

ANNUAL REPORT

2017



STRONG  
PERFORMANCE

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# About Us

Sagicor Real Estate X Fund Limited (“X Fund” or “the Group”), a St. Lucian International Business Company, is the largest publicly traded real estate investment company in Jamaica on the Jamaica Stock Exchange (“JSE”). We continue to be a leading private sector investor in the Jamaican commercial and tourism real estate market, through our investment in the Sigma Real Estate Portfolio (“Sigma Real Estate”) and through direct ownership of the Hilton Rose Hall Beach Resort & Spa (“Hilton Rose Hall”) in Montego Bay, the DoubleTree by Hilton at the entrance to Universal Orlando (“DTO”) in Orlando, Florida, and a stake in the former Palmyra Resort & Spa, renamed Jewel Grande Montego Bay (“Jewel Grande”). These are owned through wholly owned subsidiary companies, X Fund Properties Limited and X Fund Properties LLC. The stake in Jewel Grande, acquired in October 2016, builds on our tourism acquisitions, with DTO representing the first non-Jamaican property holding.

The Sigma Real Estate Portfolio has property investments in the tourism sector with ownership of three Jewel Resorts-branded hotels and an investment in Jewel Grande; and the commercial real estate sector by owning four office/retail shopping buildings and three industrial/warehousing properties. Additionally, Sigma Real Estate owns four prime land holdings slated for development in the future, as well as one land holding currently under development.



**TOURISM**



**OFFICE / RETAIL**



**INDUSTRIAL**



**DEVELOPMENT**



Richard O. Byles, Chairman

## Statement of the Chairman

On behalf of Board of Directors, I am pleased to report on the activities and performance of Sagicor Real Estate X Fund Limited for the year ended December 31, 2017.

**The company generated revenues of \$13.2 billion, with net profit attributable to stockholders of \$2.7 billion, up 62% from \$1.7 billion as at December 2016**

The assets of X Fund totalled \$47.7 billion, which represents an increase of 7% over 2016. The company generated revenues of \$13.2 billion, with net profit attributable to stockholders of \$2.7 billion, up 62% from \$1.7 billion as at December 2016. This strong performance was attributable mainly to revaluation gains for directly held properties and improvement in hotel revenues, as well as appreciation in Sigma Real Estate unit prices.

Earnings per stock unit increased to \$1.22 from \$0.75, from which the return on average stockholders' equity was 12.9%, up 36% from 9.5% in the prior year.

## PERFORMANCE HIGHLIGHTS

Key Metrics	2017	2016
Close Price	15.00	12.25
# Issued shares	2,243,005,125	2,243,005,125
Market Value of outstanding shares	33,645,076,875	27,476,812,781
Net Profit	\$2.74b	\$1.69b
52-week high	15.8	13.00
52-week low	9.50	9.50
12-month P/E	14.22	14.11
Actual EPS	1.22	0.75
Return on average Shareholders' Equity	12.88%	9.50%
Book value per share	10.12	8.87

Our main focus for 2017 was the improvement of our product offering for the three directly held properties, namely the Hilton and Jewel Grande both in Montego Bay, Jamaica, and DoubleTree in Orlando, USA. These were done, at a minimum, to keep pace with the other newer entrants to the market, and to increase hotel revenues.

After the acquisition of the Jewel Grande in 2016 by X Fund and other Sagicor-managed funds, the property remained closed while extensive building completions, renovations and refurbishing were undertaken. The hotel was officially opened to the public in October 2017 and boasts world-class facilities, expansive accommodations and an award-winning spa. The combined effects of revaluation gains and improved occupancy have positively impacted the overall returns of X Fund.

Additionally, both the Hilton and DoubleTree hotels underwent extensive renovations of their rooms and other facilities, and as a result are attracting better average daily room rates.

All commercial properties held in the Sigma Real Estate Portfolio continue to record strong occupancy, averaging in excess of 85%, as well as increased property valuations. The three Jewel Resort properties also continue to benefit from growth in tourism locally, and as foreign exchange earners, provide a currency hedge for the Portfolio.

