Sagicor Investments Jamaica Limited

Financial Statements
31 December 2020

Sagicor Investments Jamaica Limited

Index

31 December 2020

	Page
Independent Auditor's Report to the Members	
Financial Statements	
Income statement	1
Statement of comprehensive income	2
Statement of financial position	3-4
Statement of changes in equity	5
Statement of cash flows	6-7
Notes to the financial statements	8-80

Independent auditor's report

To the Members of Sagicor Investments Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sagicor Investments Jamaica Limited (the Company) as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
29 March 2021

Sagicor Investments Jamaica Limited

Income Statement

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Net Interest Income and Other Revenue			
Interest income earned from financial assets measured at amortised cost and FVOCI		3,966,854	3,590,813
Interest income earned from financial assets measured at fair value through profit and loss		57,426	42,865
Other interest income		3,223	11,380
Total interest income	5	4,027,503	3,645,058
Interest expense	6	(2,024,882)	(2,026,619)
Net interest income		2,002,621	1,618,439
Fees and commission income	7	1,873,619	2,559,553
Net trading income	8	2,143,486	2,783,727
Other revenue	9	377,324	2
		4,394,429	5,343,282
		6,397,050	6,961,721
Operating Expenses			
Team member costs	10	1,043,444	1,055,239
Credit Impairment losses	11	92,977	303,261
Depreciation and amortisation		45,241	34,798
Asset tax and levies		196,523	180,907
Other expenses	12	1,089,291	1,193,026
		2,467,476	2,767,231
Profit before Taxation		3,929,574	4,194,490
Taxation	13	(1,157,925)	(1,289,717)
Net Profit		2,771,649	2,904,773

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Sagicor Investments Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
Net profit for the year		
Other comprehensive income -	2,771,649	2,904,773
Item that will not be reclassified to profit or loss		
Re-measurements of post-employment benefits	2,968	92,602
Net loss on investments in equity instruments designated at fair value through other comprehensive income	-	(1,943)
Items that will be reclassified to profit or loss	2,968	90,659
Financial assets at FVOCI -		
Net gain on investments in debt instruments measured at FVOCI	3,928,980	4,232,947
Provision for ECL	54,488	(556,524)
Net gains on financial assets measured at FVOCI reclassified to profit or loss on disposal	(1,512,343)	(511,019)
	2,471,125	3,165,404
Total other comprehensive income, net of taxes	2,474,093	3,256,063
Total Comprehensive Income	5,245,742	6,160,836

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Sagicor Investments Jamaica Limited

Statement of Financial Position

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
ASSETS			
Cash and balances due from other financial institutions	14,19	1,561,312	1,508,014
Financial assets at fair value through profit or loss	15	2,274,325	1,977,586
Securities purchased under agreements to resell	16	2,746,362	1,516,429
Investment securities	17	10,639,571	3,584,918
Debt securities at amortised cost	17	17,247	2,668,281
Derivative financial instruments	18	-	35,005
Pledged assets	20	86,363,662	76,638,948
Due from related companies	21	52,435	32,997
Investment in subsidiary	22	4,142,843	4,142,843
Intangible assets	23	210,694	205,228
Property, plant and equipment	24	106,444	81,771
Post- employment benefit assets	26	187,680	160,870
Other assets	27	1,209,305	1,372,280
		109,511,880	93,925,170

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Sagicor Investments Jamaica Limited

Statement of Financial Position (Continued)

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
LIABILITIES			
Deposits and securities liabilities	28	84,832,810	74,310,640
Derivative financial instruments	18	-	35,005
Due to related companies	21	83,874	1,074,330
Deferred income tax liability	25	2,156,222	788,892
Income tax payable		99,586	-
Post-employment benefit obligations	26	142,739	110,206
Other liabilities	29	2,009,572	1,549,553
		89,324,803	77,868,626
STOCKHOLDERS' EQUITY			
Share capital	30	3,195,565	3,195,565
Fair value reserve	32	3,407,405	936,280
Loan loss reserve	33	-	2,295
Retained earnings		13,584,107	11,922,404
TOTAL EQUITY		20,187,077	16,056,544
TOTAL EQUITY AND LIABILITIES		109,511,880	93,925,170

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Approved for issue by the Board of Directors on 22 March 2021 and signed on its behalf by:



Paul Facey Director



Christopher Zacca Director

Sagicor Investments Jamaica Limited

Statement of Changes in Equity

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000
Balance at 31 December 2018		3,195,565	(2,209,193)	9,916,630	10,903,002
Net profit		-	-	2,904,773	2,904,773
Net gains recycled to revenue on disposal and maturity of FVOCI securities		-	(511,019)	-	(511,019)
Expected credit loss		-	(556,524)	-	(556,524)
IAS 19	31	-	-	92,602	92,602
Net unrealized gains on FVOCI securities		-	4,231,004	-	4,231,004
Total comprehensive income for 2020		-	3,163,461	2,997,375	6,160,836
Shares to fulfil stock options		-	-	(7,589)	(7,589)
ESOP Shares transfer		-	(15,216)	15,511	295
Adjustment between regulatory loan provisioning and IFRS		-	(477)	477	-
Dividends	34	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2019		3,195,565	938,575	11,922,404	16,056,544
Net profit		-	-	2,771,649	2,771,649
Net gains recycled to revenue on disposal and maturity of FVOCI securities		-	(1,512,343)	-	(1,512,343)
Expected credit loss		-	54,488	-	54,488
IAS 19		-	-	2,968	2,968
Net unrealized gains on FVOCI securities		-	3,928,980	-	3,928,980
Total comprehensive income for 2020		-	2,471,125	2,774,617	5,245,742
Shares to fulfil stock options	31	-	-	(5,914)	(5,914)
Adjustment between regulatory loan provisioning and IFRS		-	(2,295)	-	(2,295)
Dividends	34	-	-	(1,107,000)	(1,107,000)
Balance at 31 December 2020		3,195,595	3,407,405	13,584,107	20,187,077

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Sagicor Investments Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Net profit		2,771,649	2,904,773
Adjustments for:			
Interest income		(4,027,502)	(3,645,058)
Interest expense		2,024,882	2,026,619
Dividend income		(444,934)	(17,726)
Income tax charge		1,157,925	1,289,717
Fair value losses on financial assets at fair value through Profit and loss		(507,303)	(447,713)
Impairment charges		80,431	(833,376)
Amortisation of intangible assets		23,518	18,908
Depreciation of property, plant and equipment		21,722	15,890
Gain on sale of computer equipment		3,000	(370)
Changes in post-employment benefits		60,451	45,771
Stock options expense		9,827	8,885
Share grant expense		(391)	22,486
		1,173,275	1,388,806
Changes in operating assets and liabilities -			
Financial assets at fair value through profit or loss		655,651	(125,623)
Securities purchased under agreements to resell		490,046	16,642
Investment securities		(657,952)	11,947,721
Loans		-	3,578
Pledged assets		(9,724,713)	(14,727,204)
Securities sold under agreements to repurchase		17,573,902	7,702,870
Structured products		(895,346)	(7,295,992)
Customer accounts		41,682	54,623
Other assets		(149,699)	(392,652)
Other liabilities		445,700	(1,364,493)
		8,952,546	(2,791,724)
Interest received		3,728,871	3,893,138
Interest paid		(1,938,420)	(1,969,779)
Tax paid		(668,989)	(966,440)
Net cash provided by/ (used in) operating activities		10,074,008	(1,834,805)

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Sagicor Investments Jamaica Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities		10,074,008	(1,834,805)
Cash Flows from Investing Activities			
Investments in subsidiary		-	(4,142,843)
Purchase of intangible assets	23	(28,984)	(43,993)
Purchase of property, plant and equipment	24	(50,663)	(57,106)
Proceeds from disposal of property, plant and equipment		1,267	370
Net cash used in investing activities		(78,380)	(4,243,572)
Cash Flows from Financing Activities			
Notes (paid)/received		(2,220,000)	4,400,000
Due to parent company and fellow subsidiaries		(1,009,894)	962,300
Borrowings from banks and other financial institutions – long term		45,509,302	33,164,045
Repayment of amounts due to banks and other financial institutions – long term		(46,919,748)	(33,457,498)
Dividends paid	34	(1,107,000)	(1,000,000)
Net cash (used in)/provided by financing activities		(5,747,340)	4,068,847
Effect of exchange rate changes on cash and cash equivalents		70,934	31,521
Net increase/(decrease) in cash and cash equivalents		4,319,222	(1,978,010)
Cash and cash equivalents at beginning of year		(4,922,453)	(2,944,443)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	(603,231)	(4,922,453)

The accompanying notes on pages 8 – 80 form an integral part of these financial statements.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification, Regulation and License

(a) Sagicor Investments Jamaica Limited (SIJL, the "Company") is incorporated and domiciled in Jamaica. The principal activities of the Company are the provision of investment, fund and unit trust management services and development banking. The Company is a licensed securities dealer and has primary dealer status from the Bank of Jamaica (BOJ) and is also a member of the Jamaica Stock Exchange. The registered office of the Company is located at 85 Hope Road, Kingston 6.

(b) The Company is a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ), which is incorporated and domiciled in Jamaica. Sagicor Group Jamaica Limited (the parent) is listed on the Jamaica Stock Exchange. It is 32.45% (2019 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. Sagicor Life Inc, which is incorporated in Barbados, directly holds a 16.66% interest in SGJ. The ultimate parent Company is Sagicor Financial Corporation Limited (SFC), which is incorporated and domiciled in Bermuda. LOJ Holdings Limited and Sagicor Life Inc are both wholly owned by SFC, hence SFC has an overall interest of 49.11% (2019 – 49.11%) in SGJ. The other significant shareholder in SGJ is PanJam Investment Limited with a 30.22% (2019 – 30.22%) holding.

(c) On the 30th September 2019, an unincorporated consortium led by the Group, through its wholly-owned subsidiary, Phoenix Equity Holdings Limited, acquired a 60% stake in Advantage General Insurance Company Limited (AGIC, the "Subsidiary"), from NCB Capital Markets Limited, a wholly owned subsidiary of National Commercial Bank Jamaica Limited (the "Bank"). The Bank is a wholly owned subsidiary of NCB Financial Group Limited.

(d) The subsidiary is incorporated under the laws of Jamaica and is licensed under the Insurance Act and Regulations 2001.

(e) The principal activity of the subsidiary is the underwriting of general insurance business. The subsidiary's registered office is located at 4-6 Trafalgar Road, Kingston 5.

(f) These financial statements contain information about Sagicor Investments Jamaica Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under IFRS 10 – 'Consolidated financial statements' from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statement of its parent, Sagicor Group Jamaica Limited. Sagicor Group Jamaica Limited is incorporated in Jamaica, and its financial statements are publicly available.

2. Summary of 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.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income financial assets and fair through profit or loss financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

Amendment to IAS 1 and IAS 8, (effective for annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. There was no significant impact from the adoption of this amendment during the year.

Amendments to IFRS 3: Definition of a Business, (effective for annual periods beginning on or after 1 January 2020) The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform, (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. These amendments had no impact on the financial statements of the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018, (effective for annual periods beginning on or after 1 January 2020). The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Standards, interpretations and amendments to published standards not yet effective and have not been early adopted by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards not yet effective and have not been early adopted by the Company (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions, (effective for annual periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (effective for annual periods beginning on or after 1 January 2022). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022) Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

2. Summary of Significant Accounting Policies (Continued)

(b) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is the Company's presentation currency.

(ii) Transactions and balances
Foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the Company trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income ("FVOCI") are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as fair value through other comprehensive income ("FVOCI") financial assets, are included in the fair value reserve in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(c) Revenue and income recognition

Interest income and expenses

Interest income and expense are recognised in the income statement for all interest-bearing instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on a cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income
Fees and commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Net trading income
Net trading income includes all gains and losses from changes in fair value and related income or expense and dividends for financial assets and liabilities for instruments (including derivatives) held for trading. Net trading income also includes foreign exchange on translated assets and liabilities and net gains and loss on investment securities.

