



Sagicor Real Estate X Fund Limited

**Financial Statements
31 December 2013**

Sagicor Real Estate X Fund Limited

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31 December 2013

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Independent auditors' report

To the Shareholders of Sagicor Real Estate X Fund Limited

Report on the financial statements

We have audited the accompanying financial statements of Sagicor Real Estate X Fund Limited, which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the period 1 November 2013 to 31 December 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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*PricewaterhouseCoopers refers to the East Caribbean firm of PricewaterhouseCoopers. A full listing of the partners of the East Caribbean Firm is available upon request from the Head office.



Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Sagicor Real Estate X Fund Limited as at 31 December 2013, and of its financial performance and its cash flows for the period 1 November 2013 to 31 December 2013 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

17 April 2014
Castries, St Lucia

Sagicor Real Estate X Fund Limited

Statement of Comprehensive Income

Period 1 November 2013 to 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000
Net capital gains on investment securities	6	942,240
Operating expenses	4	(100)
Profit before tax		942,140
Taxation	5	1
Net Profit, being Total Comprehensive Income for the period		942,141
Earnings per stock unit for profit attributable to the stockholders of the company during the period:		
Basic and fully diluted	9	\$0.63

Sagicor Real Estate X Fund Limited

Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000
Non-Current Asset		
Investment in Sagicor Sigma Real Estate Fund	6	8,418,156
Deferred tax asset	7	1
Total Asset		<u>8,418,157</u>
Shareholders' Equity		
Share capital	8	7,476,016
Retained earnings		<u>92,141</u>
Total Equity		<u>8,418,157</u>

Approved for issue by the Board of Directors on 17 April 2014 and signed on its behalf by:

Richard Byles

Chairman

Rohan Miller

Director and CEO

Sagicor Real Estate X Fund Limited

Statement of Changes in Shareholders' Equity

Period 1 November 2013 to 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Retained Earnings	Total
	\$'000	\$'000	\$'000
Shares issued during the period	7,476,016	-	7,476,016
Net profit, being total comprehensive income for the period	-	942,141	942,141
Balance at 31 December 2013	7,476,016	942,141	8,418,157

Sagicor Real Estate X Fund Limited

Statement of Cash Flows

Period 1 November 2013 to 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 \$'000
Cash Flows from Operating Activities	
Net profit for the period	942,141
Item not affecting cash:	
Taxation	(1)
Fair value gain on units held in Sagicor Sigma Funds	(942,240)
Net cash used in operating activities	(100)
Cash Flows from Investing Activity	
Purchase of investments	(7,475,916)
Net cash used in investing activity	(7,475,916)
Cash Flows from Financing Activities	
Ordinary shares issued	7,475,916
Special redeemable preference shares issued	100
Net provided by investing activities	7,476,016
Change in cash and cash equivalents	-
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	-

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The company was incorporated on May 31, 2011 with the name Sagicor X Funds SPC Ltd, as an international business company under the International Business Companies Act, 1999 (as amended) of Saint Lucia.

On February 28, 2013, the company changed its name to Sagicor Real Estate X Fund Limited ("X Fund"). On September 24, 2013, the public was invited to subscribe for shares in the company under an initial public offer (IPO). The IPO closed on October 18, 2013, with the shares listed on the Jamaica Stock Exchange on November 15, 2013.

The company is 67.71% owned by the Sagicor Pooled Pension Funds Limited, which is administered by Sagicor Life Jamaica Limited.

The company's only investment is units in the Sagicor Sigma Real Estate Fund. The fund manager for Sagicor Sigma Real Estate Fund is Sagicor Investments Jamaica Limited, which is a subsidiary of Sagicor Life Jamaica Limited.

The company main business activity is to invest in real estate activities. Prior to the IPO, the company was not trading.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) under the historical cost convention as modified for investments in Sagicor Sigma Real Estate Fund which is carried at fair value through the profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Amendments to published standards effective in current year that are relevant to the Company's operations

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the Company:

- **IFRS 13, 'Fair Value Measurement'** aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Company adoption of this standard did not have a significant impact on the Company's financial statement.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Amendments to published standards effective in current year that are relevant to the Company's operations (continued)

- Annual Improvements 2011, (effective for annual periods beginning on or after 1 January 2013). The IASB issued its Annual Improvements to IFRSs 2009 – 2011 Cycle which amended five standards. The following amendments may have an impact on the Company: The amendment to IAS 1, 'Presentation of Financial Statements' clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to IAS 16, 'Property, Plant and Equipment,' servicing equipment is recognised as property, plant and equipment or as inventory depending on its expected useful life. The amendment to IAS 32, 'Financial Instruments: Presentation' clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to IAS 34, 'Interim Financial Reporting,' information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The Company did not have any major changes arising from their adoption.

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2014 or later periods, but the Company has not early adopted them.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Company is yet to assess IFRS 9's full impact and the timing of its adoption by the Company.
- Amendment to IAS 32, 'Financial instruments: Presentation', (effective for annual periods beginning on or after 1 January 2014). These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company is assessing the impact of adopting this amendment.