**+29%** TOTAL REVENUE

2017: \$13.18 BILLION  
2016: \$10.25 BILLION

**+62%** NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

2017: \$2.74 BILLION  
2016: \$1.69 BILLION

**+63%** EARNINGS PER STOCK UNIT

2017: \$1.22  
2016: \$0.75

## Subsequent Events

We are pleased to report that in February 2018, Sagicor Real Estate X Fund Ltd. and Sagicor Group Jamaica, through its affiliated entities, (The Sagicor Entities), entered into an agreement with NASDAQ listed hotel owners and operators, Playa Hotels & Resorts N.V., to combine their tourism assets. Playa Hotels & Resorts, founded in 2006, is a leading owner, operator and developer of 15 all-inclusive resorts in Mexico, the Dominican Republic and Jamaica, with a total of 6,314 rooms.

This includes ownership and management of the Hyatt Zilara™ and Hyatt Ziva™ resorts in Montego Bay, Jamaica. Under the agreement, the Sagicor Entities will contribute their portfolio of all-inclusive resorts and developable land sites in Jamaica, including the Hilton Rose Hall, the Jewel Runaway Bay, Jewel Dunn's River, Jewel Paradise Cove, and the 88-room hotel tower and Spa of the Jewel Grande, in exchange for 20 million Playa shares and US\$100 million in cash.



### The major benefits to be derived from this transaction are:

Improved liquidity for our shareholders through ownership of shares in a Nasdaq listed company, rather than hard real estate assets;

A broadening of the geographical reach of our tourism investments;

Improved operating and marketing efficiencies by virtue of a much larger room count (8,000+ vs 2000)

## Outlook

Both X Fund and Sigma Real Estate Portfolio will continue to actively seek viable investments locally as well as across the wider Caribbean region and North America.

We remain deeply invested in the Jamaican tourism industry as we expand regionally, and will leverage Playa's experience and expertise, particularly in all-inclusive operations.

**Richard O. Byles**  
Chairman

We take this opportunity to thank our stakeholders for their confidence in us and continued investment in our company, as we remain committed to improving the quality of X Fund's portfolio and generating continued positive growth for many years to come.

# Notice of Annual General Meeting

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at Coconut Bay Beach Resort & Spa, Eau Piquant, Saint Lucia on Tuesday, June 12, 2018 at 11:00 a.m. for the following purposes:

**1. To receive the Audited Accounts and Reports of the Directors and Auditors for the year ended December 31, 2017.**

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

**Resolution No. 1**

“THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2017 be and are hereby adopted.”

**2. To elect Directors:**

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

**Resolution No. 2**

“That the election of directors be made en bloc.”

**Resolution No.3**

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

“THAT Directors Richard Byles and Vinay Walia, who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc.”

**Resolution No. 4**

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

“THAT by virtue of Article 98, Directors Dr. Dodridge Miller and Christopher Zacca, who were appointed by the Directors of the Board since the last Annual General Meeting as additions to the Board, and who retire and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc.”

**3. To fix the remuneration of the Directors**

**Resolution No. 5**

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

“THAT the amount of \$13,160,000 included in the Audited Accounts of the Company for the year ended December 31, 2017 as remuneration for their services as Directors be and is hereby approved.”

**4. To appoint the Auditors and authorise the Directors to fix the remuneration of the Auditors.**

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

**Resolution No. 6**

“THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.”

**5. To ratify interim dividend and declare them as final**

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

**Resolution No. 7**

“THAT the interim dividend of fourteen (14) cents paid on September 5, 2017 be and is hereby ratified and declared as final for the year ended December 31, 2017.”

Dated the 30th day of April, 2018

BY THE ORDER OF THE BOARD



MCSI Inc.  
Corporate Secretary

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member. Proxy Forms must be lodged with the Company Secretary, MCSI Inc. at its registered offices at 20 Micoud Street, Castries, St. Lucia not less than 48 hours before the time of the meeting.

A Form of Proxy is enclosed for your convenience.



INTRODUCING

# JEWEL GRANDE



## THE ESSENCE OF ISLAND LUXURY

The newest addition to the Jewel brand of properties is the Jewel Grande Montego Bay Resort & Spa, located approximately 10 minutes from Sangster International Airport in Jamaica. From personal butler service, a world-class full-service spa, two sparkling swimming pools, a state-of-the-art fitness facility, private beachside cabanas, to gorgeous accommodations lavished with a dazzling array of amenities the brand new Jewel Grande Montego Bay Resort and Spa is the ultimate in luxury. Enjoy paradise at the local championship golf course, embark on an aquatic adventure, experience first-class shopping at the nearby Shoppes of Rose Hall, or indulge in the authentic flavors of the Caribbean with great dining options. The Jewel Grande Montego Bay offers an elevated authentic Caribbean island experience. With our attentive service, extravagant amenities, and tranquil atmosphere we are the perfect Jamaican island resort for a dream vacation, unforgettable honeymoon, or corporate retreat.



