

175 YEARS
OUR JOURNEY • OUR SUCCESS • OUR FUTURE

BARBADOS
SEGREGATED
PENSION FUNDS

ANNUAL REPORT 2014




Sagicor



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.

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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.

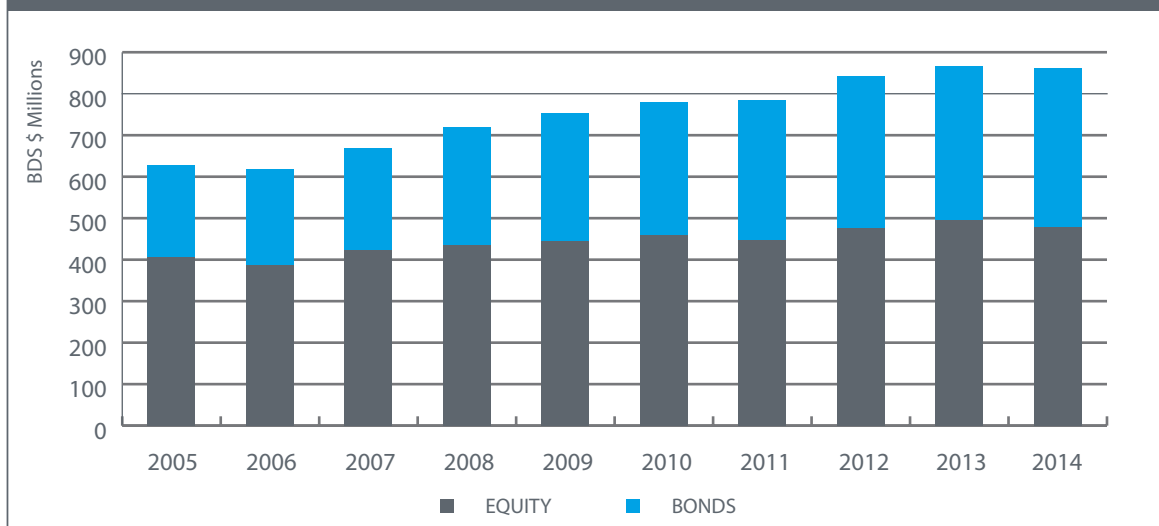
Actuarial advice is provided through our actuary, Sylvain Goulet, FSA, FCIA,MAAA, Affiliate Member of the (British) Institute of Actuaries.

At present, Pension Funds of 239 companies in Barbados amounting to approximately \$862.6 million are invested in these segregated funds; all but fifty-four of these Pension Plans are also administered by Sagicor. The total membership stood at 7,163 which includes 629 Pensioners.

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

	Equity Fund			Bonds Fund		
	Net Assets (\$000)	Unit Value	Yield %	Net Assets (\$000)	Unit Value	Yield %
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%
2014	479,484	47.73	-0.05%	383,091	23.97	6.50%

GROWTH OF THE SEGREGATED FUND ASSETS



175 years of service

No matter how big we grow, how much we change, or how far we go, we must never forget that our most important purpose is to serve.





4 feet

in

3 feet

CHAIRMAN'S STATEMENT



Stephen McNamara
Chairman

2014 marked a volatile year for international and regional equity markets while fixed income markets registered moderate improvement. Global growth remained tepid with uneven economic recovery across the developed world, as evidenced by moderate GDP expansion of 2.4% reported in the United States (US), which contrasted the recessionary conditions in Europe and Japan. This was exacerbated by the anticipated softening of emerging market economies against the backdrop of currency devaluations relative to the United States (US) dollar and the ongoing geopolitical unrest between Ukraine and Russia. Furthermore, the precipitous decline in the price of oil adversely impacted oil exporting emerging market countries, namely Russia. This tenuous economic climate led to the downward revision of the IMF's forecast for global growth by 0.4% to 3.3% for 2014 and necessitated the continuance of exceptionally accommodative fiscal and monetary policies globally.

Regionally, economic growth across the majority of Caribbean islands trended positively albeit at relatively low levels. However, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels as well as dwindling foreign direct investment remained hindrances to the economic stability of the region. There was an incipient recovery in the tourism sector which generally showed moderate improvement but remained well below the pre-2008 crisis levels. In light of the fragility of economic recovery in developed markets and with the region's high dependency on the performance of these economies, the Economic Commission for Latin America and the Caribbean (ECLAC) estimated growth for the region of 1.1% for 2014, which slowed relative to the 2.6% recorded for the prior year. This represented the lowest level of growth in the region since 2009.

There was divergence in the performance of international developed market equities for 2014. US stock indices recorded double digit gains while non-US developed market equities ended the year in negative territory amid concerns of forecasted lower global growth by the IMF and deflation in Europe and Japan. In the US, the Standard & Poors 500 Index returned 13.7%, led by the Utilities sector, as growth oriented sectors outperformed value based sectors. The substantial depreciation of international currencies relative to the stronger US dollar

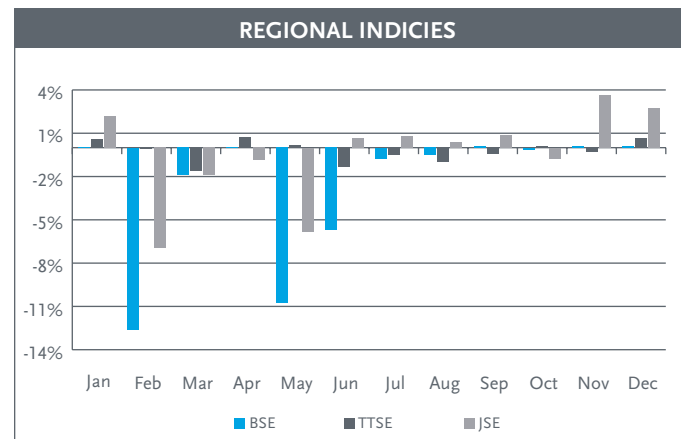
significantly weighed on the performance of non-US developed market stock indices which resulted in translation losses when converted to US dollars. The euro and yen depreciated by an annualised 12.1% and 13.8%, respectively, relative to the US dollar. Global equities, as gauged by the MSCI World Index advanced 5.5%. The MSCI EAFE a benchmark for developed market non-US equities declined 7.35% in US dollar terms but advanced by 3.2% in local currency terms. The MSCI BRIC (Brazil, Russia, India, China) Index, a benchmark of emerging markets recorded a decline of 5.9% for the year.

In the US, economic indicators showed improvement. There was increased consumer spending during the fourth quarter of 2014 while in December the unemployment rate continued on a downward trajectory to 5.6%, the lowest level since 2008. In concert with the general improvement in economic conditions, the US Federal Reserve concluded its bond repurchase program in October. However, inflation stood at 1.3% in November and remained below the level to achieve the fulfillment of its statutory mandate of promoting maximum employment, price stability and moderate long-term interest rates. This prompted the continuance of near zero interest rates for the foreseeable future. Therefore the target range of 0.00% to 0.25% for the Federal Funds Rate was held constant. In Europe, the threat of protracted deflation and declining investment, as well as elevated levels of unemployment constrained economic growth. In response, the European Central Bank (ECB) maintained its relaxed fiscal policy stance and held interest rates constant at historically low levels. The ECB also announced further plans of monetary stimulus through a bond buy-back program slated to commence during 2015. Japan amplified its asset purchase program during the year and delayed the implementation of anticipated fiscal tightening in an effort to stimulate the stagnating Japanese economy.

The Barbados economy experienced modest expansion of 0.3% in 2014 following zero growth in 2013. There was positive contribution from the non-traded sector which grew by 0.4% in 2014 as compared to a decline of 0.1% in 2013. The construction industry showed improvement and expanded by an estimated 1.0% in 2014, principally due to increased number of projects within the tourism sector. Following three consecutive years of

contraction, the tourism sector registered growth of 1.0% in 2014 relative to 2013, buoyed by increases in long stay arrivals as well as sound growth of 10.0% in total arrivals from the United Kingdom. Inflation remained subdued largely due to the downward pressure from the general movement of international oil prices. The 12- month moving average for inflation as at October 2014 was reported at 1.7% as compared to 1.8% for the corresponding period of 2013. Foreign reserves marginally exceeded BDS\$1.0 billion at the end of December, which represented approximately three and half months of import cover. The level of unemployment increased to 12.5% at the end of September relative to 11.2% for the corresponding period of the previous year. The Central Bank of Barbados indicated that it expects to achieve a fiscal deficit of 7.5% of GDP for the 2014 - 2015 period as compared to 12.3% in the prior period through the commitment to greater fiscal discipline.