Sagikor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Company (continued)

- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company is assessing the impact of adopting this amendment but does not expect any material impact.
- Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2010 – 2012 Cycle, which amended seven standards. The following amendments may have an impact on the Group: IFRS 2, 'Share-based payment.' The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. IFRS 3, 'Business combinations.' The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation.' The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. IFRS 8, 'Operating segments.' The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. IFRS 13, 'Fair value measurement.' The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. IAS 24, 'Related party disclosures' The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The Company is assessing the impact of adopting these amendments.
- Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2011 – 2013 Cycle, which amended four standards. The following amendment may have an impact on the Company: IFRS 13, 'Fair value measurement.' The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9). The Company is assessing the impact of adopting these amendments.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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 functional and 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 using the closing rate as at the reporting date. Non-monetary items denominated in a foreign currency, which are carried at historical cost, are translated at historical rates. Exchange gains and losses arising from the translation of monetary assets and liabilities are recognised in the statement of comprehensive income.

(c) Taxation

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the period, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates that have been enacted at period end date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised in the foreseeable future.

(d) Financial assets

The Company classifies its financial assets in the category of fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets in this category are acquired principally for selling in the short term.

Purchases and sales of financial assets are recognised at the trade date – the date on which the Company commits the purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction cost is expensed in the income statement. Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'net capital gains on investment securities' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income statement when the Company right to receive payment is established.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Judgements and estimates 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. In the process of applying the Company's accounting policies, management has made no critical accounting estimates or judgements which they believe have a significant risk of causing a material misstatement in these financial statements.

4. Operating Expenses

	2013 \$'000
Professional expenses	100

5. Taxation

The taxation charge is computed on the profit for the period, adjusted for tax purposes, and comprises income tax at 1%:

	2013 \$'000
Deferred income tax (Note 7)	(1)

Reconciliation of applicable tax charge to effective tax charge:

	2013 \$'000
Profit before taxation	942,140
Tax calculated at 1%	9,421
Adjusted for the effects of:	
Capital gains not subject to tax	(9,422)
Income tax credit	(1)

Tax losses available to the Company at 31 December 2013 for set-off against future taxable profits amount to approximately \$100,000 and may be carried forward for up to 6 years.

Sagikor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

6. Investment in Sagikor Sigma Real Estate Funds

The units in the respective funds and values thereof are:

	Sagikor Sigma Real Estate Funds
	2013
	Units
UNITS	
Net movement - additions	6,858,638,766
Closing balance	6,858,638,766
	\$'000
VALUE	
Opening balance	-
Net Movement –Additions	7,475,916
Changes in market value of investments	942,240
Closing balance	8,418,156
Value Per Unit	\$1.23

7. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 1%.

	2013
	\$000
Deferred income taxes assets	1

The movement on the deferred income tax account is as follows:

	2013
	\$000
Credited to the statement of comprehensive income – net loss	1
Balance at end of year	1

A deferred tax asset was created on current year's unutilised tax losses of \$100,000.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

8. Share Capital

	2013 \$'000
Authorised:	
5,000,000,000 ordinary shares	US\$5,000,000
1 special rights redeemable preference share	US\$1
	<u>US\$5,000,001</u>
	2013 \$'000
Issued and fully paid -	
1,495,336,750 ordinary shares of J\$1.00 par value	7,475,916
1 special rights redeemable preference share	100
	<u>7,476,016</u>

9. Earnings per Share

- (i) Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	2013 \$'000
Net profit attributable to shareholders	<u>942,141</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,495,337</u>
Basic earnings per share	<u>\$0.63</u>

- (ii) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has no dilutive potential ordinary shares at 31 December 2013.

10. Segment Reporting

Management has determined that the Company has no operating segment as its only investment is units in the Sagicor Sigma Real Estate Fund.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

11. 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.

Related companies include fund manager, 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.

(a) The statement of financial position includes the following balance with related party:

	2013
	\$'000
Financial investments -	
Affiliated company- Sagicor Sigma Real Estate Fund	8,418,156

(b) The income statement includes the following transaction with related party:

	2013
	\$'000
Affiliated company- Sagicor Sigma Real Estate Fund	942,240

12. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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 Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. None of the Company's financial assets are subjected to currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. None of the Company's financial assets are subject to interest rate risk.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

12. Financial Risk Management (Continued)

(c) Credit risk

The Company takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. The Company's investment manager, Sagicor Life Jamaica Limited, manages the Company's exposure to credit risk by reviewing the ongoing financial status of each counterparty. Credit exposures arise principally from the Company's investing activities.

Credit review process

Investments

The Company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk at the period-end was as follows:

	2013 \$'000
Investments -	
Sagicor Sigma Funds	8,418,156

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2013.

(d) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Company has no financial liability at 31 December 2013.

13. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

14. 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 in unit trusts are based on prices quoted by the fund managers.
- (ii) The fair value of current assets and liabilities approximate their carrying value due to the short term nature of these instruments.

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2013, grouped 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;
- (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).

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

14. Fair Values of Financial Instruments (Continued)

		2013			
		Level 1	Level 2	Level 3	Total
Financial Assets					
Financial investments		-	-	8,418,156	8,418,156

Reconciliation of level 3 items -

	2013
Balance at end of period	8,418,156

The gains or losses recorded in the income statement are included in Note 6.