## LUXURIOUS SUITES, PENTHOUSES & VILLAS

**Stylish Island-inspired Accommodations.** Spread across three towers, the property offers a variety of lavish resort accommodations, including one, two and three bedroom suites, penthouses, and three-bedroom villas. The brand-new Sentry Tower features a combination of 88 oceanfront junior, one bedroom and Penthouse suites offering spectacular views of the Caribbean. Each junior suite includes a wet bar, private balconies and luxurious beds and linens. The suites and villas located at the Sabal and Silver Towers additionally include a fully-equipped kitchen with high-end stainless steel appliances, granite countertops. Inspired by Jamaica's heritage, our elegant design is a seamless blend of casual sophistication designed for leisure and relaxation.

From personal butler service, to a world-class full-service spa, Jewel Grande is truly the ultimate luxury family resort in Jamaica. Every spot is a photo opportunity just waiting for you. This resort is an exclusive family resort, which since its opening in September 2017, has already achieved national and international press accolades.

The Kids Club and Teen Lounge are popular with the young set, and a fun size mini soccer field, Pavilion with full service bar, table tennis, pool tables and beachfront play area, Splash pad, Jungle Gym play area are all available for children and teens, with a lounge area nearby offering libation for the parents. This resort was designed with family travel in mind.

## THE JEWEL GRANDE CLUB HOUSE

**Weddings, Social Celebrations, & Corporate Events.** The Jewel Grande Club House is an elegant tree-lined beachfront promenade featuring a full-service restaurant, bar and lounge, and function space. From dream Jamaican weddings to corporate events the Jewel Grande Club House includes a 4,300-square foot ballroom, six meeting rooms, and grand terraces for outdoor functions.

