respect of its financial liabilities are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2013

| | On demand or within 1 year \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|---|--|--------------------|------------------------|-------------|
| Deposits received on real estate developed for sale | 5,600 | - | - | 5,600 |
| Due to Sagicor Life Inc. | 1,599,835 | - | - | 1,599,835 |
| Due to Sagicor (Bonds) Fund | 4,940,008 | 1,989,411 | - | 6,929,419 |
| Due to Sagicor (Eastern Caribbean) Fund | 8,895 | - | - | 8,895 |
| Due to Sagicor Global Balanced Fund | 16,205 | - | - | 16,205 |
| Accounts payable | 2,161,616 | - | - | 2,161,616 |
| | 8,732,159 | 1,989,411 | - | 10,721,570 |

As of December 31, 2012

| | On demand or within 1 year \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|---|--|--------------------|------------------------|-------------|
| Deposits received on real estate developed for sale | 5,600 | - | - | 5,600 |
| Due to Sagicor Life Inc. | 1,251,069 | - | - | 1,251,069 |
| Due to Sagicor (Bonds) Fund | 1,857,478 | 2,600,980 | - | 4,458,458 |
| Accounts payable | 1,694,020 | - | - | 1,694,020 |
| | 4,808,167 | 2,600,980 | - | 7,409,147 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.2 Liquidity risk (continued)

(b) Financial assets

The Fund's monetary financial assets mature in periods which are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

| As of December 31, 2013 | Maturing within 1 year \$ | Maturing within 1 to 5 years \$ | Maturing after 5 years \$ | Total \$ |
|-----------------------------|------------------------------------|--|------------------------------------|-------------------|
| Due from associated company | 22,663 | - | - | 22,663 |
| Accounts receivable | 3,367,350 | - | - | 3,367,350 |
| Debt securities | 801,384 | 7,146,505 | 8,023,708 | 15,971,597 |
| Deposits | 18,659,554 | 458,795 | - | 19,118,349 |
| Mortgage loans | 16,989 | 261,213 | 6,950,336 | 7,228,538 |
| Cash resources | 32,820,320 | - | - | 32,820,320 |
| Total | 55,688,260 | 7,866,513 | 14,974,044 | 78,528,817 |

| As of December 31, 2012 | Maturing within 1 year \$ | Maturing within 1 to 5 years \$ | Maturing after 5 years \$ | Total \$ |
|-----------------------------|------------------------------------|--|------------------------------------|--------------------|
| Due from associated company | 22,663 | - | - | 22,663 |
| Accounts receivable | 3,677,618 | - | - | 3,677,618 |
| Debt securities | 4,952,031 | 23,893,903 | 14,664,437 | 43,510,371 |
| Deposits | 28,010,526 | 3,749,056 | - | 31,759,582 |
| Mortgage loans | 44,933 | 350,229 | 1,173,024 | 1,568,186 |
| Cash resources | 31,530,391 | - | - | 31,530,391 |
| Total | 68,238,162 | 27,993,188 | 15,837,461 | 112,068,811 |

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.3 Interest rate risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor and review the Fund's overall interest sensitivity on a quarterly basis.

The table below summarises the exposures to interest rate of the Fund's financial liabilities.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.3 Interest rate risk (continued)

| As of December 31, 2013 | Exposure within 1 year \$ | Exposure of 1 to 5 years \$ | Exposure after 5 years \$ | Not exposed to interest \$ | Total \$ |
|---|------------------------------|--------------------------------|------------------------------|-------------------------------|-------------------|
| Deposits received on real estate developed for resale | 5,600 | - | - | - | 5,600 |
| Due to Sagicor (Bonds) Fund | 666,399 | 1,790,378 | - | 4,079,042 | 6,535,819 |
| Due to Sagicor Life Inc | - | - | - | 1,599,835 | 1,599,835 |
| Due to Sagicor (Eastern Caribbean) Fund | - | - | - | 8,985 | 8,985 |
| Due to Sagicor Global Balanced Fund | - | - | - | 16,205 | 16,205 |
| Accounts payable | - | - | - | 2,161,616 | 2,161,616 |
| Total | 671,999 | 1,790,378 | - | 7,865,683 | 10,328,060 |