Dividend
Dividends are received from financial assets measured at fair value through other comprehensive income (FVOCI). Dividend income is recognised when the right to receive payment is established.

2. Summary of Significant Accounting Policies (Continued)

(d) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and non-restricted balances with BOJ, balances due from other banks, investment securities, reverse repurchase agreements, repurchase agreements with financial institutions and short term amounts due to banks and other financial institutions.

(f) Sale and repurchase agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets – Policies under IFRS 9

(i) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the Company's business model. These categories replace the existing IAS 39 classification of FVTPL, available for sale, loans and receivables and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets measured at amortized cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Financial assets measured at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities.

Financial assets measured at fair value through profit and loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when a group of financial assets and liabilities or a group of financial liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at fair value through profit and loss.

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets – Policies under IFRS 9 (continued)

(i) Classification of financial assets (continued)

Business model assessment

Business models are determined at the level which best reflects how the Company manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Company intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

Solely repayments of principle and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principle and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measured at FVTPL.

(ii) Unit linked funds fair value model

The Company's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. As these liabilities are accounted for at FVTPL, the financial assets backing these liabilities are consequently classified as and measured at FVTPL.

(iii) Embedded derivatives

The Company may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial asset is classified in the same manner as the host contract.

(iv) Impairment of financial assets measured at amortized cost and FVTOCI

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets – Policies under IFRS 9 (continued)

(iv) Impairment of financial assets measured at amortized cost and FVTOCI (continued)

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(v) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

(vi) Definition of default

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(vii) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets – Policies under IFRS 9 (continued)

(viii) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets – Policies under IFRS 9 (continued)

(viii) The general approach to recognising and measuring ECL (continued)

Measurement (continued)

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information
The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.
The weightings assigned to each economic scenario as at December 31, 2019 and December 31, 2020 were as follows.

	Base	Upside	Downside
December 31, 2019:			
Investments portfolios	**80%**	**10%**	**10%**
December 31, 2020:			
Investments portfolios	**80%**	**10%**	**10%**

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets – Policies under IFRS 9 (continued)

(viii) The general approach to recognising and measuring ECL (continued)

Measurement (continued)
Financial assets measured at amortized cost and FVTOCI, recognize impairment gains and losses in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in other comprehensive income. When the asset is sold, the cumulative gain or loss is reclassified to investment income. Interest income, dividend income and gains and losses arising from changes in fair value are included in investment income.

(ix) Interest income and interest earned on assets measured at fair value through profit and loss

Interest income is earned based on the effective interest rate based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

(h) Derivative financial instruments and hedging accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Company transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates interest rate swaps as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income.

2. Summary of Significant Accounting Policies (Continued)

(i) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Computer software
Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and that will probable generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software costs are amortised using the straight-line method over their useful lives.

(iii) Contractual customer relationships
This asset represents the present value of the benefit to the Company from customer lists, contracts, or customers relationships that can be identified separately and measured reliably. Customer relationships include those of insurance customer relationships with an estimated useful life of 10 to 20 years.

(iv) Trademarks and licences
Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Estimated useful lives are as follows:

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Property, plant and equipment (continued)

Leasehold improvements	10 years
Furniture and equipment	7-10 years
Motor vehicles	5 years
Computer equipment	2 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. 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 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount. These are included in other expenses in the income statement.

Repairs and renewals are charged to the income statement when the expenditure is incurred.

(k) Impairment of long-lived assets

Long-lived assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(l) Impairment of non-financial assets

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 value in use. For the purposes of assessing impairment, assets are companied at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Employee benefits

Employee benefits comprise all forms of consideration given by an enterprise in exchange for service rendered by employees.

These include current or short-term benefits such as salaries, NIS contributions paid, annual vacation and sick leave, and post-employments benefits, such as pensions and other long-term employee benefits, such as long service benefits.

Pension obligations

The Company participates in two retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the Company, considering the recommendations of qualified actuaries. The Company has a defined benefit and a defined contribution plan.

2. Summary of Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

Pension obligations (continued)

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement (team member costs).

For the defined contribution plan, the Company pays contributions to privately administered pension insurance plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate

Other post-retirement obligations
The Company provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Annual leave
Employee entitlements to annual leave are recognized when they accrue to employees. A provision is the yearend date.

Productivity bonus plan
The Company recognises a liability and an expense for productivity bonuses as profit-sharing, paid to employees based on a formula that takes into consideration the profit attributable to the Company's stockholders. The Company recognises a provision where contractually obliged or where past practice has created a constructive obligation.

Share-based payments
The Company operates a cash-settled share scheme. The equity-settled scheme was cancelled in 2013 and replaced with options in another Group entity (Note 31).

2. Summary of Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

Share options
The Company participates in a Group share based arrangement plan, in which, its executives are awarded stock options over the shares of its immediate parent, Sagicor Group Jamaica Limited (SGJ) whose shares are listed on the Jamaica Stock Exchange. The stock option plan is a group plan, which is:

- The plan is designed and implemented by SGJ;
- All terms and conditions of the plan are set by and can only be changed by SGJ;
- The valuation of the options is done by SGJ;
- SGJ has the obligation to settle all share-based payment transactions;
- All calculation and awards of options are done by SGJ and;
- All options are on SGJ's shares.

Share-based payments
SGJ's shares are held in a Trust that is controlled and consolidated by SGJ for the stock option plan. The fair value of the options is done by the SGJ using the Black-Scholes model and amortise over the vesting period of the options, that is, four years, which is consistent with the stock option plan. At the group level, the share-based payments transactions are accounted as equity-settled award as the Group is obligated to settle the liability with its own shares. The transaction is treated at the subsidiaries' level also as equity-settled as SGJ awards its own shares to the subsidiaries' executives and request a cash recharge to the subsidiaries for the shares that its acquire in the open market. In substance, this transaction is a funding arrangement between SGJ and its subsidiaries. As SGJ awards stock options over its own equity to the executives of its subsidiaries (equity-settled share-based payment), the subsidiaries booked the debit to their income statement; and the credit to equity, as a capital contribution over the vesting period of the share-based plan.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to over the remaining vesting period. The proceeds received net of any directly attributable transaction costs, plus the fair value of the options is credited to share capital when the options are exercised, and shares issued.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2. Summary of Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

For cash-settled share awards, the services received from employees are measured at fair value and recognised in the income statement as an expense over the vesting period with recognition of a corresponding liability. The fair value of the liability is re-measured at each reporting date and at the date of settlement, with changes in fair value recognised in the income statement.

Share grants
The market value of the shares issued at grant date is recognised as an expense when granted.

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(n) Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(p) Customer deposits and other accounts

Customer deposits and other accounts are recognised initially at the nominal amount when funds are received. They are subsequently stated at amortised cost using the effective interest method.

(q) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 2(j)). The non-derivative elements are stated at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (Continued)

(r) Share capital, reserves and transfers

(i) Share issuance cost
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the Company's stockholders.
Dividends for the year that are declared after the statement of financial position date are dealt with in the subsequent events note.

(s) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, trading securities, securities purchased under agreements to resell, investment securities, loans, lease receivables, other assets excluding property, plant and equipment, deposits by customers and all other liabilities.

The fair values of the Company's financial instruments are discussed in Note 35.

(t) Financial liabilities

(i) Classification of financial liabilities

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through income (FVTPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVTPL as the Company is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL. All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

(ii) Re-classified balances

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

(u) Fiduciary activities

The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(v) Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount presented in the statements of financial position, only if the Company holds a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realise an asset and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, in the event of default, insolvency or bankruptcy of both the Company and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the statement of financial position, the associated income and expense items will also be offset in the income statements, unless specifically prohibited by an applicable accounting standards.

Most of the offsetting applied by the Company relates to repurchase and reserve repurchase agreements.

3. Financial Risk Management

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board has established working groups for managing and monitoring risks, as follows:

(i) Risk Management Committee

The Risk Management Committee is responsible for the development of credit and investment policies and standards that conform to applicable law, regulations and corporate policies; approving credit proposal requests; reviewing and approving exceptions to core credit and investment policies that may represent unusual risk; and ensuring that aggregate credit risk exposure are within the Company's risk taking capacity. All credit facilities require the approval of at least 2 members of this Committee. This Committee is also responsible for formulating and monitoring investment portfolios and investment strategies for the Company. In addition, this Committee is responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. The Committee's decisions receive final ratification at Board Meetings.

(ii) Audit and Compliance Committee

The Audit and Compliance Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit and Compliance Committee is assisted in its oversight role by the Internal Audit Department and the Risk Management and Compliance Unit. Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee. The Risk Management and Compliance Unit ensures adherence to internal policies and procedures, and regulatory rules and guidelines.

(iii) The Treasury Division

The Treasury Division is responsible for managing the Company's financial assets and liabilities and the overall financial structure. It is also primarily responsible for managing and maintaining appropriate funding and liquidity of the Company.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

The most important types of risks faced by the Company are credit risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk

COVID 19 has caused a contraction in all the economies in which the Company operates. The spread of the virus and travel restrictions have had a significant effect on the demand for tourism, entertainment and related services. The Company made significant adjustments to our ECLs to recognize the increased credit risk associated with the economic fallout on our investment portfolios.

Credit risk exposure- financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

	ECL Staging				December 31, 2020
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Non-investment	1,315,658	-	-	-	1,315,658
Loss allowance	(111)	-	-	-	(111)
Carrying amount	1,315,547	-	-	-	1,315,547

The Company did not have any debt securities at amortised cost investments with credit grade of investment, watch, default or unrated for this year.

	ECL Staging				
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**December 31, 2019 Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Non-investment	3,929,716	-	-	-	4,652,812
Watch	200,362	-	-	-	200,362
Gross carrying amount	4,130,078	-	-	-	4,130,078
Loss allowance	(1,412)	-	-	-	(1,412)
Carrying amount	4,128,666	-	-	-	4,128,666

The Company did not have any debt securities at amortised cost investments with credit grade of investment, default or unrated for the prior year.

	ECL Staging				December 31, 2020
Securities purchased for resale – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Non-investment Carrying amount	2,746,362	-	-	-	2,746,362

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

The Company did not have any Securities purchased for resale at amortised cost investments with credit grade of investment, watch, default, unrated or loss allowance for this year.

	ECL Staging				December 31, 2019
Securities purchased for resale – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Non-investment Carrying amount	1,516,429	-	-	-	1,516,429

The Company did not have any securities purchased for resale at amortised cost with credit grade of investment, watch, default or unrated for this year.

	ECL Staging				December 31, 2020
Debt securities – FVOCI	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Investment	20,112,843	-	-	-	20,112,843
Non-investment	68,849,578	1,973,676	-	155,649	70,978,903
Gross carrying amount	88,962,421	1,973,676	-	155,649	91,091,746
Loss allowance	(141,372)	(80,167)	-	-	(221,539)
Carrying amount	88,821,049	1,893,509	-	155,649	90,870,207

The Company did not have any securities purchased for resale at amortised cost with credit grade of investment, default or unrated for the prior year.

	ECL Staging				December 31, 2019
Debt securities – FVOCI	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Investment	26,492,212	-	-	-	26,492,212
Non-investment	49,826,576	1,104,179	-	152,185	51,082,940
Gross carrying amount	76,318,788	1,104,179	-	152,185	77,575,152
Loss allowance	(101,334)	(38,473)	-	-	(139,807)
Carrying amount	76,217,454	1,065,706	-	152,185	77,435,345

The Company did not have any debt securities at FVOCI investments with credit grade of watch, default or unrated for the prior year.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Company has no direct credit exposure.

Maximum exposure to credit risk - Financial instruments not subject to impairment

	Maximum exposure to credit risk	
	2020 $000	2019 $000
Financial assets designated at fair value		
Debt securities (Note 17)	-	55,242
Derivative financial instruments (Note 18)	-	35,005

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

The following tables contain an analysis of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Company's maximum exposure to credit risk on these assets.