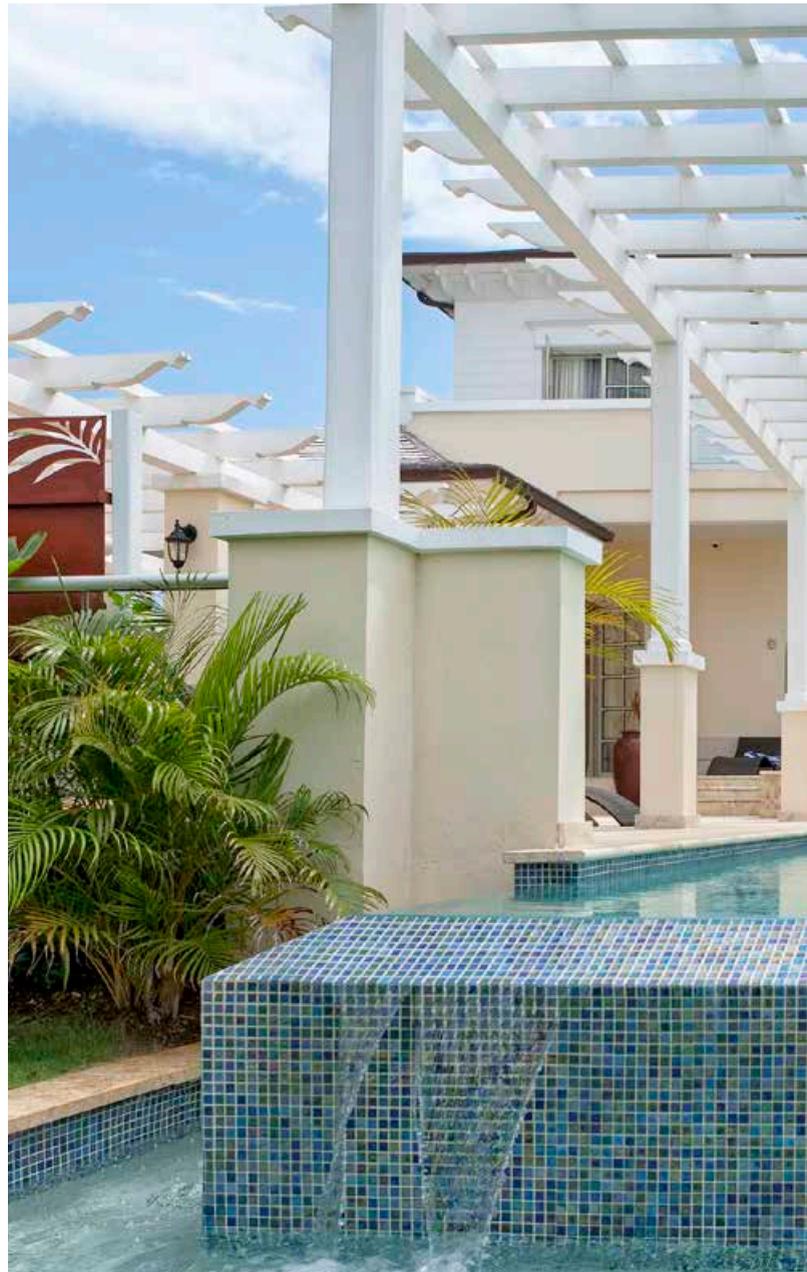


## THE WORLD-CLASS GRANDE SPA

**Rejuvenate Your Body & Soul.** Enjoy a relaxing massage or spa treatment and let your worries melt away. A 30,000-square foot sanctuary our world-class spa offers luxurious spa treatments and massages designed for total mind and body rejuvenation, with the first Himalayan Salt Lounge and Quartz Therapy Ritual Room in Jamaica. Let your mind wander, your body relax, and your soul decompress. We offer 14 treatment rooms, including two private couple's suites and two VIP suites, hot and cold mineral pools and an expert staff of trained massage therapists and spa professionals.

## ELEVATED CARIBBEAN CUISINE

**Indulge in the Authentic Flavors of Jamaica.** Satisfy every craving and enjoy a wide variety of unique culinary experiences. From casual quick bites, decadent desserts, authentic Jamaican delicacies, classic American comfort foods, to upscale fine dining the Jewel Grande Montego Bay Resort and Spa provides something for every taste and appetite. Indulge in our gourmet culinary program and enjoy a meal or cocktail by the pool, at the clubhouse, or in the privacy of your suite. For healthier fare, our spa includes the delightful Ortanique café offering freshly made wraps, sandwiches, smoothies, and an assortment of international teas.





## WORLD-CLASS, MEETINGS, EVENTS, & CONVENTIONS

**Meet in Paradise.** A world-class meeting and event destination in Jamaica, Jewel Grande Montego Bay Resort and Spa offers over 25,000 square feet of flexible space situated just steps from the sparkling waters of the Caribbean. Ideal for corporate retreats, team building events, awards galas, social celebrations, and more, we elevate every occasion to unforgettable status. From our expansive ballrooms, stunning outdoor venues, to intimate breakout rooms, we offer a selection of adaptable spaces that can accommodate groups of nearly any size. Of course, a successful event takes more than a good venue, which is why we staff a dedicated team of meeting and event planners with local and international travel expertise to ensure everything goes to plan. Indulge in paradise and create an unforgettable experience that friends and colleagues will want to relive again and again.





# Directors' Report

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2017. The Financial Statements reflect the results of Sagicor Real Estate X Fund Limited (X Fund).

	2017 J\$000's	2016 J\$000's
<b>Operating Results:</b>		
Group Profit before tax	3,010,260	1,927,993
Taxation	(268,234)	(238,995)
Net Profit after tax	2,742,026	1,688,998
Attributable to Stockholders of the Company	2,742,026	1,688,998
<b>Stockholders' Equity:</b>		
Stockholders' equity brought forward	19,900,063	15,646,965
Share Capital, opening	12,642,512	12,642,512
Shares issued	-	-
Share Capital, ending	12,642,512	12,642,512
Retained earnings, opening	4,296,746	2,921,769
Net profit	2,742,026	1,688,998
Dividends paid	(314,021)	(314,021)
Retained earnings, ending	6,724,751	4,296,746
Currency translation, opening	402,735	82,684
Currency reserve	(157,395)	320,051
Currency translation, ending	245,340	402,735
Fair value reserves, opening	2,558,070	-
Unrealised gains on revaluation of owner-occupied properties	519,053	2,558,070
Fair value reserves, closing	3,077,123	2,558,070
Stockholders' equity carried forward	22,689,726	19,900,063

## Directors

Article 102 provides that one-third of the directors shall retire from office at each Annual General Meeting. Directors Richard Byles and Vinay Walia retire under this Article and being eligible, offer themselves for re-election.