| As of December 31, 2012 | Exposure within 1 year \$ | Exposure of 1 to 5 years \$ | Exposure after 5 years \$ | Not exposed to interest \$ | Total \$ |
|---|------------------------------|--------------------------------|------------------------------|-------------------------------|------------------|
| Deposits received on real estate developed for resale | 5,600 | - | - | - | 5,600 |
| Due to Sagicor (Bonds) Fund | 532,181 | 1,866,934 | 498,366 | 935,014 | 3,832,495 |
| Due to Sagicor Life Inc | - | - | - | 1,251,069 | 1,251,069 |
| Accounts payable | - | - | - | 1,694,020 | 1,694,020 |
| Total | 537,781 | 1,866,934 | 498,366 | 3,880,103 | 6,783,184 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts categorised by maturity dates.

| As of December 31, 2013 | Exposure within 1 year \$ | Exposure of 1 to 5 years \$ | Exposure after 5 years \$ | Not exposed to interest \$ | Total \$ |
|-----------------------------|------------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------|
| Due from associated company | - | - | - | 22,663 | 22,663 |
| Accounts receivable | - | - | - | 3,367,350 | 3,367,350 |
| Debt securities | 790,207 | 7,050,846 | 8,002,332 | 128,212 | 15,971,597 |
| Equity securities | - | - | - | 358,900,110 | 358,900,110 |
| Deposits | 18,648,816 | 458,795 | - | 10,738 | 19,118,349 |
| Mortgage loans | 16,874 | 231,811 | 6,911,731 | 68,122 | 7,228,538 |
| Cash resources | 29,315,401 | - | - | 3,504,919 | 32,820,320 |
| Total | 48,771,298 | 7,741,452 | 14,914,063 | 366,002,114 | 437,428,927 |
| | | | | | |
| As of December 31, 2012 | Exposure within 1 year \$ | Exposure of 1 to 5 years \$ | Exposure after 5 years \$ | Not exposed to interest \$ | Total \$ |
| Due from associated company | - | - | - | 22,663 | 22,663 |
| Accounts receivable | - | - | - | 3,677,618 | 3,677,618 |
| Debt securities | 4,899,576 | 23,680,477 | 14,566,618 | 363,700 | 43,510,371 |
| Equity securities | - | - | - | 293,857,840 | 293,857,840 |
| Deposits | 28,000,000 | 3,747,199 | - | 12,383 | 31,759,582 |
| Mortgage loans | 44,492 | 354,104 | 1,169,862 | (272) | 1,568,186 |
| Cash resources | 28,254,907 | - | - | 3,275,484 | 31,530,391 |
| Total | 61,198,975 | 27,781,780 | 15,736,480 | 301,209,416 | 405,926,651 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets held during the year.

| | 2013 | 2012 |
|-----------------|-------|------|
| Debt securities | 4.85% | 3.9% |
| Deposits | 0.54% | 2.1% |
| Mortgage loans | 7.57% | 4.6% |
| Other loans | 7.51% | 0.0% |

Sensitivity

The effect of a 1% increase or decrease in interest rates, with all other variables remaining constant, to the fair value of the interest bearing financial assets at the date of the financial statements is as follows.

| As of December 31, 2013 | | \$ |
|--|----|-------------|
| Total interest bearing financial assets | | 71,426,811 |
| The fair value impact of an increase in interest rates of: | 1% | (2,332,581) |
| The fair value impact of a decrease in interest rates of: | 1% | 2,653,385 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.4 Foreign exchange risk

The Fund is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets are denominated in a number of different currencies. In order to manage foreign exchange risk, the Fund monitors the fluctuation in foreign exchange rates on a periodic basis.