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2020	101,334	38,473	-	-	139,807
Transfer from Stage 1 to Stage 2	(366)	366			-
New financial assets originated or purchased	80,378	12,980	-	-	93,358
Financial assets fully derecognised during the period	(36,109)	(962)	-	-	(37,071)
Changes to inputs used in ECL calculation	(5,012)	26,298	-	-	21,286
Foreign exchange adjustment	1,147	3,012	-	-	4,159
Loss Allowance as at December 31, 2020	141,372	80,167	-	-	221,539

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss Allowances (continued)

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2019	68,304	47,151	857,813	-	973,268
New financial assets originated or purchased	77,693	-	-	-	77,693
Financial assets fully derecognised during the period	(42,674)	(5,122)	(857,813)	-	(905,609)
Changes to inputs used in ECL calculation	(2,262)	(5,005)	-	-	(7,267)
Foreign exchange adjustment	273	1,449	-	-	1,722
Loss Allowance as at December 31, 2019	101,334	38,473	-	-	139,807

The Company did not have any debt securities at FVOCI investments loss allowance transfers between stages in the prior year.

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2020	1,412	-	-	-	1,412
New financial assets originated or purchased	111	-	-	-	111
Financial assets fully derecognised during the period	(1,412)	-	-	-	(1,412)
Loss Allowance as at December 31, 2020	111	-	-	-	111

The Company did not have any debt securities at amortised cost investments loss allowance transfers between stages during the year.

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2019	3	-	-	-	3
New financial assets originated or purchased	1,412	-	-	-	1,412
Financial assets fully derecognised during the period	(3)	-	-	-	(3)
Loss Allowance as at December 31, 2019	1,412	-	-	-	1,412

The Company did not have any debt securities at amortised cost investments loss allowance transfers between stages in the prior year.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

The most significant period-end assumptions used for the ECL were as follows:

At December 31, 2020
Economic variable assumptions for exposure in corporate securities

		2020	2021	2022
S&P 500 Financial Index EPS	Base	33	39	39
	Upside	50	59	59
	Downside	22	26	26
World GDP	Base	5.2%	4.2%	3.8%
	Upside	7.8%	6.3%	5.7%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	4.82	4.67	4.58
	Upside	9.39	9.39	9.39
	Downside	2.02	1.96	1.92

At December 31, 2019
Economic variable assumptions for exposure in corporate securities

		2019	2020	2021
S&P 500 Financial Index EPS	Base	38	41	41
	Upside	54	59	59
	Downside	25	27	27
World GDP	Base	3.4%	3.6%	3.6%
	Upside	5.0%	5.3%	5.3%
	Downside	2.5%	2.7%	2.7%
WTI Oil Prices/10	Base	5.62	5.32	5.19
	Upside	9.47	9.47	9.47
	Downside	3.45	3.27	3.19

Sagicor's lending operations in Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

Outlook for lending at December 2020

	2020		2019	
Jamaica	**Expected state for the next 12**		**Expected state for the next 12**	
Interest rate	Base	Stable	Base	Stable
	Upside	Positive	Upside	Stable
	Downside	Stable	Downside	Stable
	Base	Negative	Base	Stable
Unemployment rate	Upside	Stable	Upside	Positive
	Downside	Super Negative	Downside	Negative

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowances (continued)

Sensitivity analysis at December 2020

SICR and IAS 1 critical estimated disclosure

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	-

* See note 3.1 for full criteria for staging. The staging for lending products are primarily based on days past due with 30 -day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	8,641	(8,641)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	2,677	(2,677)
Investments - Sovereign Debts (Government of Barbados excluding BAICO)	36%	(- /+ 5) %		
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	37,104	(37,104)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments -	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	8,564	(8,564)

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowances (continued)

Sensitivity analysis at December 2019

SICR and IAS 1 critical estimated disclosure

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	-

* See note 3.1 for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	23,093	(23,093)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	-	-
Investments - Sovereign Debts (Government of Barbados excluding BAICO)	36%	(- /+ 5) %	-	-
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	19,081	19,081

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for downside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	6,253	(6,253)
Lending products	15% (75% for base scenario and 10% for downside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	25	(21)

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2020	76,318,787	1,104,179	-	152,185	77,575,151
Transfer: From Stage 1 to Stage 2	(568,736)	568,736	-	-	-
New financial assets originated or purchased	44,483,613	316,257	-	-	44,799,870
Financial assets fully derecognised during the period	(32,688,479)	(138,105)	-	(8,104)	(32,834,688)
Changes in principle and interest	(399,651)	45,044	-	-	(354,607)
Foreign exchange adjustment	1,816,887	77,565	-	11,568	1,906,020
Gross carrying amount as at December 31, 2020	88,962,421	1,973,676	-	155,649	91,091,746

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2019	73,286,766	1,757,876	2,382,814	-	77,427,456
New financial assets originated or purchased	37,873,913	-	-	152,185	38,026,098
Financial assets fully derecognised during the period	(35,277,292)	(689,438)	(2,382,814)	-	(38,349,544)
Changes in principle and interest	(145,402)	(1,097)	-	-	(146,499)
Foreign exchange adjustment	580,802	36,838	-	-	617,640
Gross carrying amount as at December 31, 2019	76,318,787	1,104,179	-	152,185	77,575,151

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2020	4,130,078	-	-	-	4,130,078
New financial assets originated or purchased	1,315,658	-	-	-	1,315,658
Financial assets fully derecognised during the period	(4,130,078)	-	-	-	(4,130,078)
Gross carrying amount as at December 31, 2020	1,315,658	-	-	-	1,315,658

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

IFRS 9 carrying values (continued)

The Company did not have any debt securities at amortised cost investments transfers between stages during the year.

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2019	1,248,215	-	-	-	1,248,215
New financial assets originated or purchased	4,130,078	-	-	-	4,130,078
Financial assets fully derecognised during the period	(1,248,215)	-	-	-	(1,248,215)
Gross carrying amount as at December 31, 2019	4,130,078	-	-	-	4,130,078

The Company did not have any debt securities at amortised cost investments transfers between stages during the prior year.

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2020	1,516,429	-	-	-	1,516,429
Net new financial assets originated or purchased	1,118,584	-	-	-	1,118,584
Foreign exchange adjustment	111,249	-	-	-	111,249
Gross carrying amount as at December 31, 2020	2,746,362	-	-	-	2,746,362

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2019	506,349	-	-	-	506,349
Net new financial assets originated or purchased	962,951	-	-	-	962,951
Foreign exchange adjustment	47,129	-	-	-	47,129
Gross carrying amount as at December 31, 2019	1,516,429	-	-	-	1,516,429

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

The Company has established a credit quality review process involving regular analysis of the ability of counterparties to meet interest and capital repayment obligations.

Investments

The Company limits its exposure to credit risk by investing in marketable securities, with counterparties that have acceptable credit quality and Government of Jamaica securities. As a result of the Central Securities Depository (CSD), all domestic Government of Jamaica securities have been dematerialised which has significantly reduced the settlement risk. The credit exposure is managed by establishing exposure limits after an internal analysis and approval. Actual exposures against limits are monitored frequently. It is also the Company's policy to obtain control or take possession of securities purchased under agreements to resell. Management assesses the market value of the underlying securities that collaterise the transactions and takes the appropriate margins required. Management actively seeks to transact with counterparties that demonstrate an ability to meet its obligations.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are established regarding the acceptability of specific types of collateral.

The main types of collateral obtained are as follows:

Securities lending and reverse repurchase transactions – cash or Government of Jamaica securities.

The Company also seeks to obtain guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans to private companies.

Management monitors the market value of collateral held and may request additional collateral in accordance with the underlying agreement.

Impairment
The main considerations for the impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Commitments and guarantees
To meet the financial needs of customers, the Company enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Company.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure 2020 $'000	2019 $'000
Credit risk exposures relating to assets on the statement of financial position are as follows:		
Cash and bank balances due from other financial institutions (excluding cash on hand)	1,561,312	1,508,014
Financial assets at fair value through profit or loss	2,274,325	1,977,586
Securities purchased under agreements to resell	2,746,362	1,516,429
Investment securities	10,639,571	3,584,918
Debt securities, Amortised cost	17,247	2,668,281
Derivative financial instruments	-	35,005
Pledged assets	86,363,662	76,638,948
Due to related parties	52,435	32,997
Other assets	1,209,305	1,372,280
	104,864,219	89,334,458
Credit risk exposures relating to items not on the statement of financial position are as follows:		
Guarantees and letters of credit	75,797	121,230
Operating lease commitments	-	15,290
	75,797	136,520

The above table represents a worst-case scenario of credit risk exposure to the Company at 31 December 2020 and 2019, without taking account of any collateral held or other credit enhancements.

The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Investments

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

	2020 $'000	2019 $'000
Government of Jamaica	60,179,985	46,084,485
Bank of Jamaica	5,145,567	121,688
Corporate	23,836,281	24,835,495
Financial institutions	4,061,836	5,646,507
Other sovereign debt	6,543,102	7,779,848
	99,766,771	84,468,023

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. It is a combination of Funding Liquidity Risk, the risk that Sagicor Investments will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs, and Market Liquidity Risk, the risk that the Company cannot easily sell an asset quickly enough to avoid losing money or to make enough profit because of inadequate market depth or market disruption. The liquidity risk, for Sagicor Investments, is multidimensional and encompasses not only losing the capacity to adequately honour its obligations to clients and creditors, but also the capability to cover additional funding requirements for the investment portfolio.

The Company is exposed to daily calls on its cash resources from early encashments and maturing client and creditor funds. The Company does not maintain cash resources to meet these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds and marketable securities available to meet such calls.

Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by the Risk Management Division, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure funding if required;
(ii) Maintaining assets than can readily be liquidated (T-Bills, BoJ CDs and secured secondary market repos) as protection against any unforeseen interruption to cash flow;
(iii) Maintaining stand-by credit lines;
(iv) Optimising cash returns on investment;
(v) Short-term liabilities are segmented and analysed to monitor and reduce concentrations.
(vi) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
(vii) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.
The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Liquidity risk management process (continued)

Certain investment portfolios within the Company contain securities which can only be disposed of over a period of time. In such instances, the Company generally maintains higher levels of short-term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Company's and the Company's investment portfolio as at 31 December 2020 and 2019.