In 2014, Trinidad and Tobago's economy registered moderate GDP growth of 2.0% relative to the growth in GDP of 1.6% recorded for 2013. The considerable protracted decline in oil prices constrained the country's growth during the year, and is anticipated to have a dampening impact on economic growth in the medium-term through the downward revisions in



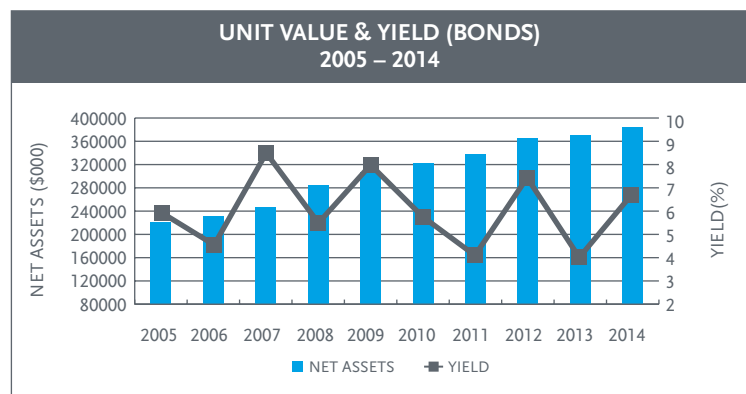
budgetary price assumptions for oil in 2015. Activity in the energy sector grew by 2.8% in the third quarter of 2014, while growth in the non-energy sector increased by 1.4%. Trinidad and Tobago's foreign exchange reserves were approximately US\$11.0 billion and the Heritage and Stabilisation Fund exceeded US\$5.0 billion at the end of September, which represented approximately 15 months of import cover. Headline inflation increased to 8.5% in

2014 relative to 4.4% in 2013. The relative increase was primarily attributable to rising food prices during the year. In recent years, the value of the Trinidad and Tobago dollar has been relatively stable and stood at TTD6.33 per US\$1.00 at yearend. Trinidad & Tobago's Repo rate increased to 3.25% by year end relative to 2.75% in 2013 with an additional 0.25% increase to 3.5% in January 2015.

The Jamaican economy showed improvement and was estimated to have grown by 0.9% in 2014 up from 0.2% in 2013. Growth experienced within vital industries such as tourism, services, mining and telecommunications supported the expansion in real output recorded for the year. Jamaica remained committed to the achievement of the monetary targets imposed by the IMF through its ongoing four year Special Drawdown Right (SDR) 615 million

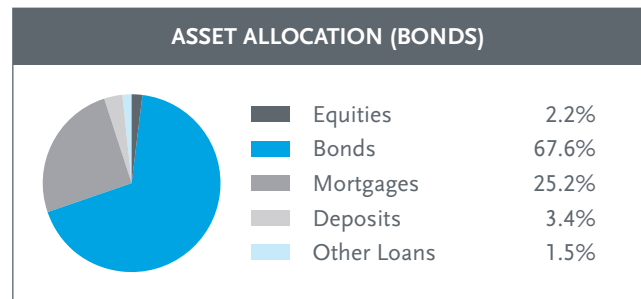
average depreciation of 7.8% for the JMD relative to the USD for the year.

The performance of regional equity markets remained subdued as key stock indices across the region registered declines for the year. The Barbados Stock Exchange (BSE) local index declined by 28.7% for 2014 following a decline of 2.8% 2013. The number of shares traded declined by 67.0% while traded value fell by 72.0% for 2014 relative to 2013. The total market capitalisation of the BSE declined by 32.9% for the year, which was principally attributable to the delisting of the Barbados Shipping and Trading Company Limited shares coupled with the 24.2% decline in the share price of FirstCaribbean International Bank shares, the largest issuer listed on the BSE. The Jamaica Stock Exchange declined by 5.3% while the Trinidad and Tobago Stock Index fell by 2.9% for 2014.



SAGICOR (BONDS) FUND

The Sagicor (Bonds) Fund recorded an impressive performance of 6.5% in 2014 following a yield of 4.1% in 2013, albeit in a low interest rate environment. Net assets increased by 3.3% for the year and totaled \$383.1 million at December 31, 2014. Throughout the year, the highly accommodative monetary policy environment meant that interest rates remained protractedly low, which benefited the fair valuations of selected existing bond holdings. Generally, reinvestment yields on fixed income securities remained depressed while growth particularly in the commercial mortgage segment provided an opportunity for yield enhancement.



extended arrangement under the Extended Fund Facility (EFF), which commenced in May 2013. Inflation trended lower and was reflected at 6.5% at the end of 2014 relative to 9.5% at the end of the prior year. Net international reserves doubled during 2014 and exceeded US\$2.0 billion by yearend. The annual average exchange rate for the Jamaican dollar (JMD) relative to the USD increased to JMD\$114.68 relative to JAM\$106.38 for 2013, which reflected an

The Fund remained primarily invested in the bond asset class, which represented 67.6% of financial investments and totaled \$244.8 million at December 31, 2014. Investment in sovereign debt accounted for 93.3% of the bond portfolio while the residual allocation was to corporate issuances. Debt issued by the Government of Barbados comprised the largest holding in the bond portfolio and totaled \$168.9 million at yearend relative to \$178.3 million at the end of 2013. Throughout the year, the Fund's concentration to the Government of Barbados debt was systematically reduced and growth in the bond portfolio occurred principally through the acquisition of regional US dollar denominated debt of investment grade rating to improve the overall credit

profile and diversification of the portfolio. Sovereign debt purchased during the year included issuances from Bahamas, Bermuda, and Aruba, as well as St. Lucia. The average tenor of the debt acquired was 9 years with an average yield slightly below 5.0%. The Fund maintained a medium to short duration strategy against the backdrop of the low interest rate environment which prevailed. The average bond yield of the Fund declined modestly to 6.8% as compared to 6.9% reported for 2013.

The investment in mortgage loans increased moderately during the reporting period and totaled \$90.8 million at December 31, 2014 as compared to \$90.4 million for the previous reporting period. Mortgage loans comprised 25.1% of financial investments. Residential mortgages accounted for 42.6 % of the mortgage portfolio and totaled \$38.6 million, while commercial mortgages represented 57.4% of the mortgage portfolio and totaling \$52.2 million. The average interest yield on the mortgage portfolio improved to 8.8% in 2014 relative to 8.4% in 2013 and associated interest income totaled \$7.7 million for 2014. Mortgage loan commitments totaled \$4.8 million at year end.

Total revenue rose significantly by 54.7% and was recorded at \$26.2 million for the year. Interest income was the primary contributor to revenue and stood at \$24.5 million for 2014. There was a positive contribution from net investment gains realized on financial investments, which totaled \$1.7 million.

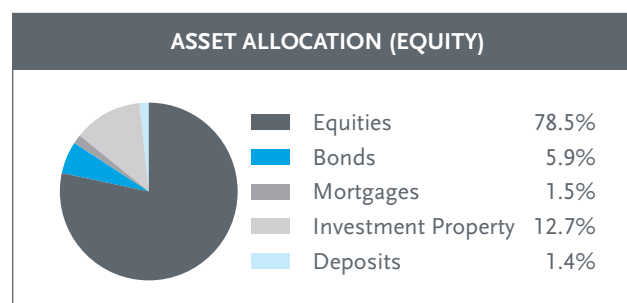
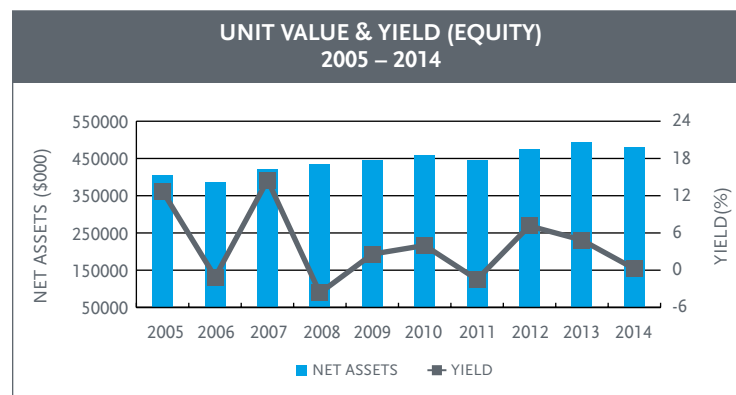
The Fund recorded an increase in net comprehensive income attributable to unit holders for 2014, which stood at \$23.7 million and represented an improvement of \$9.2 million relative to December 31, 2013.

SAGICOR (EQUITY) FUND

The global investment climate remained tumultuous for equity investors and constrained the performance of broadly diversified portfolios in 2014. In the US, encouraging economic data including strong corporate earnings, increased consumer spending, in conjunction with an appreciating currency and improved unemployment data underpinned the respectable performance of the US equity markets as key US indices recorded double digit gains. Conversely, the buoyancy in the US equity markets

contrasted to the performances of non-US equity markets and similarly emerging market equities, as their economies experienced tepid investment, currency devaluations, recessionary headwinds as well as declining commodity prices. Therefore, non-US equity indices as well as emerging market equity indices ended the year in negative territory.

A pervasive decline was evident in regional markets, as relatively weak economic conditions inhibited growth for a number of publicly traded entities which placed downward pressure on their share prices. The Barbados Stock Exchange declined by 28.7% in 2014, the largest percentage decline across all regional indices. Against this backdrop, the Sagicor (Equity) Fund ended the year relative flat with a modest decline of 0.1% for the year. Net assets totaled \$479.5 million at December 31, 2014, relative to \$495.1 million at end of 2013.