Assets and liabilities by currency are summarised in the following table.

| As of December 31, 2013 | Balances denominated in | | | | | Total \$ |
|---------------------------------------|-------------------------|------------------|-------------------|--------------------|------------------|--------------------|
| | Barbados \$ | Jamaica \$ | Trinidad \$ | US \$ | EC \$ | |
| ASSETS | | | | | | |
| Investment property | 63,222,489 | - | - | - | - | 63,222,489 |
| Property, plant and equipment | 469,052 | - | - | - | - | 469,052 |
| Investment in associated companies | 2,992,877 | - | - | - | - | 2,992,877 |
| Due from associate | 22,663 | - | - | - | - | 22,663 |
| Income tax assets | 947,372 | - | - | - | - | 947,372 |
| Real estate developed for resale | 327,547 | - | - | - | - | 327,547 |
| Accounts receivable | 3,156,618 | 4,202 | 172,785 | 4,115 | 29,630 | 3,367,350 |
| Debt securities | 11,162,914 | - | - | 4,808,683 | - | 15,971,597 |
| Equity securities | 121,684,058 | 1,526,570 | 31,655,053 | 201,671,928 | 2,362,501 | 358,900,110 |
| Deposits | 4,518,349 | - | - | 14,600,000 | - | 19,118,349 |
| Mortgage loans | 7,228,538 | - | - | - | - | 7,228,538 |
| Cash resources | 2,225,073 | 178,156 | - | 30,417,091 | - | 32,820,320 |
| Total | 217,957,550 | 1,708,928 | 31,827,838 | 251,501,817 | 2,392,131 | 505,388,264 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.4 Foreign exchange risk (continued)

Balances denominated in

| As of December 31, 2013 | Barbados \$ | Jamaica \$ | Trinidad \$ | US \$ | EC \$ | Total \$ |
|---|--------------------|------------------|-------------------|--------------------|------------------|--------------------|
| LIABILITIES | | | | | | |
| Deposits received on real estate developed for resale | 5,600 | - | - | - | - | 5,600 |
| Due to Sagicor (Bonds) Fund | 6,535,819 | - | - | - | - | 6,535,819 |
| Due to Sagicor Life Inc | 1,599,835 | - | - | - | - | 1,599,835 |
| Due to Sagicor (Eastern Caribbean) Fund | - | - | - | 8,985 | - | 8,985 |
| Due to Sagicor Global Balanced Fund | - | - | - | 16,205 | - | 16,205 |
| Accounts payable | 2,017,656 | - | - | 143,960 | - | 2,161,616 |
| Total liabilities | 10,158,910 | - | - | 169,150 | - | 10,328,060 |
| Net position | 207,798,640 | 1,708,928 | 31,827,838 | 251,332,667 | 2,392,131 | 495,060,204 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.4 Foreign exchange risk (continued)

| As of December 31, 2012 | Balances denominated in | | | | | Total \$ |
|---|-------------------------|------------------|-------------------|--------------------|------------------|--------------------|
| | Barbados \$ | Jamaica \$ | Trinidad \$ | US \$ | EC \$ | |
| ASSETS | | | | | | |
| Investment property | 70,176,327 | - | - | - | - | 70,176,327 |
| Investment in associated companies | 6,062,500 | - | - | - | - | 6,062,500 |
| Due from associate | 22,663 | - | - | - | - | 22,663 |
| Income tax assets | 871,397 | - | - | - | - | 871,397 |
| Real estate developed for resale | 327,547 | - | - | - | - | 327,547 |
| Accounts receivable | 2,777,062 | 4,849 | 112,177 | 783,530 | - | 3,677,618 |
| Debt securities | 12,636,301 | - | - | 30,874,070 | - | 43,510,371 |
| Equity securities | 124,840,230 | 1,809,768 | 27,075,618 | 137,117,575 | 3,014,649 | 293,857,840 |
| Deposits | 3,749,056 | - | - | 28,010,526 | - | 31,759,582 |
| Mortgage loans | 1,568,186 | - | - | - | - | 1,568,186 |
| Cash resources | 2,140,838 | 200,297 | - | 29,189,256 | - | 31,530,391 |
| Total | 225,172,107 | 2,014,914 | 27,187,795 | 225,974,957 | 3,014,649 | 483,364,422 |
| LIABILITIES | | | | | | |
| Deposits received on real estate developed for resale | 5,600 | - | - | - | - | 5,600 |
| Due to Sagicor (Bonds) Fund | 3,832,495 | - | - | - | - | 3,832,495 |
| Due to Sagicor Life Inc | 1,251,069 | - | - | - | - | 1,251,069 |
| Accounts payable | 1,694,020 | - | - | - | - | 1,694,020 |
| Total liabilities | 6,783,184 | - | - | - | - | 6,783,184 |
| Net position | 218,388,923 | 2,014,914 | 27,187,795 | 225,974,957 | 3,014,649 | 476,581,238 |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.4 Foreign exchange risk (continued)