	2020					
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**2 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December 2020						
Financial Assets						
Cash and balances due from other financial institutions	1,561,312	-	-	-	-	1,561,312
Financial assets at fair value through profit or loss	2,274,325	-	-	-	-	2,274,325
Securities purchased under agreements to resell securities	607,841	2,143,063	-	-	-	2,750,904
Investment securities	12,063	146,599	1,190,550	4,190,217	8,351,828	13,891,257
Pledged assets	625,993	758,202	8,872,640	32,316,630	88,424,763	130,998,228
Other	52,435	-	1,067,931	-	-	1,120,366
Financial assets (contractual maturity dates)	5,133,969	3,047,864	11,131,121	36,506,847	96,776,591	152,596,392
Financial Liabilities						
Securities sold under agreements to repurchase	51,827,229	14,420,675	16,261,954	-	-	82,509,858
Customer accounts	96,892	-	-	-	-	96,892
Notes payable	-	37,493	110,463	2,585,166	-	2,733,122
Other	1,863,671	212,799				2,076,470
Financial liabilities (contractual maturity dates)	53,787,792	14,670,967	16,372,417	2,585,166	-	87,416,342
Net Liquidity Gap	**(48,653,823)**	**(11,623,103)**	**(5,241,296)**	**33,921,681**	**96,776,591**	**65,180,050**
Cumulative Liquidity Gap	**(48,653,823)**	**(60,276,926)**	**(65,518,222)**	**(31,596,541)**	**65,180,050**	

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The tables below reflect the expected maturities of the Company's discounted financial and non-financial assets and liabilities at the year-end date. (continued)

	2019					
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2019:						
Financial Assets						
Cash and balances due from other financial institutions	1,508,014	-	-	-	-	1,508,014
Financial assets at fair value through profit or loss	1,946,262	55,406	-	-	-	2,001,668
Securities purchased under agreements to resell securities	1,028,077	493,260	-	-	-	1,521,337
Investment securities	103	260,813	926,617	9,796,968	6,966,645	17,951,146
Debt securities, amortised cost	-	52,841	2,694,869	-	-	2,747,710
Pledged assets	298,801	3,537,297	21,450,663	141,940,905	144,858,730	312,086,396
Derivative financial instruments	-	-	35,005	-	-	35,005
Other	53,086	-	1,025,675	-	-	1,078,761
Financial assets (contractual maturity dates)	4,834,343	4,399,617	26,132,829	151,737,873	151,825,375	338,930,037
Financial Liabilities	43,297,859	9,742,511	14,007,340	-	-	67,047,710
Securities sold under agreements to repurchase	55,210	-	-	-	-	55,210
Customer accounts	1,313,064	99,071	-	-	-	1,412,135
Due to banks and other financial institutions	-	-	35,005	-	-	35,005
Derivative financial instruments	-	-	906,691	-	-	906,691
Structured products	-	65,775	2,395,239	2,731,913	-	5,192,927
Other	1,438,473	415,839	-	-	-	1,854,311
Financial liabilities (contractual maturity dates)	46,104,606	10,323,196	17,344,275	2,731,913		- 76,503,989
Net Liquidity Gap	(41,270,263)	(5,923,579)	8,788,554	149,005,960	151,825,375	262,426,048
Cumulative Liquidity Gap	(41,270,263)	(47,193,841)	(38,405,287)	110,600,673	262,426,048	-

3. Financial Risk Management (Continued)

(c) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rates and equity prices. Market risk is monitored and reviewed by the Risk Management Department and periodically by the Risk Management Committee. The Company monitors economic reports and local and international market conditions on an ongoing basis. Key market risk strategies include active monitoring of ~~the~~ changes in market risk factors like interest rates, foreign currency rates and equity prices, portfolio sensitivity analysis, implementing trading and position limits and liability management.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

(i) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Company takes on open position in a currency. To control this exchange risk the Risk Management Committee has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by Risk Management Unit assessment of the volatility in exchange rates and with the approval of the Risk Management Committee.

The Company also has transactional currency exposure. This exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Company ensures that its net exposure is kept at approved levels.

In addition, the Company has utilised derivatives to mitigate currency risk exposure as specified in Note 19.

Concentrations of currency risk
The Company is most sensitive to currency risk in its operating currencies which float against the United States dollar.

The following tables summarise the exposure of the Company to foreign currency exchange rate risk. Included in the tables are the Company's assets and liabilities at carrying amounts categorised by currency.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

(i) Currency risk (continued)

	Jamaican$	US$	GBP	CA$	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2020:						
Assets						
Cash and balances due from other financial institutions	747,712	592,674	214,580	4,682	1,664	1,561,312
Financial assets at fair value through profit or loss	2,184,825	89,500	-	-	-	2,274,325
Securities purchased under agreements to resell	2,037,412	708,950	-	-	-	2,746,362
Investment securities	8,391,821	2,244,463	3,287	-	-	10,639,571
Debt securities, amortised cost	17,247	-	-	-	-	17,247
Pledged assets	30,846,534	54,859,027	658,101	-	-	86,363,662
Investments in Subsidiary	4,142,843	-	-	-	-	4,142,843
Other	1,105,044	660,814	5	1	694	1,766,558
Total assets	49,473,438	59,155,428	875,973	4,683	2,358	109,511,880
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	29,385,474	52,259,973	776,425	-	-	82,421,872
Customer accounts	-	90,791	-	-	6,101	96,892
Due to banks and other financial institutions	115,501	-	-	-	-	115,501
Notes payable	2,198,545	-	-	-	-	2,198,545
Other	3,803,698	644,975	43,303	-	17	4,491,993
Stockholders' equity	20,187,077	-	-	-	-	20,187,077
Total liabilities and stockholders' equity	55,690,295	52,995,739	819,728	-	6,118	109,511,880
Net statement of financial position	(6,216,857)	6,159,689	56,245	4,683	(3,760)	-
Credit commitments	75,797	-	-	-	-	75,797

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	Jamaican$	US$	GBP	CA$	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2019:						
Assets						
Cash and balances due from other financial institutions	731,640	581,048	189,488	3,308	2,530	1,508,014
Financial assets at fair value through profit or loss	1,883,208	94,378	-	-	-	1,977,586
Securities purchased under agreements to resell	302,404	1,214,025	-	-	-	1,516,429
Investment securities	2,921,618	659,370	3,930	-	-	3,584,918
Debt securities, amortised cost	24,349	2,643,932	-	-	-	2,668,281
Pledged assets	38,938,207	37,404,428	296,313	-	-	76,638,948
Derivative financial instruments	-	35,005	-	-	-	35,005
Investments in Subisidiary	4,142,843	-	-	-	-	4,142,843
Other	1,355,213	497,333	-	1	599	1,853,146
Total assets	50,299,482	43,129,519	489,731	3,309	3,129	93,925,170
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	28,062,305	38,285,813	420,029	-	69,318	66,837,464
Customer accounts	-	55,124	-	-	87	55,210
Structured products	-	895,346	-	-	-	895,346
Due to banks and other financial institutions	37,580	2,052,506	-	-	-	2,090,086
Derivative financial instruments	-	35,005	-	-	-	35,005
Notes payable	4,432,534	-	-	-	-	4,432,534
Other	2,358,625	1,616,984	40,188	-	14	4,015,811
Stockholders' equity	16,056,544	-	-	-	-	16,056,544
Total liabilities and stockholders' equity	50,947,587	42,940,777	460,217	-	69,419	94,418,000
Net statement of financial position	(648,105)	188,742	29,514	3,309	(66,290)	(492,830)
Credit commitments	127,065	9,456	-	-	-	136,520

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity
The following tables indicate the currencies to which the Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents Management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end based on a change in foreign currency rates as noted below. The sensitivity analysis on pre-tax profit is based on foreign currency denominated monetary items at the year end. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis.

	Change in Currency Rate 2020 %	Effect on Pre-tax Profit 2020 $'000	Change in Currency Rate 2019 %	Effect on Pre-tax Profit 2019 $'000
Currency				
USD	+6	369,581	+4	16,919
EUR	+6	(226)	+4	(2,652)
GBP	+6	3,375	+4	1,181
CDN	+6	281	+4	132
USD	-2	(123,194)	-2	(8,460)
EUR	-2	75	-2	1,326
GBP	-2	(1,125)	-2	(590)
CDN	-2	(94)	-2	(66)

(ii) Interest rate risk (continued)

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest rate risk resides primarily in its Jamaican dollar liability portfolio. Accordingly, the Company manages interest rate risk by holding a high proportion of variable rate Jamaican dollar securities linked to Treasury bill yields. The interest rate risk policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Macaulay and Effective Duration analysis is also conducted on the financial assets of the Company to determine the impact of changes in interest rates. Macaulay duration is the weighted average term to maturity of a bond's cash flows, while Effective duration is the change in the value of the portfolio in response to a change in interest rates. The Duration Gap is also assessed. This is the difference between the Macaulay duration of assets and the duration of liabilities. It measures how well the average timings of cash inflows are matched to cash outflows.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The following tables summarise the Company's exposure to interest rate risk. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2020:							
Assets:							
Cash and balances due from other financial institutions	1,561,312	-	-	-	-	-	1,561,312
Financial assets at fair value through profit or loss	-	-	-	-	-	2,274,325	2,274,325
Investment securities	475,758	714,538	794,680	1,551,176	5,822,277	1,280,642	10,639,571
Debt securities, amortised cost	-	-	-	-	-	17,247	17,247
Pledged assets	1,332,288	5,755,345	6,857,525	1,2971,521	59,446,983	-	86,363,662
Securities purchased under agreements to resell	607,466	2,132,209	-	-	-	6,687	2,746,362
Investments in subsidiaries	-	-	-	-	-	4,142,843	4,142,843
Other	-	-	-	-	-	1,766,558	1,766,558
Total assets	3,976,824	8,602,092	7,652,205	14,522,697	65,269,760	9,488,302	109,511,880
Liabilities							
Securities sold under agreements to repurchase	51,698,930	14,345,672	16,083,004	-	-	294,266	82,421,872
Customer accounts	96,892	-	-		-	-	96,892
Due to banks and other financial institutions	115,501	-	-	-	-	-	115,501
Notes payable	-	-	-	2,180,000	-	18,545	2,198,545
Other	-	-	-	-	-	4,491,993	4,491,993
Total liabilities	51,911,323	14,345,672	16,083,004	2,180,000	-	4,804,804	89,324,803
Total interest repricing gap	(47,934,499)	(5,743,580)	(8,430,799)	12,342,697	65,269,760	4,683,498	20,187,077
Cumulative repricing gap	(47,934,499)	(53,678,079)	(62,108,878)	(49,766,181)	15,503,579	20,187,077	-

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2019:							
Assets:							
Cash and balances due from other financial institutions	1,508,014	-	-	-	-	-	1,508,014
Financial assets at fair value through profit or loss	-	55,242	-	-	-	1,922,344	1,977,586
Investment securities	1,026,865	-	486,434	-	-	3,130	1,516,429
Debt securities, amortised cost	747,331	664,534	105,111	411,634	680,902	975,406	3,584,918
Pledged assets	-	-	2,640,616	-	-	27,665	2,668,281
Securities purchased under agreements to resell	7,816,606	8,791,898	5,010,425	7,590,463	47,429,556	-	76,638,948
Derivative financial instruments	-	-	35,005	-	-	-	35,005
Investments in subsidiaries	-	-	-	-	-	4,142,843	4,142,843
Other	-	-	-	-	-	,853,146	1,853,146
Total assets	11,098,816	9,511,674	8,277,591	8,002,097	48,110,458	8,924,534	93,925,170
Liabilities							
Securities sold under agreements to repurchase	43,191,571	9,678,973	13,773,926	-	-	192,994	66,837,464
Customer accounts	55,210	-	-	-	-	-	55,210
Structured products	-	-	895,346	-	-	-	895,346
Due to banks and other financial institutions	1,990,874	98,390	-	-	-	822	2,090,086
Derivative financial instruments	-	-	35,005	-	-	-	35,005
Notes payable	-	-	2,220,000	2,180,000	-	32,534	4,432,534
Other	-	-	-	-	-	3,522,981	3,522,981
Total liabilities	45,237,655	9,777,363	16,924,277	2,180,000	-	3,749,331	77,868,626
Total interest repricing gap	(34,138,839)	(265,689)	(8,646,686)	5,822,097	48,110,458	5,175,203	16,056,544
Cumulative repricing gap	(34,138,839)	(34,404,528)	(43,051,214)	(37,229,117)	10,881,341	16,056,544	-

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rate by major currencies for financial instruments of the Company.

	J $	US $	CAN $	GBP £	EURO €
	%	%	%	%	%
			2020		
Assets:					
Cash and balances due from other financial institutions	1.51	0.01	0.01	0.01	-
Securities purchased under agreements to resell	3.71	1.02	-	-	-
Investment securities – debt securities	3.54	4.58	-	2.31	-
Liabilities:					
Securities sold under agreements to repurchase	1.95	2.39	-	0.75	-
			2019		
Assets:					
Cash and balances due from other financial institutions	1.25	-	0.01	0.01	-
Securities purchased under agreements to resell	3.25	-	-	-	-
Investment securities – debt securities	4.62	4.94	-	2.25	-
Liabilities:					
Securities sold under agreements to repurchase	1.93	2.43	-	0.73	0.50
Structured products	-	2.50	-	-	-
Due to banks and other financial institutions	-	2.33	-	-	-

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Company's income statement and stockholders' equity.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on pre-tax profit or loss based on floating rate debt securities and financial liabilities and revaluing fixed rate debt securities held-for-trading. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	The Company			
	2020		2019	
	Effect on Pre-tax Profit $'000	Effect on Other components of Equity $'000	Effect on Pre-tax Profit $'000	Effect on Other components of Equity $'000
Change in basis points				
J$ -100, US$ -100 (2019; J$ -100, US$ -50)	737,970	6,914,432	(331,368)	2,903,249
J$ +100, US$ +100 (2019; J$ +50, US$ +50)	(737,859)	(6,114,684)	331,368	(4,023,596)

3. Financial Risk Management (Continued)

(d) Capital Management

The Company is required to maintain adequate quantity and quality of capital to support its current and prospective risk exposures and meet regulatory requirements. The Company's capital is critical to its going concern and is therefore the cornerstone of its solvency. The quantity and quality of capital must be sound to absorb unexpected Company losses.