The Fund's core asset allocations consisted of equity and real estate with moderate exposure to fixed income securities and mortgage loans to achieve risk moderation and optimal diversification. Our strategy continued to favour expansion in the international equity portfolio as regional equity markets remained illiquid with limited scope for price discovery. Equities remained the leading asset class and totaled \$360.6 million which accounted for

89.9% of financial investments. The equity asset class remained well diversified with 41.3% of the portfolio allocated to domestic and regional equities and 58.7% allocated to international equities. The Fund's international portfolio included 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 long-term risk adjusted returns. The Fund experienced declines in the value of major regional holdings including First Caribbean International Bank (Barbados) Ltd and Cable & Wireless (Barbados) Limited shares which declined by \$12.3 million and \$2.7 million, respectively. However, there were advances of Fund's holdings of Banks Holdings Ltd, Goddard Enterprises Limited and Neal & Massy Holdings Ltd shares. The investment in property decreased to \$58.4 million, principally the result of disposals of \$3.0 million and a moderation in fair value of \$1.9 million. Investment property represented 11.8% of the Fund's total assets while financial investments accounted for 81.1% of assets.

The Fund realized a loss of \$0.2 million in 2014, relative to a profit of \$21.7 million in 2013. The overall outturn was largely attributable to net unrealized losses which totaled \$7.4 million for the year as compared to a gain of \$17.4 million in the prior year. Investment income experienced a moderate increase as income across the dividend, interest and rent categories showed relative improvement. Dividend income totaled \$8.8 million and contributed most significantly to revenue for the year.

OUTLOOK

Global growth forecasts for 2015 remain tenuous with continued divergence expected across developed economies. The IMF projected the US economy to expand by an upwardly revised 3.6% while forecasts for Europe and Japan have been lowered to 1.2% and 0.6%, respectively. Strong private domestic demand is expected to provide the impetus for growth in the US. Conversely, weak investment and recessionary pressures are expected to impede the economic recovery in Europe and Japan. However these economies, particularly net exporters, should benefit from anticipated further devaluation of international currencies relative to the US dollar. Therefore, the fragility of the global economic recovery will warrant

the continuance of extraordinary fiscal stimulus and monetary facilitation in advanced economies indefinitely.

Many emerging markets economies are expected to experience reduce levels of growth in 2015 which is positively correlated with an anticipated decline in commodity prices associated with decreased global demand. Though the general outlook for emerging markets remains tepid, we reaffirm our view that value can be derived with circumspection within those markets in countries, which show strong fundamentals, sound policy frameworks and prudent macro-economic policies. In this environment a balanced rather than a cyclical approach to investing is favoured.

In the region, economic recovery is expected to gain traction through an incipient recovery in tourism in 2014 which is expected to strengthen in 2015. We therefore remain cautiously optimistic given the vulnerability and heavy reliance of the Caribbean economies upon the economic improvement of developed economies. Persistent headwinds of rising public debt levels, fiscal imbalances and high unemployment rates will remain hindrances to the region's competitiveness in the medium-term.

On behalf of the Board of Directors, I sincerely thank our management, staff and advisors for their extraordinary commitment during 2014. I also extend my appreciation to our unit holders for their confidence and trust.



Stephen McNamara
Chairman



175 years of innovation

Our corporate footsteps show where we've been, and where we are going. With reliable information, we can ensure the best quality in service for today and tomorrow.





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.
Dr. Marjorie Patricia Downes-Grant, CBE, MA, MBA, DBA, LLD (Hons)
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, CFA

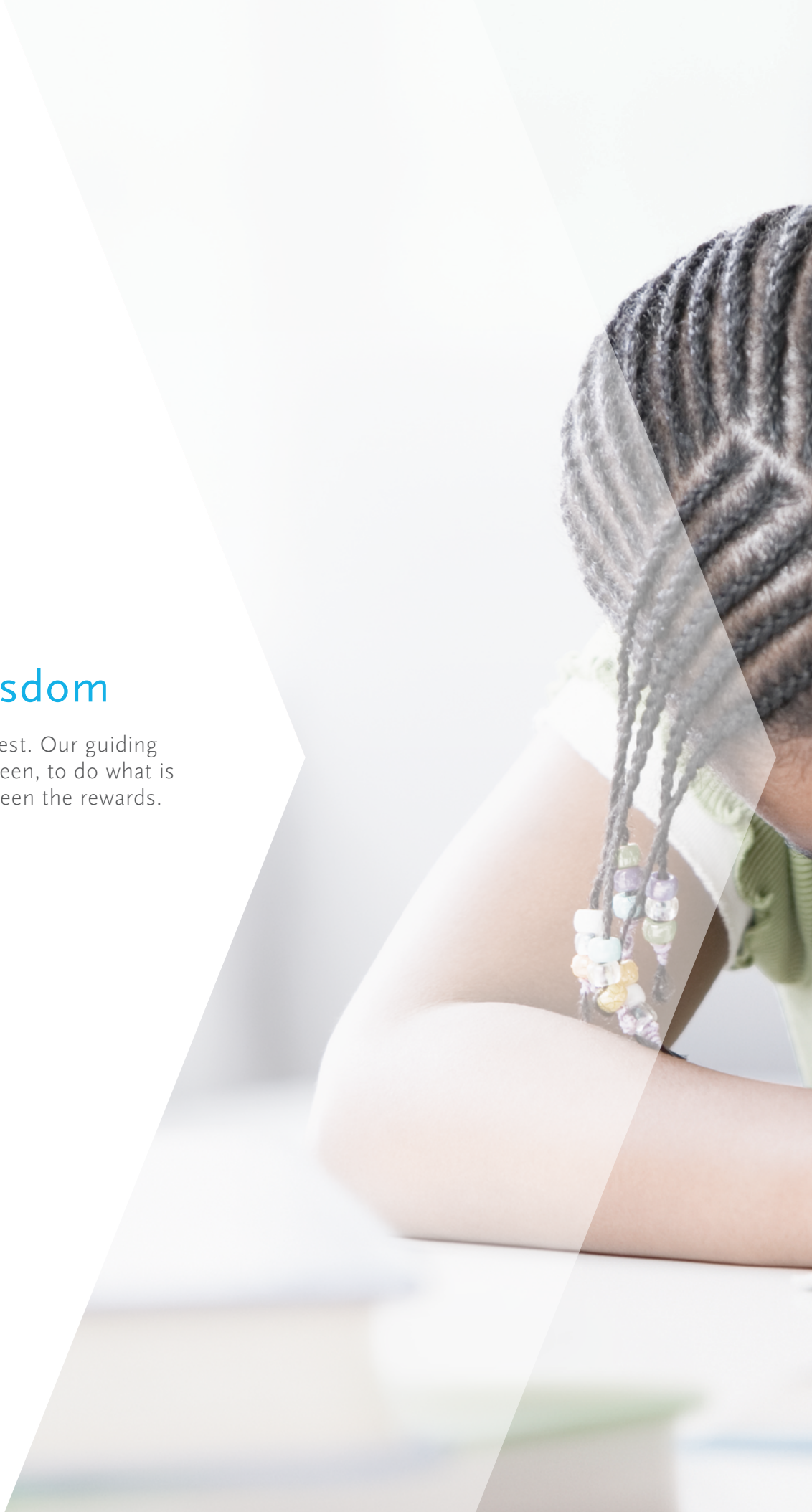
Vice President
Portfolio Manager

AUDITORS

PricewaterhouseCoopers SRL

175 years of wisdom

When we act wisely, we act best. Our guiding principle is, and always has been, to do what is wise. For 175 years, we have seen the rewards.







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, 2014 and the statements of comprehensive income, changes in net assets available to unitholders 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Bonds) Fund as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Other Matter

This report is made solely to the fund's unitholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers S/H

May 8, 2015
Bridgetown, Barbados

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

Statement of Financial Position

As of December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2014	2013
ASSETS			
Due from Sagicor (Equity) Fund	4	\$ 10,864,121	\$ 6,535,819
Due from Sagicor (Eastern Caribbean) Fund	4	-	32,572
Due from Sagicor Asset Management Inc	4	-	72,461
Income tax assets	5	6,252,080	5,688,997
Interest and other receivables	6	2,937,134	2,419,229
Financial investments	7	361,598,436	361,046,421
Cash resources		7,516,601	2,692,960
Total assets		\$ 389,168,372	\$ 378,488,459
LIABILITIES			
Due to Sagicor Life Inc	4	5,412,767	5,945,409
Due to Sagicor (Eastern Caribbean) Fund	4	6,291	-
Accounts payable	9	658,158	1,538,888
Total liabilities		6,077,216	7,484,297
Net assets available to unit holders		\$ 383,091,156	\$ 371,004,162
Represented by:			
UNIT HOLDERS' EQUITY		\$ 383,091,156	\$ 371,004,162
No. of units outstanding at end of year		15,984,336	16,485,244
Net asset value per unit at end of year		\$ 23.97	\$ 22.51
Increase in net asset value per unit for year		6.5%	4.1%

The accompanying notes are an integral part of these financial statements

Approved by the Board of Directors on May 8, 2015.