Sensitivity

The Fund is exposed to currency risk in respect of financial investments denominated in currencies whose values have noticeably fluctuated against the Barbados dollar.

The exposure to currency risk may arise in relation to the future cash flows of a financial instrument.

The most common example of this occurring in the Fund is a financial investment which is denominated in a currency other than the functional currency. In this instance, a change in currency exchange rates results in the financial investment being retranslated and the exchange gain or loss is taken to income and is included in note 16.

The currency whose value has noticeably fluctuated against the Barbados dollar (BDS) is the Jamaica dollar (JMD). The theoretical impact of the JMD on reported results is considered below.

The effect of a 10% depreciation in the JMD relative to the BDS arising from JMD financial investments as of December 31, 2013 and for the year then ended is considered below.

| | Balances denominated in JMD | Effect of a 10% depreciation on income as of Dec 31, 2013 |
|---------------|-----------------------------------|--|
| | \$ | \$ |
| Assets | 1,526,570 | (152,657) |

A 10% appreciation in the JMD relative to the BDS would have an equal effect to that disclosed above.

12.5 Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

(a) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.5 Fair value of financial instruments (continued)

(b) Level 2 – inputs that are observable for the instrument, either directly or indirectly. A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In assessing the fair value of non-traded financial liabilities, the Fund uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

The techniques and method described in 2.5(c) for non traded financial assets and liabilities are used in the determination of the fair values of Level 3 instruments.

The following table shows the financial assets carried at fair value by level of the fair value hierarchy.

| 2013 | Level 1 | Level 2 | Level 3 | Total |
|--|--------------------|--------------------|-------------------|--------------------|
| Financial assets designated at fair value through income: | \$ | \$ | \$ | \$ |
| Debt securities | 4,808,683 | - | 11,162,914 | 15,971,597 |
| Equity securities | 126,921,385 | 179,283,117 | 52,695,608 | 358,900,110 |
| Total assets | 131,730,068 | 179,283,117 | 63,858,522 | 374,871,707 |
| Total assets by percentage | 35% | 48% | 17 % | 100% |
| 2012 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets designated at fair value through income: | \$ | \$ | \$ | \$ |
| Debt securities | 30,874,069 | - | 12,636,302 | 43,510,371 |
| Equity securities | 288,241,703 | 5,491,308 | 124,829 | 293,857,840 |
| Total assets | 319,115,772 | 5,491,308 | 12,761,131 | 337,368,211 |
| Total assets by percentage | 95% | 1% | 4% | 100% |

Balances totalling \$178,223,915 have been transferred from Level 1 to Level 2 in 2013. There have been no material transfers between Level 1 and Level 2 instruments during 2012.

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.5 Fair value of financial instruments (continued)

The following table presents the movement in Level 3 instruments for the year.

| | 2013 \$ | 2012 \$ |
|---------------------------------------|-------------------|-------------------|
| Balance, beginning of year | 12,761,131 | 20,780,019 |
| Fair value changes recorded in income | 132,221 | (3,818,504) |
| Additions | - | 2,899,442 |
| Transfers in | 52,572,177 | |
| Disposals | (1,607,007) | (7,040,174) |
| Effect of accrued income changes | - | (59,652) |
| Balance, end of year | 63,858,522 | 12,761,131 |

The Fund is exposed to other price risk arising from changes in equity prices. The Fund mitigates this risk by holding a diversified portfolio and by selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

The majority of the Fund's equity investments are publicly traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and reviewed on a quarterly basis by the Board of Directors of the Trustee.