The Company's objectives when managing its capital are:

(i) To comply with the capital requirements set by the Regulators of the financial market in Jamaica.
(ii) To provide adequate returns to shareholders commensurate with the level of risk undertaken and adequate benefits to staff and other stakeholders.
(iii) To safeguard the Company's ability to meet its obligations to depositors, note-holders, and other stakeholders.
(iv) To safeguard the Company's ability to continue as a solvent going concern.

Capital adequacy and capital management ratios are monitored monthly and reported to the Financial Services Commission. Capital is managed based on prudent best practices and employing techniques and guidelines developed by the Financial Services Commission (FSC) and the Bank's Board Risk Management Committee.

The Financial Services Commission requires the Company to, at least:

(i) Hold the minimum level of capital.
(ii) Maintain the minimum ratio of capital base to risk-weighted assets

Section 3.2 of the Guidelines for Interim Capital Standards, 2004, defines capital base as the aggregate of all of Tier 1 and Tier 2 capital less prescribed deductions. As such the Company's capital base comprises:

(i) Tier 1 capital: Paid-up share capital, retained earnings and reserves created by appropriations of retained earnings; and
(ii) Tier 2 capital qualifying: Subordinated loan capital and collective impairment allowances.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

During 2020 and 2019, the Company complied with all of their externally imposed capital requirements to which it is subject.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, Management has made the following significant judgements:

Consolidation of Sagicor Sigma Global Funds

The Company is the Fund Manager for Sagicor Sigma Global Funds. In assessing whether to consolidate the Sagicor Sigma Funds, Management evaluates a range of factors, including:

- Scope of the Fund Manager's decision-making authority;
- Rights held by other parties;
- Exposure or rights to variable returns from the Fund Manager involvement with the investee; and
- The ability to use its power to affect the amount of return.

Management consider that the Company does not have control of Sagicor Sigma Global Funds. Although the Company contractual terms provide the Company with power over Sagicor Sigma Global Funds, the overall exposure of the Company to the variability of returns of Sagicor Sigma Global Funds is not sufficient to conclude that the Company has control. Therefore, the Sagicor Sigma Global Funds is not consolidated in these financial statements.

Consolidation of Sagicor Select Funds

Sagicor Select Funds Limited (the Company) was incorporated on the 11th of January 2019 as a public company. The principal activity of the Company is the operation of listed equity funds that track various indexes established by the Jamaica Stock Exchange. Each fund is close-ended and is represented by a separate class of share in the Company. The assets of the Company are specifically owned and segregated for each share class. The Company has five (5) classes of shares with 'Class A" being the "Management Share" and is issued to Sagicor Investments Jamaica Limited (SIJL), the investment manager of the funds. The other shares of the Company represent four (4) segregated classes being the "Class B", "Class C", "Class D" and "Class E" shares. During the year the Class B and C shares were issued to the general public as the Financial Select Fund and the Manufacturing and Distribution Fund.

These are ETFs managed by the Company, but which have independent directors. Determining whether the Company has control over the Funds requires judgement. This would include a consideration of whether the Company has power over the Funds as the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Company in the Funds as well as whether the group has the ability to use its power to affect the amount of its return.

The Financial Select Fund and Manufacturing and Distribution Fund tracks the JSE's Financial Index and Manufacturing and Distribution Index, which is weighted by the market capitalization of the stocks that comprise these indices. The Funds may be distinguished from some of the "typical" ETFs in that the typical ETFs tend to be actively managed and have many functionaries employed such as: an Administrator, Custodian, Sub-Custodian and a Distributor. The Funds have no such features. These funds simply track the respective JSE indices and therefore the Company cannot use its power to affect the amount of the return as its management fees earned are based on the performance of the respective stock exchange indices.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(a) Critical judgements in applying the Company's accounting policies (continued)

Consolidation of Sagicor Select Funds (continued)

SIJL as manager having the decision making rights is only in the capacity of an agent as it is acting on behalf of the shareholders of the Funds of which it is not one and it is acting within investment parameters set by a Board of Directors through approval of the regulator. While it is subject to variability of returns its fees as a % of the returns is minimal and as such does not meet the threshold of control. Therefore, the Sagicor Select Funds have not been consolidated in these financial statements.

(b) Key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment of financial assets

In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

- Establishing staging for debt securities and deposits

The Company's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard	D	C	DDD	d

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Impairment of financial assets

- Establishing staging for debt securities and deposits (continued)

  The Company uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

  Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

  Stage 1 investments are rated (i) investment grade, or (ii) below investment grade and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

- Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts

  Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

  Qualitative test
  Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

  Backstop Criteria
  Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

- Forward looking information

  When Management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Jamaica, Cayman Islands and Costa Rica to a lesser extent. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(c) Key sources of estimation uncertainty (continued)

(iii) Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Company exercises judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are periodically reviewed by experienced personnel. 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.

(iv) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (l). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 26). No impairment charge on the CGUs arose during the course of the 2020 year. If the budgeted gross margin used in the value-in-use calculation for the CGUs had been 10% lower than Management's estimates at 31 December 2020, the Company would still not have recorded any impairment charge. If the estimated cost of capital used in determining the pre-tax discount rate for the CGUs had been 1% higher than Management's estimates, the Company would also not have recognised any impairment against goodwill.

(v) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on current market conditions.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(c) Key sources of estimation uncertainty (continued)

(vi) Novel Coronavirus (COVID-19)

The pandemic has caused a contraction in the economies in which the Company operates. The spread of the virus has had a debilitating impact on global travel and on tourism and entertainment products offered in key markets that the Company holds investments. The downturn in global demand has also resulted in depressed oil and gas prices, negatively impacting several investments held by the Company and its customers.

Investment portfolios were impacted by the widening of credit spreads which resulted in significant fall-off in asset prices resulting in significant reduction in investment income and portfolio management fee income. Income was also negatively impacted by the postponement of capital transactions by customers and reduced trading due to contraction in economic activity. The Company has continually monitored the health crisis and the economic impact on customers and trading partners, investments and the effect on the industries in which it operates. The Company made significant adjustments to ECLs to recognize the increased credit risk associated with impact observed on the economic environment.

5. Interest Income

			2020	2019
	Amortized cost assets $'000	FVOCI assets $'000	Total $'000	Total $'000
Interest income -				
Debt securities	50,734	3,821,057	3,871,791	3,533,655
Securities purchased for re-sale	95,063	-	95,063	57,158
	145,797	3,821.057	3,966,854	3,590,813
Interest income from FVTPL				
Total interest income (IAS 39 basis)			57,426	42,865
Other operating income			3,223	11,380
			60,649	54,245
			4,027,503	3,645,058

6. Interest Expense

	2020 $'000	2019 $'000
Customer deposits repurchase liabilities and other accounts	2,018,914	1,994,455
Due to banks and other financial institutions	5,968	32,164
	2,024,882	2,026,619

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

7. Fees and Commission Income

	2020 $'000	2019 $'000
Asset management fees	1,425,493	1,273,756
Corporate finance fees	267,107	944,636
Stock brokerage fees	133,392	301,011
Trust fees	-	494
Treasury fees	4,055	2,841
Other	43,572	36,815
	1,873,619	2,559,553

8. Net Trading Income

	2020 $'000	2019 $'000
Net gains on de-recognition of financial assets measures at FVTOCI	1,524,889	1,647,655
Equities trading gains and dividends	486,451	486,586
Foreign exchange trading and translation gains	92,594	567,591
Financial assets held for trading	39,552	81,895
	2,143,486	2,783,727

9. Other Revenue

	2020 $'000	2019 $'000
Structured products	-	2
Other	377,324	-
	377,324	2

10. Team Member Costs

	Note	2020	2019
Wages and salaries		710,155	711,095
Statutory contributions		86,636	70,402
Other team member benefits		159,635	168,108
Pension costs – Defined contribution scheme	26	27,918	33,258
Other post-employment benefits	26	13,654	12,513
Termination costs		36,550	28,492
Stock options		9,287	8,885
Share grant expense		(391)	22,486
		1,043,444	1,055,239

The number of persons employed at the end of the year:

	2020 No.	2019 No.
Full-time	115	117
Part-time	16	71
	131	188

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

11. Credit Impairment Losses

	2020 $'000	2019 $'000
Investments	92,977	303,261
	92,977	303,261

12. Other Expenses

	2020 $'000	2019 $'000
Technology and communication	505,313	369,332
Legal and professional fees	29,676	34,683
Services outsourced	90,567	82,435
Promotion and advertising	36,979	94,114
Commissions and fees	99,640	98,123
Printing and stationery	12,177	17,966
Audit fees -	21,391	21,551
Bank charges	8,499	10,310
Insurance	16,783	6,268
Licensing fees	2,453	1,308
Provision for withholding tax recoverable	183,110	205,000
Other expenses	82,703	251,936
	1,089,291	1,193,026

13. Taxation

(a) Income tax is computed on the profit for the years adjusted for tax purposes. The charge for taxation comprises income tax at 33⅓%:

	2020 $'000	2019 $'000
Current tax	1,002,980	861,090
Prior year under provision	24,663	1,855
Deferred tax (Note 25)	130,282	426,772
	1,157,925	1,289,717

(b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33⅓% as follows:

	2020 $'000	2019 $'000
Profit before taxation	3,929,574	4,194,490
Tax calculated at 33⅓%	1,309,858	1,398,163
Adjusted for the effects of:		
Income not subject to tax	(244,005)	(164,711)
Asset tax not deductible for taxation purposes	65,508	60,302
Prior year under provision	24,663	1,855
Net effect of other charges and allowances	1,901	(5,892)
	1,157,925	1,289,717

13. Taxation (Continued)

(c) The deferred tax credited, relating to components of other comprehensive income, are as follows:

	2020 $'000	2019 $'000
Arising on gains recognised in other comprehensive income – FVOCI	468,139	(1,164,390)
Re-measurements of post-employment benefits	(1,484)	5,469
	466,655	(1,158,921)
Reclassifications from other comprehensive income to income statement - FVOCI	(1,703,703)	(468,139)
	(1,237,048)	(1,627,060)

14. Cash and Balances Due from Other Financial Institutions

	2020 $'000	2019 $'000
Cash in hand and at bank (Note 19)	1,561,312	1,508,014

15. Financial Assets at Fair Value through Profit or Loss

	2020 $'000	2019 $'000
Financial assets held for trading -		
Equity securities -		
Unquoted at fair value	2,121,529	430,524
Quoted	152,643	1,491,820
	2,274,172	1,922,344
Financial assets designated at fair value -		
Debt securities – Government of Jamaica	-	55,242
Interest receivable	153	-
	2,274,325	1,977,586

16. Securities Purchased Under Agreements to Resell

	2020 $'000	2019 $'000
Principal	2,739,675	1,513,299
Interest receivable	6,687	3,130
	2,746,362	1,516,429

The Company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure if the counterparty to the transaction is unable to fulfil its contractual obligation.

16. Securities Purchased Under Agreements to Resell (Continued)

As at 31 December 2020 the Company held $2,797,565,000 (2019 - $97,687,765,000) of securities, representing International Corporate Bonds and Local Corporate investor share certificate, as collateral for reverse repurchase agreements.