Article 98 provides that the directors may from time to time appoint any person to fill a casual vacancy or as an addition to the Board. Directors Dr. Dodridge Miller and Christopher Zacca who were appointed by the Directors of the Board since the last Annual General Meeting as additions to the Board, retire and being eligible offer themselves for re-election.

## Auditors

The retiring Auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office, will do so and a resolution authorizing the Directors to fix the remuneration of the Auditors will be presented at the Annual General Meeting.

## Dividends

Interim dividend of fourteen (14) cents per share was paid on September 5, 2017.



Chairman  
April 30, 2018

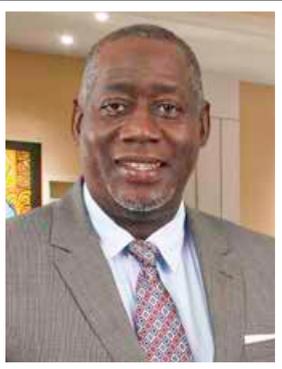
## Board of Directors



**Richard O. Byles** B.Sc., M.Sc.

Mr. Richard Byles is the Chairman of Sagicor Real Estate X Fund Limited and Chairman (Appointed June 1, 2017) of Sagicor Group Jamaica Limited. Mr. Byles holds a Bachelor's degree in Economics from the University of the West Indies and a Master's in National Development from the University of Bradford, England.

He is the Board Chairman of Sagicor Bank Jamaica Limited, Sagicor Life of the Cayman Islands Limited and Desnoes & Geddes Ltd. (brewers of Red Stripe). He is also a director of Sagicor Investments Jamaica Limited and Pan-Jamaican Investment Trust Limited where he was Chief Executive Officer for 13 years. He is a former Vice President of the Private Sector Organisation of Jamaica (PSOJ) and former Co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the implementation of the IMF programme in Jamaica.



**Rohan Miller** B.Sc. (Agri.) (Hon), MBA

Mr. Miller is the Chief Executive Officer of Sagicor Real Estate X Fund Limited, Chief Executive Officer of Sagicor Investments Jamaica Limited and Executive Vice President and Chief Investment Officer of Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd. He was awarded a B.Sc. (Hon.) degree with a major in Agricultural Economics by the University of the West Indies where he studied on scholarship from the Commonwealth Fund for Technical Co-operation. He received an MBA (Beta Gamma Sigma) in Finance from Rutgers University, Graduate School of Management where he was also the recipient of the Christine Dymysza Memorial Scholarship for academic excellence and the Edmund L. Houston Foundation Award for Outstanding Achievement.

He has oversight of a portfolio of investments valued at over J\$352 Billion.



**Christopher Zacca** B.S.C., MBA, CD, JP

Mr. Christopher Zacca is the President & CEO of Sagicor Group Jamaica Limited and a Director of all Sagicor Group Jamaica member companies. He is an astute business man with a wealth of business and management experience in both the public and private sectors spanning over three decades. He is highly respected in the private sector where he has held senior management positions at Desnoes and Geddes, ATL Group, Air Jamaica Ltd. and served as President of the Private Sector Organization of Jamaica. His track record in public sector service is equally impressive having served as special advisor to the Prime Minister from 2009 to 2011. He is a former Chairman of the Development Bank of Jamaica and the National Health Fund. Mr. Zacca holds an MBA from the University of Florida and a B.Sc in Engineering from the Massachusetts Institute of Technology.

**Dr. M. Patricia Downes-Grant** CBE, BA, MA, MBA, DBA, LLD (Hon)

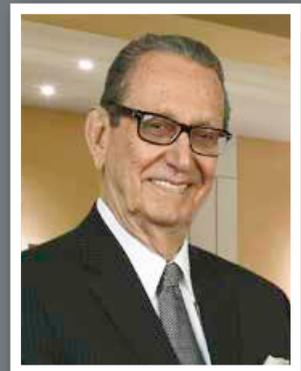
Dr. Downes-Grant, joined Sagicor Life Inc in 1991 where she held several senior positions, including Group Chief Operating Officer; and Treasurer and Executive Vice President (Finance and Investments) before being appointed as Chief Executive Officer and President on January 1, 2006. She holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr. Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers).