Chairman


Director

Statement of Changes in Net Assets available to Unit Holders**Sagicor (Bonds) Fund**

For the year ended December 31, 2014

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

	2014		2013	
	Number of Units	Total \$	Number of Units	Total \$
Balance, beginning of year	16,485,244	371,004,162	16,849,207	364,524,561
Proceeds from issue of units	732,050	16,986,890	714,738	15,754,521
Redemption of units	(1,232,958)	(28,630,489)	(1,078,701)	(23,810,556)
Net decrease from unit transactions	(500,908)	(11,643,599)	(363,963)	(8,056,035)
Net profit and total comprehensive income for the year attributable to unit holders	-	23,730,593	-	14,535,636
Balance, end of year	15,984,336	383,091,156	16,485,244	371,004,162

The accompanying notes 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, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2014	2013
REVENUE			
Interest income	10	\$ 24,466,729	\$ 24,053,515
Dividend income		92,505	66,906
Net investment gains/(losses)	11	1,667,893	(7,167,088)
		<u>26,227,127</u>	<u>16,953,333</u>
EXPENSES			
Management fee	12	1,888,414	1,846,344
Allowance for impairment losses on income tax assets	5	500,000	500,000
Investment expenses		65,609	61,785
Bank and interest charges		8,499	9,451
Exchange loss		34,006	117
Total operating expenses		<u>2,496,528</u>	<u>2,417,697</u>
PROFIT BEFORE TAXES		23,730,599	14,535,636
Withholding taxes		(6)	-
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		<u>\$ 23,730,593</u>	<u>\$ 14,535,636</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

	2014	2013
Cash flows from operating activities:		
Net profit before taxes	\$ 23,730,599	\$ 14,535,636
Adjustments for:		
Interest income	(24,466,729)	(24,053,515)
Dividend income	(92,505)	(66,906)
Allowance for impairment losses on income tax assets	500,000	500,000
Net (gains) /losses on financial investments	(4,883,421)	5,913,484
Allowances for impairment losses	3,215,528	1,253,604
	(1,996,528)	(1,917,697)
Changes in operating assets and liabilities		
Due from Sagicor (Eastern Caribbean) Fund	32,572	(32,572)
Due from Sagicor (Equity) Fund	(4,328,302)	(2,703,290)
Due from Sagicor Asset Management Inc	72,461	(72,461)
Issue of mortgage loans	(7,688,893)	(6,137,664)
Repayment of mortgage loans	6,151,257	6,923,875
Purchase of debt securities	(25,552,985)	(25,256,692)
Redemption of debt securities	29,327,895	14,279,241
Purchase of equity securities	(2,135,438)	(53,469)
Sale of equity securities	2,076,693	-
Amounts deposited	(26,817,578)	(22,289,196)
Deposits redeemed	27,809,402	17,675,648
Other receivables	(517,905)	1,009,744
Due to Sagicor (Eastern Caribbean) Fund	6,291	-
Due to Sagicor Life Inc	(532,642)	5,379,920
Accounts payable	(880,730)	1,316,666
Cash used in operations	(4,974,430)	(11,877,947)
Interest received	22,412,254	21,578,824
Dividends received	92,505	66,906
Taxes paid/(net)	(1,063,089)	(1,048,015)
Net cash generated from operating activities carried forward	16,467,240	8,719,768

Statement of Cash Flows (continued)

For the year ended December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	2014	2013
Net cash generated from operating activities brought forward	16,467,240	8,719,768
Cash flows from financing activities		
Proceeds from issue of units	16,986,890	15,754,521
Redemption of units	(28,630,489)	(23,810,556)
Net cash (used in) financing activities	(11,643,599)	(8,056,035)
Net increase in cash and cash equivalents	4,823,641	663,733
Cash and cash equivalents - beginning of year	2,692,960	2,029,227
Cash and cash equivalents - end of year	\$ 7,516,601	\$ 2,692,960
Cash and cash equivalents comprise:		
Cash resources	7,516,601	2,692,960
	\$ 7,516,601	\$ 2,692,960

The accompanying notes 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 of the Trustee.

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 profit or loss.

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, 2014

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.

Amended standards which are effective for the 2014 financial year that have no significant impact on the Fund's financial statements are listed in the following table.

IAS 32 Financial Instruments: Presentation (January 1, 2014)	These amendments are to the application guide in the standard and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
IAS 36 – Impairment of Assets (January 1, 2014)	This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

(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, 2018)	<p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p> <p>The Fund is yet to assess the impact of the standard.</p>

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards which are not yet effective (continued)

<p>IFRS 15 – Revenue from contracts with customers (January 1, 2017)</p>	<p>This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations.</p> <p>Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>
<p>Annual Improvements 2012 (July 1, 2014)</p>	<p>IAS 24,'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.</p>
<p>Annual Improvements 2013 (July 1, 2014)</p>	<p>IFRS 13,'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.</p>

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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:

	2014 closing rate	2014 average rate	2013 closing rate	2013 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Trinidad & Tobago dollar	3.1793	3.1960	3.2193	3.2032
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 profit or loss;
- loans and receivables.

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

Financial assets in the category at fair value through profit or loss 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 profit or loss 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 interest rate method.

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 recorded at fair value and are subsequently carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through profit or loss 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. The fair value of mutual funds is based upon prices as determined by the investee fund managers and administrators.

(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 an allowance for impairment losses.

If in a subsequent period, the amount of the impairment loss for a debt security 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.

2.6a 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 interest method. Interest includes coupon interest and accrued discount and premium on financial instruments. Interest income on impaired loan and receivables is recognised using the rate at which the future cash flows are discounted for the purpose of measuring the impairment loss.

2.6b Dividend income

Dividend income is recognised when the fund's right to receive payment is established.

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 and Investment Advisory 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 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 for the preceding month.

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.

3.1 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. Information about the fair value techniques and sensitivity is disclosed in Note 8.

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. Refer to Note 8.1 for further discussion.

4. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$2,082,706 (2013 - \$2,456,777) due from Sagicor (Equity) Fund which bears interest at a rate of 7.75% (2013 - 7.75%) per annum and is repayable over 4 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 Barbados Revenue Authority.

Income tax assets are reported at the gross value of \$7,252,080, net of an estimated impairment of \$1,000,000 (2013 - gross value of \$6,188,997; impairment of \$500,000)

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

	2014 \$	2013 \$
Bond interest due	465,269	399,017
Unsettled transactions	323,095	-
Other	2,148,770	2,020,212
	<u>2,937,134</u>	<u>2,419,229</u>

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS

Analysis of financial investments

	2014 Fair value \$	2013 Fair value \$
Financial assets at fair value through profit or loss:		
Bonds – Unlisted Local	154,321,673	165,289,582
Bonds – Unlisted Regional	8,358,181	3,203,426
Bonds – Listed International	82,115,225	74,271,306
Treasury bills – Unlisted Regional	-	995,490
Total debt securities	244,795,079	243,759,804
Common shares – Listed	452,234	437,302
Preferred shares – Listed	4,926	4,926
Mutual funds – Unlisted	7,600,384	7,496,594
Total equity securities	8,057,544	7,938,822
	2014 Fair value \$	2013 Fair value \$
Loans and receivables:		
Deposits	12,415,267	13,413,551
Mortgage loans, net	90,798,315	90,402,013
Other loans	5,532,231	5,532,231
Total loans and receivables	108,745,813	109,347,795
Total financial investments	361,598,436	361,046,421

Mortgage loans are reported at the gross principal of \$102,356,850, net of impairment of \$11,558,535 (2013 - gross principal of \$98,745,020, net of impairment of \$8,343,007). The fair value of the fixed rate mortgage loans is \$17,127,178 (2013 - \$31,322,949) and the carrying value is \$19,349,628 (2013 - \$32,121,259). The fair value of other loans is \$5,532,231 (2013 - \$5,532,231). All other loans and receivables approximate their fair value.

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

Notes to the Financial Statements

For the year ended December 31, 2014

Sagikor (Bonds) Fund

Amounts expressed in Barbados Dollars

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7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

The movement in the provision for impairment is as follows:

	2014 \$	2013 \$
Balance beginning of the year	(8,343,007)	(7,808,473)
Increase in provision	(3,215,528)	(1,253,604)
Write offs	-	719,070
Balance at end of year	(11,558,535)	(8,343,007)

Debt securities comprise:

	2014 \$	2013 \$
Government debt securities – Listed International	77,308,822	68,544,085
Government debt securities – Unlisted Local	143,578,766	154,220,968
Government debt securities – Unlisted Regional	7,442,357	1,033,891
Corporate debt securities - Listed	4,806,404	5,727,221
Corporate debt securities - Unlisted	11,658,730	14,233,639
	244,795,079	243,759,804

Debt securities designated at fair value through profit or loss and valued using internally developed valuation models amounted to \$162,679,854 (2013 - \$169,488,498).

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.

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.

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Bonds) Fund

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Sagicor
Life
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- Barbados**8. FINANCIAL RISK (continued)****Financial risk factors (continued)****8.1 Credit risk**

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

	2014		2013	
	\$	%	\$	%
Bonds	244,795,079		242,764,314	
Deposits	12,415,267		13,413,551	
Treasury bills	-		995,490	
Investment portfolio	257,210,346	68	257,173,355	69
Mortgage loans	90,798,315		90,402,013	
Other loans	5,532,231		5,532,231	
Lending portfolio	96,330,546	25	95,934,244	26
Due from Sagicor (Equity) Fund	10,864,121		6,535,819	
Due from Sagicor (Eastern Caribbean) Fund	-		32,572	
Due from Sagicor Asset Management Inc	-		72,461	
Interest and other receivable	2,937,134		2,419,229	
Cash Resources	7,516,601		2,692,960	
Other financial assets	21,317,856	6	11,753,041	3
Total balance sheet exposures	374,858,748	99	364,860,640	98
Mortgage loan commitments	4,820,037	1	6,157,384	2
Total	379,678,785	100	371,018,024	100

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.1 Credit risk (continued)

The Fund's exposures to individual counterparty credit risk exceeding 2.5% of total exposures as at December 31, 2014 as rated by Standard & Poors with their comparative amounts are set out below.