	2020 $'000	2019 $'000
Securities purchased under agreement to resell with an original maturity of less than 90 days (Note 19)	2,746,362	1,029,941

17. Investment Securities

	2020 $'000	2019 $'000
Financial assets at FVOCI -		
Debt securities -		
Government of Jamaica	59,268,694	45,455,575
Corporate bonds	23,611,592	24,575,595
Bank of Jamaica Certificates of Deposit	5,125,290	121,257
Other sovereign debt	6,418,717	7,635,649
	94,424,293	77,788,076
Less: Pledged assets (Note 20)	(85,065,362)	(75,178,564)
	9,358,931	2,609,512
Interest receivable	1,280,640	975,406
	10,639,571	3,584,918
Debt securities at amortized cost		
Promissory notes	1,298,300	4,102,413
Less: Pledged assets (Note 20)	(1,298,300)	(1,460,385)
	-	2,642,028
Less: Impairment charges	(111)	(1,412)
Interest receivable	17,358	27,665
	17,247	2,668,281

International bonds with a carrying value of US$ Nil (2019: US$ 3,678,000) have been pledged as security for margin loans of U$S Nil (2019 - US$2,752,097) with Morgan Stanley Smith Barney by the Company.

International bonds with a carrying value of US$ Nil (2019: US$ 11,452,920) have been pledged as security for margin loans of US$ Nil (2019 - US$8,006,415) with Jefferies LLC by the Company.

Promissory notes are due from the Company's immediate parent, Sagicor Group Jamaica Limited and resulted from the reorganization of the Company, see Note 1 (b) for further details. The promissory notes are unsecured had matured for May 2, 2019 and was rolled over for November 5, 2021 and has a coupon rate of 2% per annum.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

18. Derivative Financial Instruments and Hedging Activity

Derivatives are at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Company of replacing all transactions with a fair value in the Company's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Company's counterparties of replacing all their transactions with the Company with a fair value in their favour if the Company was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

The fair values are set out below –

	Assets		Liabilities	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Equity indexed options	-	35,005	-	35,005

Equity indexed options

These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers. The Company is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

19. Cash and Cash Equivalents

	2020	2019
	$'000	$'000
Cash and balances due from other financial institutions (Note 14)	1,561,312	1,508,014
Securities purchased under agreements to resell	2,746,362	1,029,941
Repurchase agreements with financial institutions	(4,795,404)	(6,886,172)
Investment Securities	-	104,581
Short term loan	(115,501)	(678,817)
	(603,231)	(4,922,453)

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020	2019
	$'000	$'000
Cash and cash equivalents (Note 19)	(603,231)	(4,922,453)
Liquid investments (i)	2,274,325	1,977,586
Borrowings – repayable within one year (excluding overdraft)	-	(3,645,257)
Borrowings – repayable after one year	(2,198,545)	(2,198,545)
Net debt	(527,451)	(8,788,669)
Cash and liquid investments	1,671,094	(2,944,867)
Gross debt – fixed interest rates	(2,198,545)	(5,843,802)
Net debt	(527,451)	(8,788,669)

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

19. Cash and Cash Equivalents (Continued)

	Other assets		Liabilities from financing activities		
	Cash/ bank overdraft $'000	Liquid investments (i) $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2019	(2,944,443)	1,779,776	(1,705,544)	-	(2,870,211)
Cash flows	(2,029,404)	7,225,055	(1,939,713)	(2,198,545)	1,057,393
Foreign exchange adjustments	51,394	50,503	-	-	101,897
Other non-cash movements	-	(7,077,748)	-	-	(7,077,748)
Net debt as at 31 December 2019	(4,922,453)	1,977,586	(3,645,257)	(2,198,545)	(8,788,669)
Cash flows	4,248,288	68,743	3,645,257	-	7,962,288
Foreign exchange adjustments	70,934	20,021	-	-	90,955
Other non-cash movements	-	207,975	-	-	207,975
Net debt as at 31 December 2020	(603,231)	2,274,325	-	(2,198,545)	(527,451)

Liquid investments comprise current investments that are traded in an active market, being the Company's financial assets held at fair value through profit or loss.

20. Pledged Assets

Assets are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions and with the Bank of Jamaica.

	Asset		Related liability	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Investment securities (Note 17)	86,363,662	76,638,948	82,127,605	68,054,917

Of the assets pledged as security, $10,656,818 (2019 -$6,253,199) represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

21. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. There were no related party transactions with the ultimate parent Company.

Related companies include ultimate parent Company, parent Company, fellow subsidiaries and associated Company. Related parties include directors, key management and companies for which the Company and its parent Company provide management services. Pan Jamaican Trust Investment Limited is a related party by virtue of being a shareholder with significant influence over sister Company, Sagicor Group Jamaica Limited.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

21. Related Party Transactions and Balances (Continued)

(i) The following transactions were carried out with related parties and companies:

	2020 $'000	2019 $'000
With Ultimate parent company:		
Interest and other income earned	115,302	32,282
With parent company:		
Interest and other income earned	29,996	62,723
Interest and other expenses paid	(3,093)	(1,701)
Dividend expense paid	(1,107,000)	(1,000,000)
With fellow subsidiaries:		
Management fees earned	46,768	-
Interest income earned	45,033	78,379
Interest expense paid	(143,022)	(187,979)
Dividend income earned	377,324	-
With directors and key management:		
Interest expense paid	(2,979)	(3,779)
Interest and other income earned	5,265	3,905
Post-employment benefits	1,022	29,321
Share based payments and grants	6,722	11,426
Salaries and other short-term benefits	47,492	614,258
Party with significant influence over company:		
Interest and other income earned	34,372	20,358
Interest expense paid	(8,792)	(6,767)
With managed funds:		
Management fees earned	1,308,906	1,272,291
Interest and other income earned	1,153	8,538
Interest expense paid	(364,979)	(214,392)
Directors' emoluments		
Fees	19,227	19,771

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

21. Related Party Transactions and Balances (Continued)

(ii) Year-end balances with related companies and parties are as follows:

	2020 $'000	2019 $'000
Due from:		
Fellow subsidiaries	31,534	32,997
Other related parties	20,901	-
	52,435	32,997
Due to:		
With ultimate parent company	(132)	(122)
Parent company	-	(43,817)
Fellow subsidiaries	(83,742)	(98,627)
Managed funds	-	(931,764)
	(83,874)	(1,074,330)
With ultimate parent company:		
Investment securities	2,013,065	2,631,301
With parent company:		
Investment securities	1,315,658	3,915,100
Securities sold under agreements to repurchase	(615,658)	(3,042)
With fellow subsidiaries:		
Cash and bank balances	1,389,987	464,050
Investment securities	-	2,644,055
Securities purchased under agreements to repurchase	212,588	1,214,605
Securities sold under agreement to repurchase – managed funds	(1,618,311)	(1,407,700)
Party with significant influence over company:		
Securities sold under agreements to repurchase	534,609	540,979
Customer accounts	(199,490)	(177,388)
With directors and key management personnel:		
Securities sold under agreements to repurchase	(93,511)	(80,772)
With managed funds:		
Investment Securities	3,050	12,601
Securities sold under agreements to repurchase	(20,289,110)	(3,779,732)
Notes payable	(800,000)	(2,262,000)
Customer accounts	3,144	(12,685)

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Investment in Subsidiaries

On 30 September 2019, Sagicor Investments Jamaica Limited through its wholly owned subsidiary Phoenix Equity Holdings Limited acquired a 60% interest in Advantage General Insurance, at a cost of $4,142,843,000.

23. Intangible Assets

	Computer Software	Goodwill	Total
	$'000	$'000	$'000
Cost -			
At 1 January 2019	189,986	143,263	333,249
Additions	43,992	-	43,992
At 31 December 2019	233,978	143,263	377,241
Additions	28,984	-	28,984
At 31 December 2020	262,962	143,263	406,225
Accumulated Amortisation -			
At 1 January 2019	153,105	-	153,105
Charge for the year	18,908	-	18,908
At 31 December 2019	172,013	-	172,013
Charge for the year	23,518	-	23,518
At 31 December 2020	195,531	-	195,531
Net Book Value -			
At 31 December 2020	67,431	143,263	210,694
At 31 December 2019	61,965	143,263	205,228

Goodwill

Impairment test for goodwill.

Goodwill is allocated to the Company's cash generating units (CGUs) identified according to the lines of business.

The impairment test is carried out by comparing the recoverable amount of the Company's cash generating units (CGUs) to which goodwill has been allocated to the carrying amount of those CGUs plus goodwill. For the purposes of the impairment assessment, goodwill has been allocated to the Company's cash generating units as follows:

	2020 $'000	2019 $'000
Treasury, PDU & Investment Services	86,688	86,688
Trading & Brokerage	29,763	29,763
Credit	14,725	14,725
Asset Management	10,601	10,601
Trust Services	1,486	1,486
	143,263	143,263

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

23. Intangible Assets (Continued)

(i) At 31 December 2020, management tested goodwill allocated to all the CGUs as listed in the table above.

(ii) The recoverable amounts are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(iii) Key assumptions used for the impairment calculations for the above CGUs are earnings growth of 5% (2019 – 4.75%) and discount rate of12.64% (2019 – 13.53%).

There was no impairment of any of the Company's CGUs.

24. Property, Plant and Equipment

	Leasehold	Furniture	Motor	Computer	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
At 1 January 2019	41,379	88,413	22,385	161,424	313,601
Additions	28,224	14,956	-	13,926	57,106
Disposal	-	-	(1,404)	-	(1,404)
At 31 December 2019	69,603	103,369	20,981	175,350	369,303
Additions	5,064	2,277	-	43,322	50,663
Disposal	-	-	(8,000)	-	(8,000)
At 31 December 2020	74,667	105,646	12,981	218,672	411,966
Accumulated Depreciation -					
At 1 January 2019	37,777	82,264	6,046	146,959	273,046
Charge for the year	2,495	2,480	4,196	6,719	15,890
Disposal	-	-	(1,404)	-	(1,404)
At 31 December 2019	40,272	84,744	8,838	153,678	287,532
Charge for the year	3,510	1,970	3,396	12,847	21,723
Disposal	-	-	(3,733)	-	(3,733)
At 31 December 2020	43,782	86,714	8,501	166,525	305,522
Net Book Value -					
At 31 December 2020	30,885	18,932	4,480	52,147	106,444
At 31 December 2019	29,331	18,625	12,143	21,672	81,771

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

25. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓% for the Company. Net deferred tax assets and liabilities recognised on the statement of financial position comprises:

	2020 $'000	2019 $'000
Deferred income tax assets	73,228	70,389
Deferred income tax liabilities	(2,229,450)	(859,281)
Net deferred income tax asset	(2,156,222)	(788,892)

The movement in the net deferred income tax balance is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	(788,892)	1,264,940
Charged to the income statement (Note 13)	(130,282)	(426,772)
Tax charged relating to components in other comprehensive income (Note 13)	(1,237,048)	(1,627,060)
Balance at end of year	(2,156,222)	(788,892)

Deferred income tax assets and liabilities are due to the following items:

	2020 $'000	2019 $'000
Deferred income tax assets -		
Property, plant & equipment	18,670	18,291
Financial instrument through profit and loss	37	471
Post-employment benefit obligations	40,839	38,805
Other	13,682	12,822
	73,228	70,389
Deferred income tax liabilities -		
Financial instrument through profit and loss	543,774	382,052
Investment securities	1,629,857	421,536
Post-employment benefit obligations	55,819	55,693
	2,229,450	859,281
Net deferred tax asset	(2,156,222)	(788,892)

	Accelerated tax depreciated	Fair value gains	Loan loss provision	Post-employment benefits	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	15,026	1,213,517	(13)	23,944	12,466	1,264,940
Credited to income statement (Note 13)	3,265	(158,085)	(277,780)	5,469	359	(426,772)
Charged to other comprehensive income (Note 13)	-	(1,858,551)	277,792	(46,301)	-	(1,627,060)
At 31 December 2019	18,291	(803,119)	(1)	(16,888)	12,825	(788,892)
Credited to income statement (Note 13)	379	(162,156)	27,244	3,392	859	(130,282)
Charged to other comprehensive income (Note 13)	-	(1,208,320)	(27,244)	(1,484)	-	(1,237,048)
At 31 December 2020	18,670	(2,173,595)	(1)	(14,980)	13,684	(2,156,222)

26. Post-employment Benefits

		2020 $'000	2019 $'000
(a)	Pension benefits	(187,680)	(160,870)
(b)	Other post-employment benefit obligations	142,739	110,206
		(44,941)	(50,664)

(a) Pension schemes

The Company has established a number of pension schemes covering all permanent employees, a defined benefit plan and a defined contribution plan. The assets of the funded plans are held independently of the Company's assets in separate trustee administered funds.