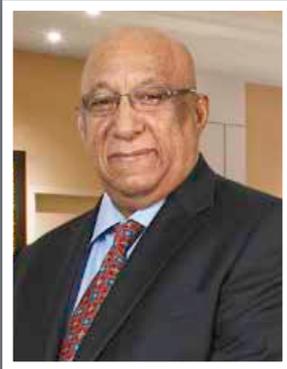
Dr. Downes-Grant has more than 20 years of work experience in the insurance, banking and asset management industry. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository and a Director of several companies within the Sagicor Group and the private sector of Barbados. In 2014, Dr. Downes-Grant was honoured for her services to the financial services industry and was awarded a Commander of the British Empire (CBE).

**Dr. The Hon. R. Danvers (Danny) Williams** O.J., C.D., J.P., Hon. LL.D (UTech), Hon. LL.D (UWI), CLU

Dr. the Hon. R. Danvers (Danny) Williams is the founder of Life of Jamaica Limited, now Sagicor Life Jamaica, serving as President & CEO on two separate occasions. He also serves on the boards of a number of Sagicor Group Jamaica member companies.

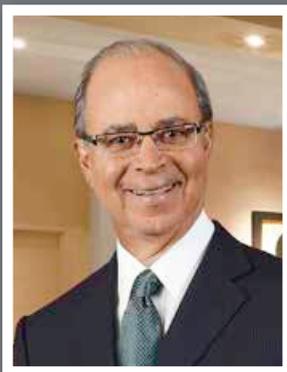
In 1972, Dr. Williams was awarded the National Honour of Commander of the Order of Distinction (CD) and in 1993 was conferred with the Order of Jamaica (OJ) for voluntary service to his community. He served the Government of Jamaica for three years (from 1977 to 1979) as a Senator, Minister of State and Minister of Industry and Commerce, respectively. He was conferred twice with the degree of Doctor of Laws (Hon) by the University of Technology in 2005 and by the University of the West Indies (Mona) in 2013. Dr. Williams currently serves on the boards of several major Jamaican companies, organisations and foundations. He is Director Emeritus of Jamaica Broilers Group Limited and Sagicor Group Jamaica Limited.





**Dr. Dodridge Miller** FCCA M.B.A., LL.M., Hon. LL.D

Dr. Dodridge Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation Limited in July 2002, and is a Director of Sagicor Group Jamaica Limited. A citizen of Barbados, Dr. Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LL.M. in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 30 years' experience in the banking, insurance and financial services industries.



**Michael Fraser** J.P. CLU

Mr. Fraser is a Chartered Life Underwriter who has worked in the insurance industry in Jamaica for several years. He served as President and Chief Executive Officer of Island Life Insurance Company Limited and Deputy Chief Executive Officer and Chief Marketing Officer of Sagicor Life Jamaica Limited. He is a Director of Sagicor Life of the Cayman Islands Limited and is a Director of Sagicor Insurance Brokers Limited. He also serves as a consultant with Sagicor Life Jamaica Limited.

He is a Past President of the Life Underwriters' Association of Jamaica and, in 1999, was voted "Insurance Man of the Year" by the Association. In 2005, he was inducted into the Caribbean Insurance Hall of Fame. He is also Vice Chairman of The Jamaica Cancer Society and Chairman of The Jamaica Medical Foundation.



**Stephen McNamara** Barrister-at-law

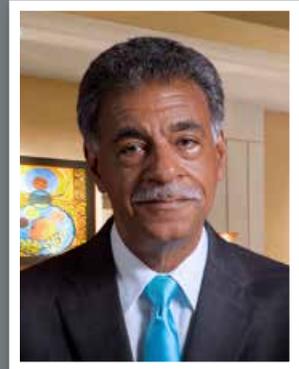
Stephen McNamara was called to the Bar at Lincoln's Inn, and in St Lucia in 1972. He is the senior partner of McNamara & Company, Attorneys-at-Law of St. Lucia. The barrister/solicitor specialises in the representation of foreign investors in St Lucia in the Tourism, Manufacturing and Banking sectors. He served as Chairman of the St Lucia Tourist Board for nine years. He was appointed Non-Executive Chairman of Sagicor Financial Corporation, the Group's holding company, on 1 January 2010, having formally served as Vice Chairman since June 2007, and is the Chairman of the Group's main operating subsidiary Sagicor Life Inc. and also of Sagicor USA and a number of other subsidiaries within the Group.