The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2013 is set out in the following table.

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------|---------|-----------|-----------|
| | \$ | \$ | \$ | \$ |
| Loans and receivables: | | | | |
| Mortgage loans | - | - | 6,890,006 | 6,890,006 |
| | - | - | 6,890,006 | 6,890,006 |

Sensitivity

The effects of an across the board 20% decline in equity prices of the Fund's fair value through income equity securities on income is as follows.

| | Fair value \$ | Effect of a 20% decline at Dec 31, 2013 \$ |
|---|--------------------|---|
| Fair value through income equity securities: | | |
| Listed on Caribbean stock exchanges and markets | 157,060,536 | (31,412,107) |
| Listed on US stock exchanges and markets | 201,839,574 | (40,367,915) |
| | 358,900,110 | (71,780,022) |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.5 Fair value of financial instruments (continued)

Capital risk management

The capital of the Fund is represented by unit holders' equity. Unit holders' equity changes on a daily basis as the Fund is subject to the redemption and issue of units at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

The Board of Directors of the Trustee and Fund Manager monitor unit holders' equity.

13. ACCOUNTS PAYABLE

| | 2013 \$ | 2012 \$ |
|--------------------------------------|------------------|------------------|
| Funds on deposit | 570,533 | 220,929 |
| Investment property expenses payable | 1,242,680 | 1,294,497 |
| Other | 348,403 | 178,594 |
| Total accounts payable | <u>2,161,616</u> | <u>1,694,020</u> |

Funds on deposit include pension receipts for which units were subsequently issued in 2014.

14. INTEREST INCOME

The Fund manages its financial investments by the type of financial instrument (i.e. debt securities, deposits, mortgage loans, etc) and the income there from is presented accordingly.

| | 2013 \$ | 2012 \$ |
|-----------------------|------------------|------------------|
| Debt securities | 1,409,489 | 1,353,037 |
| Deposits | 137,276 | 764,388 |
| Mortgage loans | 320,896 | 100,228 |
| Other loans | 40,735 | - |
| Total interest income | <u>1,908,396</u> | <u>2,217,653</u> |

Notes to the Financial Statements

For the year ended December 31, 2013

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

15. NET RENTAL INCOME

| | 2013 \$ | 2012 \$ |
|--|------------------|------------------|
| Rental income from investment property | 3,433,302 | 3,417,058 |
| Direct operating expenses of investment property | (1,207,673) | (577,962) |
| | <u>2,225,629</u> | <u>2,839,096</u> |

16. NET INVESTMENT GAINS/(LOSSES)

| | 2013 \$ | 2012 \$ |
|--|-------------------|-------------------|
| Net gains on financial investments | 18,915,552 | 22,673,439 |
| (Depreciation)/appreciation in fair value of investment property | (1,516,667) | 552,034 |
| Reversal of impairment losses | - | 114,845 |
| | <u>17,398,885</u> | <u>23,340,318</u> |

17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

| | 2013 \$ | 2012 \$ |
|------------------|------------|------------|
| Management fee | 3,651,610 | 3,490,032 |
| Interest income | 40,735 | - |
| Interest expense | 205,790 | 245,411 |

(b) Units held by related parties

| Parties related to the Fund held units in the Fund during the year as follows: | 2013 \$ | 2012 \$ |
|--|------------|------------|
| Value of units held at January 1 | 37,818,289 | 34,217,827 |
| Net value of transactions for the year | 3,438,032 | 3,600,462 |
| Value of units at December 31 | 41,256,321 | 37,818,289 |

18. COMMITMENTS

There are no commitments entered into for which a provision is considered necessary.



Wise Financial Thinking for Life

SAGICOR FINANCIAL CORPORATION

Cecil F de Caires Building

Wildey, St Michael

Barbados

Tel: (246) 467-7500

Fax: (246) 436-8829

Email: info@sagicor.com

Website: www.sagicor.com