Defined contribution plan
The Defined contribution plan received regulatory approval in 2013 and all new employees subsequently are included in this plan.

Defined benefit plan
The defined benefit plan was established by the banking subsidiary that was disposed during 2014. Employees of the company who participated in the banking subsidiary's defined benefit plan continue to be a part of this plan. The plan is valued by independent actuaries annually using the Projected Unit Credit Method. The last actuarial valuation for the Company was carried out as at 31 December 2019.

The plan provides pensionable salary to members based on the average member's earnings over the 5 years immediately prior to exit.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension scheme ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile.

The next triennial valuation is due to be completed as at 31 December 2019.

Any plan surplus or funding deficiency was absorbed by the Company.

The amounts recognised in the statement of financial position are determined as follows:

	2020 $'000	2019 $'000
Present value of funded obligations	804,048	873,656
Fair value of plan assets	(991,728)	(1,034,526)
Surplus of funded plan	(187,680)	(160,870)

26. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Defined benefit plan (continued)

The movement in the defined benefit obligation over the year is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	873,656	746,735
Current service cost	42,418	37,681
Interest cost	65,049	52,074
	107,467	89,755
Re-measurements -		
Financial assumptions	(162,208)	(60,353)
Experience adjustments	(38,035)	70,521
	(200,243)	10,168
Members' contributions	36,074	32,744
Benefits paid	(12,906)	(5,746)
Balance at end of year	804,048	873,656

The movement in the defined benefit asset during the year is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	1,034,526	779,965
Return on plan assets	79,549	56,497
Re-measurements – Financial assumptions	(557)	539
Experience adjustment	(175,011)	142,323
Members' contributions	36,074	32,744
Employer's contributions	30,053	28,204
Benefits paid	(12,906)	(5,746)
Balance at end of year	991,728	1,034,526

The amounts recognised in the income statement are as follows:

	2020 $'000	2019 $'000
Current service cost	42,418	37,681
Interest cost on plan obligation	65,049	52,074
Interest income on plan assets	(79,549)	(56,497)
Total included in team member costs (Note 10)	27,918	33,258

The amount recognised in other comprehensive income is as follows:

	2020 $'000	2019 $'000
Change in financial assumptions	(161,651)	(60,892)
Experience adjustments	136,976	(71,802)
	(24,675)	(132,694)
Deferred tax	8,225	44,231
	(16,450)	(88,463)

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

26. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets are comprised as follows:

	2020			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**%**
Equities Fund	293,239	-	-	30
Mortgage & Real Estate Fund	139,173	-	-	14
Fixed income fund	214,136	-	-	22
Money market fund	47,801	--	-	5
International equity fund	21,971	-	-	2
CPI Indexed Fund	33,519	-	-	3
Foreign Currency Fund	175,647	-	-	18
Global market fund	52,537	-	-	5
Purchased annuities	-	12,821	-	1
Adjustments	884	-	-	-
	978,907	12,821	-	100

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**%**
Equities Fund	300,838	-	-	29%
Mortgage & Real Estate Fund	182,060	-	-	18%
Fixed income fund	214,993	-	-	21%
Money market fund	63,621	-	-	6%
International equity fund	13,063	-	-	1%
CPI Indexed Fund	6,448	-	-	1%
Foreign Currency Fund	188,169	-	-	18%
Global market fund	60,084	-	-	6%
Purchased annuities	-	12,607	-	1%
Adjustments	(7,357)	-	-	-1%
	1,021,919	12,607	-	100

Movements in the amounts recognised in the statement of financial position:

	2020 $'000	**2019 $'000**
Asset at beginning of year	(160,870)	(33,230)
Amounts recognised in the income statement	27,918	33,258
Re-measurements recognised in other comprehensive income	(24,675)	(132,694)
Contributions paid	(30,053)	(28,204)
(Asset)/liability at end of year	(187,680)	(160,870)

The significant actuarial assumptions used were as follows:

	2020	**2019**
Discount rate	9.0%	7.5%
Future salary increases	9.0%	7.5%

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

26. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The sensitivity of post-employment benefits to changes in the weighted principal assumptions is:

		Impact on post-employment benefits	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate – pension	1.0%	-90,000	117,000
Discount rate – medical	1.0%	-24,000	32,000
Future salary increases -pension	1.0%	38,000	-34,000
Future salary increases -medical	1.0%	2,000	1,000
Future Pension increases	0.5%	33,000	-31,000
Health cost	1.0%	29,000	-23,000
Life Expectancy - pension	1.0%	6,000	-7,000
Life Expectancy - medical	1.0%	4,000	-4,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

(b) Other post-employment benefits

In addition to pension benefits, the Company offered retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. These were offered through the Company's banking subsidiary which was disposed during last year (Note 1). The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is the long-term increase in health cost of 5% (2019 – 8%) per annum in 2020.

The amounts recognised in the statement of financial position are determined as follows:

	2020 $'000	2019 $'000
Present value of unfunded obligations	142,739	110,206

The movement in the defined benefit obligation over the year is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	110,206	105,062
Current service cost	5,438	5,199
Interest expense	8,216	7,314
	13,654	12,513
Re-measurements -		
Gain from change in financial assumptions	(27,621)	(10,764)
Experience adjustments	47,844	4,555
	20,223	(6,209)
Benefits paid	(1,334)	(1,160)
Balance at end of year	142,739	110,206

26. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The amounts recognised in the income statement are as follows:

	2020 $'000	2019 $'000
Current service cost	5,438	5,199
Interest cost	8,216	7,314
Total, included in team member costs (Note 10)	13,654	12,513

The amount recognised in other comprehensive income is as follows:

	2020 $'000	2019 $'000
Change in financial assumptions	(27,621)	(10,764)
Experience adjustments	47,844	4,555
	20,223	(6,209)
Deferred tax	(6,740)	2,070
	13,483	(4,139)

Movement in the amounts recognised in the statement of financial position:

	2020 $'000	2019 $'000
Liability at beginning of year	110,206	105,062
Amount recognised in the income statements (note 10)	10,175	12,513
Amount recognised in other comprehensive income	23,702	(6,209)
Benefits paid	(1,344)	(1,160)
Liability at end of year	142,739	110,206

Plan risks

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to several risks. The Company does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Company has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

Investment risk
The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

26. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

Plan risks (continued)

Changes in bond yields
A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investment.

Salary risk
The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore, an increase in the salary of members will increase the plan's liability.

Life expectancy
Most of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

The weighted average duration of liability of the defined benefit obligation is as follows:

	2020 Years	2019 Years
Active members and Deferred pensioners	39	41

27. Other Assets

	2020 $'000	2019 $'000
Withholding tax recoverable from Government of Jamaica	94,105	180,262
Customer settlement accounts	412,078	543,305
Prepayments	47,270	48,106
Staff receivables	31,460	17,913
Other	624,392	582,694
	1,209,305	1,372,280

Taxes are withheld at 25% from interest payments on Government of Jamaica securities and other local bonds. The Company makes monthly filings to Tax Administration of Jamaica (TAJ) for recovery. Amounts approved by TAJ are refunded as cash or off-set against liabilities. The amounts are expected to be recovered within one year of the financial statements date.

28. Deposit and Security Liabilities

	2020 $'000	2019 $'000
Securities sold under repurchase agreements	82,421,872	66,837,464
Due to banks and other financial institutions (i)	115,501	2,090,086
Customer deposits and other accounts	96,892	55,210
Structured products (ii)	-	895,346
Notes payable (iii)	2,198,545	4,432,534
	84,832,810	74,310,640

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

28. Deposit and Security Liabilities (Continued)

(i) **Due to Banks and Other Financial Institutions**

	Currency	Rate %	2020 $'000	2019 $'000
Short –Term Loans -				
Morgan Stanley: Repayable in two installments in January and February 2020	US$	2.3-2.75	-	360,743
Jefferies LLC: Repayable in two installments in January in February 2020	US$	2.29-2.3	-	1,049,704
				1,410,447
Bank overdraft			115,501	714,331
Interest payable			-	822
			115,501	2,125,600

Included in due to banks and other financial institutions are $4,795,405,000 (2019 - $6,886,172,000) which is regarded as cash equivalents for purposes of the statement of cash flows (Note 19).

The Company has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

(ii) **Structured Products**

	2020 $'000	2019 $'000
Principal protected notes -	-	884,997
With interest guaranteed	-	10,348
	-	895,345

Principal protected notes comprise a fixed income element with an interest guarantee (included above) and indexed option element disclosed in Note 18. These notes entitle the holders to participate in any positive returns on the indexed options and they also include a principal protection feature. If the return on the index is negative, the holder will receive at maturity of the notes, the principal invested for notes plus net interest calculated at the guaranteed interest rate. The maturity of these notes ranges from 2019 to 2020.

(iii) **Notes payable**

	Currency	Rate %	2020 $'000	2019 $'000
Long Term Loans -				
Fixed rate unsecured bond due 2024	J$	6.75	2,180,000	2,180,000
Short –Term Loans -				
Fixed rate unsecured bond due 2020	J$	5.00	-	2,220,000
			2,180,000	4,400,000
Interest payable			18,545	32,534
			2,198,545	4,432,534

Bonds issued by Jamaica Central Securities Depository (Trustee)

Tranche A issued 16 August 2019 amounting to $2.22 billion at an interest rate of 5% repayable on 16 September 2020. Tranche B issued 16 August 2019 amounting to $2.18 billion at an interest rate of 6.75% repayable 16 August 2024.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

29. Other Liabilities

	2020 $'000	2019 $'000
Customer settlement accounts	1,722,853	968,863
Accruals	140,818	285,366
Staff related payables	16,979	20,022
Stale dated cheques	17,713	14,588
Other	111,209	260,714
	2,009,572	1,549,553

30. Share Capital

The total authorised number of ordinary stock units is 675,613,376 (2019: 675,613,376), of which 552,145,844 (2019: 552,145,844) was issued and fully paid.

The stock units in 2020 and 2019 are stated in these financial statements without a nominal or par value.

31. Stock Options and Grants

Details of the stock options outstanding are as follows:

	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
	2020 '000	2020 $	2019 '000	2019 $
Balance at beginning of year	1,311	19.20	1,543	15.29
Granted	322	39.99	321	36.45
Lapse/Forfeited	(254)	37.40	(164)	26.24
Exercised	(210)	16.07	(389)	14.97
Options outstanding	1,169	21.53	1,311	19.20
Exercisable at the end of the year	919	17.43	957	14.53

The Sagicor Investments Jamaica Limited outstanding options above were prior to the conversion to Sagicor Group Jamaica Limited options.

Stock options outstanding at the end of the year for the company have the following expiry date and exercise price.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

31. Stock Options and Grants (Continued)

Expiry date	Exercise price	Exercise price	No. of stock options	
	2020	2019	2020	2019
31 March 2020	10.75	10.75	-	158,000
31 March 2021	7.11	7.11	147,000	147,000
31 March 2022	9.50	9.50	188,000	188,000
31 March 2023	10.49	10.49	256,000	256,000
31 March 2024	23.65	23.65	111,000	142,000
31 March 2025	34.10	34.10	117,000	152,000
31 March 2026	36.45	36.45	168,000	268,000
31 March 2027	39.99	-	182,000	-
			1,169,000	1,311,000

For the Sagicor Group Jamaica Limited options outstanding at the end of the year, the remaining contractual term to expiry range from 3 months to 7 years (2019: 3 months – 7 years).