	Risk rating	2014 \$	Risk rating	2013 \$
Debt securities:				
Government of Barbados – denominated in Barbados dollars	B	134,250,714	BB-	147,387,225
Government of Barbados – denominated in US dollars	B	34,688,349	BB-	30,883,582
Republic of Trinidad and Tobago – denominated in United States dollars	A	7,469,956	A	7,405,956
Arawak Cement Co. Ltd. – denominated in Barbados dollars	Unrated	6,744,142	Unrated	7,212,382
Government of Aruba – denominated in United States dollars	BBB+	12,293,239	BBB+	9,322,515
Government of Bermuda – denominated in United States dollars	AA-	8,476,407	AA-	7,237,003
Commonwealth of Bahamas – denominated in United States dollars	BBB	7,276,622	BBB	3,817,138
Government of St. Lucia – denominated in Eastern Caribbean dollars	BBB	7,442,357	-	-

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: -

	2014 \$	2013 \$
Commercial sector	52,160,999	52,571,749
Residential sector	38,637,316	37,830,264
Total	90,798,315	90,402,013

8. FINANCIAL RISK (continued)**Financial risk factors (continued)****8.1 Credit risk (continued)****(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.

2014	Debt securities	Mortgage loans
Neither past due nor impaired	234,742,121	55,084,719
Past due up to 3 months, but not impaired	9,937,897	10,148,508
Past due up to 12 months, but not impaired	-	3,784,132
Past due up to 5 years, but not impaired	115,061	5,603,987
Past due over 5 years, but not impaired	-	687,436
Total past due but not impaired	10,052,958	20,224,063
Impaired assets	-	15,489,533
Total carrying value	244,795,079	90,798,315
Accumulated allowances on impaired assets	-	11,558,535
Accrued interest on impaired assets	-	7,351,899

Notes to the Financial Statements

For the year ended December 31, 2014

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

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.

	Gross carrying value \$	Accumulated allowance for impairment \$	Net carrying value \$	Estimated fair value of collateral \$
As of December 31, 2014				
Mortgage loans	27,048,069	11,558,535	15,489,534	22,495,681
As of December 31, 2013				
Mortgage loans	18,551,741	8,343,007	10,208,734	14,648,681

Interest of \$7,351,899 (2013 - \$3,892,255) has been accrued on impaired mortgages.

(b) Reposessed 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 reposessed during the year.

8. FINANCIAL RISK (continued)**Financial risk factors (continued)****8.1 Credit risk (continued)**(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. If necessary the fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

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, 2014

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, 2014	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Accounts payable	658,158	-	-	-	658,158
Due to Sagicor Life Inc	5,412,767	-	-	-	5,412,767
Due to Sagicor (Eastern Caribbean) Fund	6,291	-	-	-	6,291
Off balance sheet commitments:					
Mortgage loan commitments	-	4,820,037	-	-	4,820,037
Total	6,077,216	4,820,037	-	-	10,897,253

As of December 31, 2013	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Accounts payable	1,538,888	-	-	-	1,538,888
Due to Sagicor Life Inc	5,945,409	-	-	-	5,945,409
Off balance sheet commitments:					
Mortgage loan commitments	-	6,157,384	-	-	6,157,384
Total	7,484,297	6,157,384	-	-	13,641,681

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Bonds) Fund

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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, 2014	Maturing within 1 year \$	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Total \$
Due from Sagicor (Equity) Fund	9,694,838	1,169,283	-	10,864,121
Interest and other receivables	2,937,134	-	-	2,937,134
Debt securities	17,252,788	68,854,942	158,687,349	244,795,079
Deposits	11,622,634	792,633	-	12,415,267
Mortgage loans	9,342,365	9,446,638	72,009,312	90,798,315
Other loans	5,532,231	-	-	5,532,231
Cash resources	7,516,601	-	-	7,516,601
Total	63,898,591	80,263,496	230,696,661	374,858,748

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

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, 2014 and 2013 all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.3 Interest rate risk (continued)

(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, 2014	Exposure within 1 year \$	Exposure of 1 to 5 years \$	Exposure after 5 years \$	Not exposed to interest \$	Total \$
Due from related parties	913,423	1,169,283	-	8,781,415	10,864,121
Interest and other receivables	-	-	-	2,937,134	2,937,134
Debt securities	17,129,809	68,477,161	156,690,231	2,497,878	244,795,079
Equity securities	-	-	-	8,057,544	8,057,544
Deposits and other loans	17,005,946	787,654	-	153,898	17,947,498
Mortgage loans	4,015,979	7,541,878	70,605,648	8,634,810	90,798,315
Cash resources	-	-	-	7,516,601	7,516,601
Total	39,065,157	77,975,976	227,295,879	38,579,280	382,916,292
As of December 31, 2013					
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

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

	2014	2013
Debt securities	6.8%	6.9%
Deposits	2.6%	3.8%
Mortgage loans	8.8%	8.4%
Other loans	7.1%	7.1%

Notes to the Financial Statements

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.3 Interest rate risk (continued)

(b) Financial assets (continued)

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, 2014		\$
Total interest bearing financial assets carried at fair value		242,297,201
The fair value impact of an increase in interest rates of:	1%	(12,753,015)
The fair value impact of a decrease in interest rates of:	1%	13,687,100

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, 2014	Balances denominated in				Total \$
	Barbados \$	Trinidad \$	US \$	EC \$	
ASSETS					
Due from Sagicor (Equity) Fund	10,864,121	-	-	-	10,864,121
Interest and other receivables	2,690,103	-	206,290	40,741	2,937,134
Financial investments	259,482,939	111,340	94,561,800	7,442,357	361,598,436
Cash resources	6,066,961	-	1,449,640	-	7,516,601
Total assets	279,104,124	111,340	96,217,730	7,483,098	382,916,292
LIABILITIES					
Due to Sagicor Life Inc	5,412,767	-	-	-	5,412,767
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	6,291	6,291
Accounts payable	658,158	-	-	-	658,158
Total liabilities	6,070,925	-	-	6,291	6,077,216
Net position	273,033,199	111,340	96,217,730	7,476,807	376,839,076

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Sagicor (Bonds) Fund

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	Barbados \$	Trinidad \$	US \$	EC \$	Total \$
ASSETS					
Due from Sagicor (Equity) Fund	6,535,819	-	-	-	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	2,278,462	-	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	282,598,393	266,580	88,868,026	1,066,463	372,799,462
LIABILITIES					
Due to Sagicor Life Inc	5,945,409	-	-	-	5,945,409
Accounts payable	1,538,888	-	-	-	1,538,888
Total liabilities	7,484,297	-	-	-	7,484,297
Net position	275,114,096	266,580	88,868,026	1,066,463	365,315,165

8. FINANCIAL RISK (continued)

Financial risk factors (continued)

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.

(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 inputs that are not based on observable market data.

Level 3 financial assets designated at fair value through profit or loss 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 that are carried at fair value at December 31st on a security basis by level of the fair value hierarchy.

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8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.5 Fair value of financial instruments (continued)

2014	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value				
through income:	\$	\$	\$	\$
Debt securities	74,808,490	7,306,735	162,679,854	244,795,079
Equity securities/mutual funds	452,234	7,600,384	4,926	8,057,544
Total assets	75,260,724	14,907,119	162,684,780	252,852,623
Total assets by percentage	30%	6%	64%	100%

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/mutual funds	437,302	7,496,594	4,926	7,938,822
Total assets	70,860,920	11,344,282	169,493,424	251,698,626
Total assets by percentage	28%	5%	67%	100%

The table below provides information about the fair value measurements using significant unobservable inputs (level 3).

Description	Fair Value at December 31, 2014	Valuation Technique	Unobservable Inputs
Debt Securities	162,679,854	Discounted Cash Flows	Market Yields

The fair values of the equities securities in Level 3 are based upon prices determined by the investee fund managers and administrators.

There have been no material transfers between Level 1 and Level 2 during 2014 and 2013.

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 \$7,450,083. (2013 - \$8,420,380)

Notes to the Financial Statements

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.5 Fair value of financial instruments (continued)

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

	2014 \$	2013 \$
Balance, beginning of year	169,493,424	165,312,668
Fair value changes recorded in income	2,148,398	1,281,809
Additions	13,249,138	11,728,998
Transfers in	-	-
Disposals	(22,079,137)	(8,877,751)
Effect of accrued income changes	(127,043)	47,700
Balance, end of year	162,684,780	169,493,424

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.

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required as of December 31, 2014 is set out in the following table.

	Level 1	Level 2	Level 3	Total
Loans and receivables:	\$	\$	\$	\$
Mortgage loans	-	-	88,575,866	88,575,866
Other loans	-	-	5,532,231	5,532,231
	-	-	94,108,097	94,108,097

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8. FINANCIAL RISK (continued)

Financial risk factors (continued)

8.5 Fair value of financial instruments (continued)

Sensitivity

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

	Fair value	Effect of a 20% decline at Dec 31, 2014
	\$	\$
Fair value through profit or loss equity securities:		
Listed on Caribbean and US stock exchanges and markets	457,160	(91,432)
Mutual funds	7,600,384	(1,520,077)
	<u>8,057,544</u>	<u>(1,611,509)</u>

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

	2014	2013
	\$	\$
Pension benefits and other payables	<u>658,158</u>	<u>1,538,888</u>

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

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.