Options for stock units were exercised during the current year 210,000 (2019 – 389,000). The weighted average stock unit price at the date of exercise for options exercised during the year was $49.17 (2019 - $36.50).

With effect from 31 December 2013, stock options are equity–settled by Sagicor Group Jamaica Limited and the provision made represents the fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares for outstanding options. The fair value of the options at the year-end is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services is recognised over the expected vesting period. The significant inputs into the model were weighted average stock unit prices at the grant date, exercise price shown above; standard deviation of expected share price returns, option life disclosed above, and annual average risk-free interest rate. The expected volatility is based on statistical analysis of daily stock unit prices over one year.

The Company recognised cumulative expenses of $4,293,327 (2019 - $3,692,645) as stock options expense of which $2,185,508 (2019 - $2,386,803) was recognised in the income statement during the year for the previous scheme.

The Company provides share grants to executives based on the performance of the Company. The number of shares granted during the current year were 209,805 (2019 – 187,859). The prices are based on the trading price on the Jamaica Stock Exchange.

32. Fair Value Reserve

This represents the unrealised surplus or deficit on the revaluation of FVOCI investments and the unamortised loss relating to securities reclassified to loans and receivables.

	2020	2019
	$'000	$'000
FVOCI investments	3,374,052	902,927
Unamortised loss - reclassified investments	33,353	33,353
	3,407,405	936,280

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

33. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS. The amount was transferred to retained earnings during the year.

34. Dividends

	2020 $'000	2019 $'000
First interim dividend – Nil cents (2019 – $0.45)	-	500,000
Second interim dividend – $2.00 (2019 – $0.45)	1,107,100	500,000
	1,107,100	1,000,000

The dividends declared for 2020 represented a dividend per stock unit of $2.00 cents (2019 – 90 cents).

35. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are estimated on the basis discounted cash flows. Fair value is equal to the carrying amount of these items;

(ii) Investment securities classified as FVTOCI are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques. Investments in unit trusts are based on prices quoted by the fund managers.

(iii) The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates. The fair value of the equity indexed options and the exchange traded funds that are shorted are based on quoted prices. The fair value of the cross-currency swap is based on the present value of the net future cash payments and receipts, which fluctuate based on changes in market interest rates and the euro/U.S. dollar exchange rate.

(iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the statement of financial position date. The estimated fair value of fixed interest-bearing deposits, disclosed below, is based on discounted cash flows using interest rates for new deposits.

(v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(vi) Loans are net of provision for impairment. The estimated fair value of loans, disclosed below, represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

35. Fair Value of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Company's statement of financial position at their fair value:

	Carrying 2020	Fair 2020	Carrying 2019	Fair 2019
Financial Assets				
Investments at amortized cost	17,247	17,247	2,668,281	2,668,281
Financial Liabilities				
Securities sold under agreements to repurchase	82,421,872	82,421,872	66,837,464	66,837,464
Customer accounts	96,892	96,892	55,210	55,210
Due to banks and other financial institutions	115,501	115,501	2,090,086	2,090,086

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2020, into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by the Fund is the current bid price;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Fair value through profit or loss securities	152,643	1,647,191	474,491	2,274,325
Investment securities	-	10,639,571	17,247	10,656,818
Pledged assets	-	85,065,362	1,298,300	86,363,662
	152,643	97,352,124	1,790,038	99,294,805

	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Fair value through profit or loss securities	1,491,821	55,242	430,524	1,977,586
Investment securities	354,193	3,229,846	2,669,160	6,253,199
Pledged assets	26,900,593	48,477,971	1,260,385	76,638,948
Derivative financial instruments	-	35,005	-	35,005
	28,746,606	51,798,063	4,360,068	84,904,738
Financial Liabilities				
Derivative financial instruments	-	35,005	-	35,005

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

35. Fair Value of Financial Instruments (Continued)

There were no transfers between Level 1 and 2 in the year.

Reconciliation of level 3 items –

	2020	2019
	$'000	$'000
Balance at beginning of year	4,360,068	1,439,636
Transfer to level 2	-	(23,765)
Total loss – income statement	61,215	(34,956)
Purchases	1,298,300	2,979,153
Sales	(3,929,545)	-
Balance at end of year	1,790,038	4,360,068

Valuation inputs and relationships to fair values

Description	Fair value at		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2020	2019		2020	2019	
	$'000	$'000				
Unquoted Equity Securities	474,491	430,524	Discounted cash flows	-	-	-

The gains or losses recorded in the profit or loss are included in Note 8.

The transfer from level 3 to 2 is attributable to changes in the observability of market data.

There was no material impact from changes in the assumptions for level 3 securities.

36. Fiduciary Risk

The Company provides custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets are not included in these financial statements. As at 31 December 2020, the Company had financial assets under administration as follows:

	2020	2019
	$'000	$'000
Sagicor Sigma Global Funds	160,329,960	168,649,547
Sagicor Select Funds	7,643,000	9,913,143
Custody portfolio	46,492,668	33,695,939
	214,465,628	212,258,629

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

37. Unconsolidated Structured Entities

Sagicor Sigma Unit Trust was established by Sagicor Group Jamaica to provide customers with investment opportunities. The Unit Trust comprises twenty one portfolios. Sagicor Select Funds was established by Sagicor Group Jamaica to provide customers with investment opportunities to track particular indices on the Jamaica Stock Exchange. The Select Funds currently has two publicly traded funds the Financial Index and Manufacturing and Distribution Funds.

The Unit Trust has an independent trustee and the Select Funds has an independent Board of Directors. Sagicor Investments Jamaica Limited is the investment manager of the Unit Trust and the Select Funds and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust as well as the Select Funds.

The table below shows the total assets of the Unit Trust and the Select Funds, the Company's interest in and income arising from involvement with the Unit Trust and Select Funds as well as the maximum exposure to loss. The maximum exposure to loss from the Company's interests represents the maximum loss that the Company could incur as a result of its involvement with the Unit Trust and Select Funds regardless of the probability of the loss being incurred. The income from the Company's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	2020 $'000	2019 $'000
Total assets		
Unit Trusts	169,350,075	175,560,261
Sagicor Select Funds	7,643,000	9,919,143
Liability in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)		
Unit Trust	10,764,165	3,779,732
Sagicor Select Funds	114,503	280,000
Notes Payable	800,000	2,262,000
Total income from the Company's interests	1,308,906	1,273,756

The Company has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

38. Contingent Liabilities and Commitments

(a) Legal proceedings

The Company is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of Management and its legal counsel, it is probable that a payment will be made by the Company, and the amount can be reasonably estimated.

In respect of claims asserted against the Company which, according to the principles outlined above, have not been provided for, Management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Company which is immaterial to both the financial position and results of operations.

Suit has been filed by a customer against the Company for breach of contract, and breach of trust in the amount of US$8,928,500, being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the Company. No provision was made in these financial statements for this claim as the probability of success against the Company is considered low prior to the matter being heard.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

38. Contingent Liabilities and Commitments (Continued)

(b) Commitments

The tables below show the contractual expiry by maturity of the Company's contingent liabilities and commitments.

	The Company			
At 31 December 2020	**No later than 1 year $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Guarantees, acceptances and other financial facilities	61,419	14,378	-	75,797
	61,419	14,378	-	75,797
At 31 December 2019				
Guarantees, acceptances and other financial facilities	45,433	75,797	-	121,230
Operating lease commitment	15,290	-	-	15,290
	60,723	75,797	-	136,520

39. Maturity Analysis of Assets and Liabilities

The tables below show an analysis of assets and liabilities according to when they are expected to be recovered or settled. The financial statement areas shown below only reflect assets and liabilities that combine current and non-current balances.

	2020			2019		
ASSETS	**Current $'000**	**Non-Current $'000**	**Total $'000**	**Current $'000**	**Non-Current $'000**	**Total $'000**
Financial assets at fair value through profit or loss	2,274,325	-	2,274,325	1,977,586	-	1,977,586
Investment securities	2,091,676	8,547,895	10,639,571	1,354,812	2,230,106	3,584,918
Pledged assets	5,907,014	80,456,648	86,363,662	10,084,570	66,554,378	76,638,948
Derivative financial instruments	-	-	-	35,005	-	35,005
LIABILITIES						
Securities sold under agreements to repurchase	82,421,872	-	82,421,872	66,837,464	-	66,837,464
Customer deposits and other accounts	96,892	-	96,892	55,210	-	55,210
Structured products	-	-	-	895,346	-	895,346
Due to banks and other financial institutions	115,501	-	115,501	1,855,841	-	1,855,841
Derivative financial instruments	-	-	-	35,005	-	35,005
Notes payable	-	2,198,545	2,198,545	2,233,989	2,198,545	4,432,534
Deferred income tax liabilities	13,646	2,142,576	2,156,222	12,822	1,084,281	1,097,103

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

40. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2020						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash and balances due from other financial institutions	1,561,312	-	1,561,312	-	-	-	1,561,312
Financial assets at fair value through profit or loss	2,274,325	-	2,274,325	-	-	-	2,274,325
Investment securities	10,656,818	-	10,656,818	-	-	-	10,656,818
Pledged assets	86,363,662	-	86,363,662	-	-	86,363,662	-
Securities purchased under agreements to resell	2,746,362	-	2,746,362	-	-	2,746,362	-
Due from related companies	52,435	-	52,435	-	-	-	52,435
Other assets	1,209,305	-	1,209,305	-	-		1,209,305
	104,864,219	-	104,864,219	-	-	89,110,024	15,754,195

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2019						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash and balances due from other financial institutions	1,508,014	-	1,508,014	-	-	-	1,508,014
Financial assets at fair value through profit or loss	1,977,586	-	1,977,586	-	-	-	1,977,586
Investment securities	6,253,199	-	6,253,199	-	-	-	6,253,199
Pledged assets	76,638,948	-	76,638,948	-	-	76,638,948	-
Securities purchased under agreements to resell	1,516,429	-	1,516,429	-	-	1,516,429	-
Derivative financial instruments	35,005	-	35,005	-	-	35,005	-
Due from related companies	32,997	-	32,997	-	-	-	32,997
Other assets	1,372,280	-	1,372,280	-	-	-	1,372,280
	89,334,458	-	89,334,458	-	-	78,190,382	11,144,076

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

40. Offsetting Financial Assets and Financial Liabilities (Continued)

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2020						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash Collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Securities sold under agreement to repurchase	82,421,872	-	82,421,872	82,421,872	-	-	-
Customer deposits and other accounts	96,892	-	96,892	-	-	96,892	-
Structured products	-	-	-	-	-	-	-
Due to banks and other financial institutions	115,501	-	115,501	-	-	115,501	-
Notes payable	2,198,545	-	2,198,545	-	-	-	2,198,545
Due to related companies	83,874	-	83,874	-	-	-	83,874
Other liabilities	1,722,853	-	1,722,853	-	-	-	1,722,853
	86,639,537	-	86,639,537	82,421,872	-	212,393	4,005,272

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2019						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash Collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Securities sold under agreement to repurchase	66,837,464	-	66,837,464	66,837,464	-	-	-
Customer deposits and other accounts	55,210	-	55,210	-	-	55,210	-
Structured products	895,346	-	895,346	-	-	895,346	-
Due to banks and other financial institutions	2,090,086	-	2,090,086	-	-	2,090,086	-
Derivative financial instruments	35,005	-	35,005	-	-	35,005	-
Notes payable	4,432,534	-	4,432,534	-	-	-	4,432,534
Due to related companies	1,074,330	-	1,074,330	-	-	-	1,074,330
Other liabilities	968,863	-	968,863	-	-	-	968,863
	76,388,838	-	76,388,838	66,837,464	-	3,075,647	6,475,727