	2014 \$	2013 \$
Debt securities	16,108,864	15,998,750
Deposits	327,567	417,428
Mortgage loans	7,650,650	7,257,720
Other loans	379,648	379,617
Total interest income	<u>24,466,729</u>	<u>24,053,515</u>

11. NET INVESTMENT GAINS/(LOSSES)

	2014 \$	2013 \$
Net gains/ (losses) on financial investments	4,883,421	(5,913,484)
(Allowances for) impairment losses	<u>(3,215,528)</u>	<u>(1,253,604)</u>
	<u>1,667,893</u>	<u>(7,167,088)</u>

Notes to the Financial Statements

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Sagicor (Bonds) Fund

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12. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2014 \$	2013 \$
Management fee – Sagicor Life Inc	1,888,414	1,846,344
Interest income – United Nations House Joint Venture	163,049	205,790

(b) Units held by related parties

Parties related to the Fund held units in the Fund during the year as follows:

Sagicor Life Inc.	2014 \$	2013 \$
Value of units held at January 1	28,918,251	26,713,264
Net value of transactions for the year	(1,955,401)	2,204,987
Value of units at December 31	26,962,850	28,918,251
Sagicor General Inc.	2014 \$	2013 \$
Value of units held at January 1	1,935	-
Net value of transactions for the year	24,111	1,935
Value of units at December 31	26,046	1,935



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, 2014 and the statements of comprehensive income, changes in net assets available to unitholders 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Equity) Fund as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Other Matter

This report is made solely to the fund's unitholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

May 8, 2015
Bridgetown, Barbados

Statement of Financial Position

As of December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	\$	2014	\$	2013
ASSETS					
Investment property	4	\$	58,372,489	\$	63,222,489
Property, plant and equipment			402,971		469,052
Investment in associated companies	5		3,625,601		2,992,877
Due from associated company	5		22,663		22,663
Income tax assets	7		1,022,357		947,372
Real estate developed for resale	8		327,547		327,547
Accounts receivable	9		4,997,528		3,367,350
Financial investments	10		401,011,659		401,218,594
Cash resources			24,403,843		32,820,320
Total assets		\$	494,186,658	\$	505,388,264
LIABILITIES					
Deposits received on real estate developed for resale	8		5,600		5,600
Due to Sagicor Life Inc	6		1,215,681		1,599,835
Due to Sagicor (Bonds) Fund	6		10,864,082		6,535,819
Due to Sagicor (Eastern Caribbean) Fund	6		14,217		8,985
Due to Sagicor Global Balanced Fund	6		39,240		16,205
Accounts payable	13		2,563,690		2,161,616
Total liabilities			14,702,510		10,328,060
Net assets available to unit holders		\$	479,484,148	\$	495,060,204
Represented by:					
UNIT HOLDERS' EQUITY		\$	479,484,148	\$	495,060,204
			2014		2013
No. of units outstanding at end of year			10,045,654		10,366,419
Net asset value per unit at end of year		\$	47.73	\$	47.76
(Decrease)/Increase in net asset value per unit for year			(0.1)%		4.6%

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on May 8, 2015.


Chairman


Director

Statement of Changes in Net Assets available to Unit Holders**Sagicor (Equity) Fund**

For the year ended December 31, 2014

Amounts expressed in Barbados Dollars

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	2014		2013	
	Number of Units	Total \$	Number of Units	Total \$
Balance, beginning of year	10,366,419	495,060,204	10,435,304	476,581,238
Proceeds from issue of units	329,383	15,726,362	418,509	19,323,774
Redemption of units	(650,148)	(31,150,283)	(487,394)	(22,550,549)
Net decrease from unit transactions	(320,765)	(15,423,921)	(68,885)	(3,226,775)
Net (loss)/profit and total comprehensive (loss)/income for the year available to unit holders	-	(152,135)	-	21,705,741
Balance, end of year	10,045,654	479,484,148	10,366,419	495,060,204

The accompanying notes are an integral part of these financial statements.

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Statement of Comprehensive Income

For the year ended December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2014	2013
REVENUE			
Interest income	14	\$ 2,090,818	\$ 1,908,396
Dividend income		8,830,952	8,588,859
Net rental income	15	2,323,434	2,225,629
Share of operating income/(loss) of associated companies	5	32,724	(3,121,373)
Net investment (losses)/gains	16	(7,403,891)	17,398,885
		<u>5,874,037</u>	<u>27,000,396</u>
EXPENSES			
Management fee	17	3,649,562	3,651,610
Investment expenses		54,058	195,128
Commissions and brokers' fees		1,884,122	1,141,073
		<u>5,587,742</u>	<u>4,987,811</u>
PROFIT BEFORE TAXES		286,295	22,012,585
Withholding taxes		(438,430)	(306,844)
		<u></u>	<u></u>
NET (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS			
		<u>\$ (152,135)</u>	<u>\$ 21,705,741</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2014

Sagicor (Equity) Fund

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	2014	2013
Cash flows from operating activities:		
Net profit before taxes	\$ 286,295	\$ 22,012,585
Adjustments for:		
Interest income	(2,090,818)	(1,908,396)
Dividend income	(8,830,952)	(8,588,859)
Net losses/ (gains) on financial investments	5,553,891	(18,915,552)
Depreciation in fair value of investment property	1,850,000	1,516,667
Allowances for impairment losses	-	-
Share of operating (gain)/ loss of associated company	(32,724)	3,121,373
	(3,264,308)	(2,762,182)
Changes in operating assets and liabilities		
Accounts receivable	(1,630,178)	310,268
Restricted cash	57,261	(37,162)
Due to Sagicor Life Inc	(384,154)	348,766
Due to Sagicor Global Balanced Fund	23,035	16,205
Due to Sagicor (Bonds) Fund	4,328,263	2,703,324
Due to Sagicor (Eastern Caribbean) Fund	5,232	8,985
Accounts payable	402,074	467,596
Issue of mortgage loans	-	(6,000,000)
Repayment of mortgage loans	533,606	408,042
Purchase of debt securities	(19,312,787)	(22,019,656)
Redemption of debt securities	8,036,074	48,352,696
Proceeds from sale of equity securities	145,130,830	107,898,897
Purchase of equity securities	(152,004,776)	(153,271,593)
Proceeds from sale of investment property	2,830,842	5,437,171
Investment in associate	(600,000)	(51,750)
Additions to equipment	66,080	(469,052)
Amounts deposited	(17,318,385)	(189,521,697)
Deposits redeemed	29,950,146	202,161,330
Cash used in operations	(3,151,145)	(6,019,812)
Interest received	1,898,313	2,293,314
Dividends received	8,830,952	8,588,859
Taxes paid	(513,415)	(382,819)
Net cash generated from operating activities	7,064,705	4,479,542

Statement of Cash Flows (continued)

For the year ended December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2014	2013
Cash flows from financing activities		
Proceeds from issue of units	15,726,362	19,323,774
Redemptions of units	(31,150,283)	(22,550,549)
Net cash used in financing activities	(15,423,921)	(3,226,775)
Net (decrease)/increase in cash and cash equivalents	(8,359,216)	1,252,767
Cash and cash equivalents - beginning of year	31,785,598	30,532,831
Cash and cash equivalents - end of year	\$ 23,426,382	\$ 31,785,598
Cash resources comprise:		
Cash resources	23,426,382	31,785,598
Restricted cash - managed properties	977,461	1,034,722
	\$ 24,403,843	\$ 32,820,320

The accompanying notes 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 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 of the Trustee.

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 profit or loss 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, 2014

Sagicor (Equity) Fund

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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.

Amended standards which are effective for the 2014 financial year that have no significant impact on the Fund's financial statements are listed in the following table.

<p>IAS 32 Financial Instruments: Presentation (January 1, 2014)</p>	<p>These amendments are to the application guide in the standard and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.</p>
<p>IAS 36 – Impairment of Assets (January 1, 2014)</p>	<p>This amendment addresses 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. 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, 2018)	<p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p> <p>The Fund is yet to assess the impact of the standard.</p>

Notes to the Financial Statements

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Sagicor (Equity) Fund

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards which are not yet effective (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 11 - Joint Arrangements (January 1, 2016)	This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
IFRS 15 - Revenue from contracts with customers (January 1, 2017)	<p>This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.</p> <p>Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>

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

IFRS (Effective Date)	Subject / Comments
Annual Improvements 2012 (July 1, 2014)	<p>IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.</p> <p>IAS 16, 'Property, plant and equipment' is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</p> <p>IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.</p>
Annual Improvements 2013 (July 1, 2014)	IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

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

Joint operations arise when the fund has rights to the assets and obligations for liabilities of an arrangement. The fund accounts its interests in the assets, liabilities and revenues and expenses of jointly controlled operations.

(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.

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.

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss 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:

	2014 closing rate	2014 average rate	2013 closing rate	2013 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	57.1616	55.2693	52.9976	49.8783
Trinidad & Tobago dollar	3.1793	3.1960	3.2193	3.2032
United States dollar	0.50	0.50	0.50	0.50

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Investment property**

Investment property consists of freehold lands and freehold properties not occupied by the Fund which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost and subsequently at fair value 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. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

Transfers to or from investment properties are recorded when there is a change in use of the property and its fair value on the date of reclassification. 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 profit or loss;
- Loans and receivables.

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

Financial assets in the category at fair value through profit or loss 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 profit or loss on initial recognition.

(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 interest rate 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 subsequently carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through profit or loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

(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. The fair values of mutual funds and alternative investments, which comprise mainly limited partnerships, are based upon prices as determined by the investee fund managers and administrators.

(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 an allowance for impairment losses.

If in a subsequent period, the amount of the impairment loss for a debt security 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 cost and fair value less costs to sell.

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

2.7 Impairment of assets

The Fund's policy for the potential impairment of intangible assets is 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,
- proportionate interests in cash balances of managed joint operations

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 (a) 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 interest rate method. Interest includes coupon and accrued discount and premium on financial instruments. Interest income on impaired loan and receivables is recognised using the rate at which the future cash flows are discounted for the purpose of measuring the impairment loss.

2.10 (b) Dividend income

Dividend income is recognised when the fund's right to receive payment is established.

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 and Investment Advisory 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 at a rate of 0.75% per annum.

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 for the preceding month.

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

Notes to the Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Information about fair value technique is disclosed in Note 11.

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. Information about the fair value techniques and sensitivity is disclosed in Note 12.

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. Refer to Note 12.1 for further discussion.

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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:

	2014 \$	2013 \$
Balance, beginning of year	63,222,489	70,176,327
Additions	-	-
Transfers in/(out)	-	-
Fair value changes recorded in income	(1,850,000)	(1,516,667)
Disposals	(3,000,000)	(5,437,171)
	<u>58,372,489</u>	<u>63,222,489</u>

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

Investment property includes \$28,800,000 (2013 - \$33,100,000) 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%
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.

Notes to the Financial Statements

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Sagicor (Equity) Fund

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4. INVESTMENT PROPERTY (continued)

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

	2014 \$	2013 \$
Real estate developed for resale	327,547	327,547
Accounts receivable	2,017,334	1,056,974
Property, plant and equipment	402,971	469,052
Cash resources	546,363	653,943
Deposits received on real estate developed for resale	5,600	5,600
Accounts payable	1,242,356	1,049,926
Net rental income	1,225,463	1,061,180
Depreciation in fair value of investment property	(500,000)	(716,667)

5. INVESTMENT IN ASSOCIATED COMPANIES

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

	2014 \$	2013 \$
Investment, beginning of year	2,992,877	6,062,500
Addition during year	600,000	51,750
Income/(Loss) from ordinary activities	32,724	(3,121,373)
Investment, end of year	3,625,601	2,992,877

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

- 37.5% (2013 - 37.5%) in Primo Holdings Limited, incorporated in Barbados
- 33.3% (2013 - 33.3%) in Haggatt Hall Holdings Limited, incorporated in Barbados

The amount of \$22,663 (2013 - \$22,663) 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:

	Primo Holdings Limited 2014 \$	Haggatt Hall Holdings Limited 2014 \$	Total 2014 \$	Total 2013 \$
Assets	2,100,000	33,079,507	35,179,507	34,261,174
Liabilities	(338,952)	(24,451,604)	(24,791,606)	(25,775,098)
Net (loss)/income for the year	(29,224)	131,049	101,825	(8,148,196)

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6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$2,082,706 (2013 - \$2,456,777) due to Sagicor (Bonds) Fund which bears interest at a rate of 7.750% (2013 – 7.750%) per annum and is repayable over 4 years in monthly instalments of \$61,498.

A summary of related party transactions is disclosed in note 17.

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 from the Barbados Revenue Authority.

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

	2014 \$	2013 \$
Rent receivable	2,444,575	1,600,981
Dividend receivable	2,081,096	1,297,594
Other receivables	1,165,378	1,162,296
Total accounts receivable	5,691,049	4,060,871
Less: Provision for impairment of receivables	(693,521)	(693,521)
	4,997,528	3,367,350

The movement in the provision for impairment is as follows:

	2014 \$	2013 \$
Balance beginning of the year	(693,521)	(693,521)
Increase in provision	-	-
Balance at end of year	(693,521)	(693,521)

Notes to the Financial Statements

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10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

	2014 Fair Value \$	2013 Fair Value \$
Financial assets at fair value through profit or loss:		
Bonds – Listed		
Bonds – Listed International	14,044,555	4,808,684
Bonds – Unlisted		
Bonds – Unlisted Local	11,138,469	11,162,913
Treasury Bills	2,023,435	-
Total Debt Securities	27,206,459	15,971,597
Common Shares – Listed	301,581,064	275,521,508
Common Shares – Unlisted	522,036	88,780
Preference Shares – Listed	4,159,480	3,803,039
Preference Shares – Unlisted	34,652	34,652
Alternative Investments – Listed	18,485,721	26,834,681
Alternative Investments – Unlisted	31,266,712	48,356,832
Mutual Funds - Unlisted	4,566,239	4,260,618
Total Equity Securities	360,615,904	358,900,110
	Amortised Cost \$	Amortised Cost \$
Loans and receivables:		
Deposits	6,486,573	19,118,349
Mortgage loans	6,702,723	7,228,538
Total loans and receivables	13,189,296	26,346,887
Total financial investments	401,011,659	401,218,594

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10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

The fair value of the fixed rate mortgage loans is \$5,893,476 (2013 - \$5,570,386) and the carrying value is \$5,649,697 (2013 - \$5,908,918). All other loans and receivables approximate their fair value.

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

Debt securities comprise:

	2014	2013
	\$	\$
Government debt securities – Listed		
Government debt securities – Listed International	11,532,244	1,228,384
Government debt securities – Unlisted		
Government debt securities – Unlisted Local	13,161,904	10,483,698
Corporate debt securities – Listed	2,512,311	3,580,299
Corporate debt securities – Unlisted	-	679,216
	<u>27,206,459</u>	<u>15,971,597</u>

Equity securities include shares in Sagicor Financial Corporation, related party, of \$6,660,245 (2013 - \$6,907,602).

Debt securities designated at fair value through profit or loss and valued using internally developed models amounted to \$13,161,904 (2013 - \$11,162,914).

Significant concentrations of equity securities, exceeding 2.5% of total exposures, are as follows:

	2014		2013	
	% of Total	\$	% of Total	\$
Neal & Massy Holdings Ltd	11.63%	41,940,405	10.1%	36,064,486
Goddard Enterprises Limited	9.15%	32,978,883	8.9%	31,889,958
RBC Royal Bank of Canada	6.49%	23,390,245	6.3%	22,678,301
First Caribbean International Bank (Barbados) Ltd	5.61%	20,217,329	9.1%	32,566,292
Cable & Wireless (Barbados) Limited	3.72%	13,413,095	4.5%	16,095,714
Banks Holdings Ltd	2.66%	9,594,363	2.6%	9,296,607
York Credit Opportunity Fund, L.P.	0.2%	734,393	2.5%	8,789,818

Notes to the Financial Statements

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11. FAIR VALUE OF INVESTMENT 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 located 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 Fund's property are as follows:

2014	Level 1	Level 2	Level 3	Total
Investment property	-	-	58,372,489	58,372,489

2013	Level 1	Level 2	Level 3	Total
Investment property	-	-	63,222,489	63,222,489

A summary of the valuation techniques used is presented as follows:

	Fair Value	Valuation Technique	Unobservable Inputs
Land	12,372,489	Sales Comparison	Price per square foot
Commercial property	1,433,333	Sales Comparison	Price per square foot
Commercial property	42,166,667	Income Approach	Discount rate and margins
Commercial property	2,400,000	Replacement Cost	Estimated costs of reconstruction
Total	58,372,489		

A commercial property was valued by the replacement cost method as the income approach did not fairly reflect the value of this property and there were no recent sales of properties which even remotely matched the profile of the property held.

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 of the Trustee monitor the Fund's credit position on a quarterly basis.

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12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.1 Credit risk (continued)

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

	2014		2013	
	\$	%	\$	%
Bonds	27,206,459	39	15,971,597	20
Deposits	6,486,573	9	19,118,349	25
Investment portfolio	33,693,032	48	35,089,946	45
Mortgage Loans	6,702,723		7,228,538	
Lending portfolio	6,702,723	10	7,228,538	9
Due from Primo Holdings Ltd.	22,663	0	22,663	0
Accounts Receivable	4,997,528	7	3,367,350	4
Cash Resources	24,403,843	35	32,820,320	42
Other financial assets	29,424,034	42	36,210,333	46
Total balance sheet exposures	69,819,789	100	78,528,817	100

The Fund's largest exposures to individual counterparty credit risks exceeding 2.5% of total exposures, as at December 31, 2014 as rated by Standard and Poors with their comparative amounts are set out below.

	Risk rating	2014 \$	Risk rating	2013 \$
Debt securities:				
Government of Barbados – denominated in Barbados dollars	B	10,537,498	BB-	10,737,270
Government of Bermuda – denominated in United States dollars	AA-	5,368,261		-
Government of Aruba – denominated in United States dollars	BBB+	2,534,366		-
Government of Bahamas – denominated in United States dollars	NR	2,182,708		-
Republic of Trinidad & Tobago	A	1,167,181	A	1,157,181
Deposits and cash resources:				
Bank of Montreal	-	5,711,431	-	14,000,237
Globe Finance Inc.	-	-	Unrated	3,203,298

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12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.1 Credit risk (continued)

(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.

2014	Debt securities	Mortgage loans
Neither past due nor impaired	27,206,459	6,318,404
Past due up to 3 months, but not impaired	-	137,972
Past due up to 12 months, but not impaired	-	76,659
Past due up to 5 years, but not impaired	-	169,688
Total past due but not impaired	-	384,319
Impaired assets	-	-
Total	27,206,459	6,702,723

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	15,971,597	7,228,538

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

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12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.1 Credit risk (continued)

(a) Past due and impaired financial investments (continued)

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: -

	2014 \$	2013 \$
Commercial sector	5,727,516	5,976,861
Residential sector	975,207	1,251,677
Total	6,702,723	7,228,538

(b) Reposessed assets

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

No assets were reposessed 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. If necessary the Fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

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.

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12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2014	On demand \$	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.	1,215,681	-	-	-	1,215,681
Due to Sagicor (Bonds) Fund	9,934,508	-	1,251,439	-	11,185,947
Due to Sagicor (Eastern Caribbean) Fund	14,217	-	-	-	14,217
Due to Sagicor Global Balanced Fund	39,240	-	-	-	39,240
Accounts payable	2,563,690	-	-	-	2,563,690
Total	13,772,936	-	1,251,439	-	15,024,375

As of December 31, 2013	On demand \$	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
Total	8,732,159	-	1,989,411	-	10,721,570

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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, 2014	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	4,997,528	-	-	4,997,528
Debt securities	3,075,070	7,613,656	16,517,733	27,206,459
Deposits	6,085,818	400,755	-	6,486,573
Mortgage loans	26,365	142,091	6,534,267	6,702,723
Cash resources	24,403,843	-	-	24,403,843
Total	38,611,287	8,156,502	23,052,000	69,819,789

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

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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.

As of December 31, 2014	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 or resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	913,423	1,169,283	-	8,781,376	10,864,082
Due to Sagicor Life Inc	-	-	-	1,215,681	1,215,681
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	14,217	14,217
Due to Sagicor Global Balanced Fund	-	-	-	39,240	39,240
Accounts payable	-	-	-	2,563,690	2,563,690
Total	919,023	1,169,283	-	12,614,204	14,702,510

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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 or 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 Due to Sagicor (Eastern Caribbean) Fund	-	-	-	1,599,835	1,599,835
Due to Sagicor Global Balanced Fund	-	-	-	8,985	8,985
Accounts payable	-	-	-	16,205	16,205
Total	671,999	1,790,378	-	2,161,616	2,161,616
				7,865,683	10,328,060

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, 2014	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	-	-	-	4,997,528	4,997,528
Debt securities	3,055,221	7,557,336	16,282,793	311,109	27,206,459
Equity securities	-	-	-	360,615,904	360,615,904
Deposits	6,073,263	400,755	-	12,555	6,486,573
Mortgage loans	25,921	65,310	6,535,578	75,914	6,702,723
Cash resources	21,464,769	-	-	2,939,074	24,403,843
Total	30,619,174	8,023,401	22,818,371	368,974,747	430,435,693

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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 \$
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

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

	2014	2013
Debt securities	5.15%	4.85%
Deposits	3.97%	0.54%
Mortgage loans	7.56%	7.57%
Other loans	0.00%	7.51%

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, 2014		\$
Total interest bearing financial assets carried at fair value		26,895,350
The fair value impact of a decrease in interest rates of:	1%	891,865
The fair value impact of an increase in interest rates of:	1%	(887,914)

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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, 2014	Balances denominated in					Total \$
	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	
ASSETS						
Due from associate	22,663	-	-	-	-	22,663
Accounts receivable	4,568,411	-	394,372	5,115	29,630	4,997,528
Debt securities	11,138,469	-	-	16,067,990	-	27,206,459
Equity securities	111,991,911	1,417,782	32,641,618	211,602,820	2,961,773	360,615,904
Deposits	775,141	-	-	5,711,432	-	6,486,573
Mortgage loans	6,702,723	-	-	-	-	6,702,723
Cash resources	1,700,685	165,888	-	22,537,270	-	24,403,843
Total	136,900,003	1,583,670	33,035,990	255,924,627	2,991,403	430,435,693

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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	10,864,082	-	-	-	-	10,864,082
Due to Sagicor Life Inc.	1,215,681	-	-	-	-	1,215,681
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	14,217	-	14,217
Due to Sagicor Global Balanced Fund	-	-	-	39,240	-	39,240
Accounts payable	2,242,080	-	-	321,610	-	2,563,690
Total liabilities	14,327,443	-	-	375,067	-	14,702,510
Net position	122,572,560	1,583,670	33,035,990	255,549,560	2,991,403	415,733,183

Balances denominated in

As of December 31, 2013	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	Total \$
ASSETS						
Due from associate	22,663	-	-	-	-	22,663
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	149,998,213	1,708,928	31,827,838	251,501,817	2,392,131	437,428,927

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12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.4 Foreign exchange risk (continued)

As of December 31, 2013	Balances denominated in					Total \$
	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	
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	139,839,303	1,708,928	31,827,838	251,332,667	2,392,131	427,100,867

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, 2014 and for the year then ended is considered below.

	Balances denominated in JMD	Effect of a 10% depreciation on income as of Dec 31, 2014
	\$	\$
Assets	1,417,782	(141,778)

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.

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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 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 are carried at fair value at December 31 on a recurring basis by level of the fair value hierarchy.

2014	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:	\$	\$	\$	\$
Debt securities	14,044,555	-	13,161,904	27,206,459
Equity securities/alternative investments	317,936,738	10,855,766	31,823,400	360,615,904
Total assets	331,981,293	10,855,766	44,985,304	387,822,363
Total assets by percentage	85%	3%	12%	100%

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12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.5 Fair value of financial instruments (continued)

2013	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value				
through profit or loss:				
	\$	\$	\$	\$
Debt securities	4,808,683	-	11,162,914	15,971,597
Equity securities/alternative investments	300,595,834	9,294,838	49,009,438	358,900,110
Total assets	305,404,517	9,294,838	60,172,352	374,871,707
Total assets by percentage	82%	2%	16 %	100%

The table below provides information about the fair value measurements using significant unobservable inputs (Level 3).

Description	Fair Value at December 31, 2014	Valuation Technique	Unobservable Inputs
Debt Securities	13,161,904	Discounted Cash Flows	Market Yields

The fair values of the equities securities in Level 3 are based upon prices determined by the investee fund managers and administrators.

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

	2014 \$	2013 \$
Balance, beginning of year	60,172,352	55,635,052
Fair value changes recorded in income	3,420,409	4,895,778
Additions	9,923,325	31,549,492
Transfers in	-	124,200
Disposals	(28,530,782)	(32,032,170)
Effect of accrued income changes	-	-
Balance, end of year	44,985,304	60,172,352

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Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Financial risk factors (continued)

12.5 Fair value of financial instruments (continued)

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 not carried at fair value but for which fair value disclosure is required as of December 31, 2014 is set out in the following table.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Loans and receivables:				
Mortgage loans	-	-	6,946,502	6,946,502
	-	-	6,946,502	6,946,502

Sensitivity

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

	Fair value	Effect of a 20% decline at Dec 31, 2014
	\$	\$
Fair value through profit or loss equity securities:		
Common and preference shares - Listed	305,740,544	(61,148,109)
Common and preference shares - Unlisted	556,688	(111,338)
Alternative Investments - Listed	18,485,721	(3,697,144)
Alternative Investments - Unlisted	31,266,712	(6,253,342)
Mutual Funds - Unlisted	4,566,239	(913,248)
	<u>360,615,904</u>	<u>(72,123,181)</u>

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
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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

	2014 \$	2013 \$
Funds on deposit	637,729	570,533
Investment property expenses payable	1,413,980	1,242,680
Other	511,981	348,403
Total accounts payable	2,563,690	2,161,616

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.

	2014 \$	2013 \$
Debt securities	1,084,515	1,409,489
Deposits	498,944	137,276
Mortgage loans	507,359	320,896
Other loans	-	40,735
Total interest income	2,090,818	1,908,396

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

15. NET RENTAL INCOME

	2014 \$	2013 \$
Rental income from investment property	4,433,370	3,433,302
Direct operating expenses of investment property	(2,109,936)	(1,207,673)
	2,323,434	2,225,629

16. NET INVESTMENT (LOSSES)/GAINS

	2014 \$	2013 \$
Net (losses) gains on financial investments	(5,553,891)	18,915,552
(Depreciation) in fair value of investment property	(1,850,000)	(1,516,667)
	(7,403,891)	17,398,885

17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2014 \$	2013 \$
Management fee – Sagicor Life Inc	3,649,562	3,651,610
Interest income – Sagicor Financial Corporation	-	40,735
Interest expense – United Nations House	163,049	205,790

(b) Units held by related parties

Parties related to the Fund held units in the Fund during the year as follows:

Sagicor Life Inc.	2014 \$	2013 \$
Value of units held at January 1	41,256,321	37,818,289
Net value of transactions for the year	(3,710,375)	3,438,032
Value of units at December 31	37,545,946	41,256,321
Sagicor General Inc.	2014 \$	2013 \$
Value of units held at January 1	1,965	-
Net value of transactions for the year	23,036	1,965
Value of units at December 31	25,001	1,965

Notes to the Financial Statements

For the year ended December 31, 2014

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

18. COMMITMENTS

At December 31, 2014, the Fund's total committed capital to private equity strategies was \$10,000,000. At that date, \$3,762,690 of this commitment remained undrawn.