Mr. McNamara's St Lucia-based service includes the Board of St Lucia Electricity Services Ltd, where he was elected as the Chairman in December, 2015, and served until his retirement at the end of 2017. He is also the President of the St Lucia Tennis Association.

Mr. McNamara was made a Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for public service and services to the legal profession. Also in 2015 he was awarded an honorary doctorate from the University of the West Indies for his outstanding achievements and contribution to the region in the areas of business, sport and general philanthropy for more than forty years.

**Peter Pearson** B.Sc., FCCA, FCA, J.P.

Mr. Pearson is a graduate of Cornwall College and a graduate of the University of the West Indies from which he holds a BSc. (Management Studies). He is a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants. A former partner of PricewaterhouseCoopers, Jamaica, he was in charge of the firm's Montego Bay office. He has significant experience in public accounting in tourism and hospitality, banking, government, among other industries. Mr. Pearson is a director and audit committee member of a number of companies, including two that are listed on the Jamaica Stock Exchange. He has been a Justice of the Peace since 1988.

**Vinay Walia** Bachelor of Commerce, A.C.C.A.

Mr. Walia is the Managing Director of Guardsman Group, and also serves on the Board of Directors. He joined Guardsman Group as Financial Controller in 1998, before being promoted to Financial Director in 2000 and Co-Managing Director in 2012 and appointed Managing Director in 2016. His responsibilities include providing financial leadership to the Group and its subsidiaries, driving and supporting key strategic growth and profitability initiatives, as well as ensuring full compliance with government and industry regulations, and corporate policies. Prior to joining Guardsman Group, Mr. Walia had a reputable career in accounting and auditing, first with A.F. Ferguson & Co. (a representative of KPMG Peat Marwick in India), and later with KPMG Peat Marwick in Jamaica. He is a Chartered Certified Accountant (ACCA), and also holds a Bachelor of Commerce degree with Honours from Delhi University.



# Sagicor Real Estate XFund Group Structure



# Corporate Data

## DIRECTORS:

**Richard O. Byles**

Chairman

**Rohan Miller**

Chief Executive Officer

**Christopher Zacca**

*Dodgeridge Miller*

*Dr. the Hon. R.D. Williams, O.J., C.D.*

*Michael Fraser*

*Dr. Patricia Downes-Grant*

*Stephen McNamara*

*Vinay Walia*

*Peter Pearson*

## EXECUTIVE:

**Rohan D. Miller**

Chief Executive Officer

## Corporate Secretary:

**McNamara Corporate Services Inc.**

20 Micoud Street,  
Castries, Saint Lucia

## Auditors:

**PWC**

PricewaterhouseCoopers

PO Box 111

Bridgetown

BB 14004

Barbados

## Bankers:

**Sagicor Bank Jamaica Limited**

60 Knutsford Boulevard

Kingston 5

## Attorneys

**Patterson Mair Hamilton**

Attorney-at-Law

Temple Court

85 Hope Road

Kingston 6

## Registered Office:

20 Micoud Street

Castries

St. Lucia

## Territories of Operation

### St. Lucia

**Sagicor Real Estate X Fund Limited**

20 Micoud Street

Castries

St. Lucia

### Jamaica

**X Fund Properties Limited**

(wholly owned subsidiary)

28 – 48 Barbados Avenue

Kingston 5

Jamaica

### USA

**X Fund Properties LLC**

(wholly owned subsidiary of X Fund

Properties Limited)

5780 Major Boulevard

Orlando, Florida 32819

USA



# COMMERCIAL PROPERTIES





**Office/Retail Business**

	Property Value	ARR (PSF)	Occupancy
R. Danny Williams Building	2,600,000,000	\$ 1,179.58	100%
Sagikor Sigma Building	1,450,000,000	\$ 1,106.49	93%
Sagikor Montego Bay Commercial Centre	400,000,000	\$ 1,205.96	91%
Spanish Town Shopping Centre Strata Lots	53,000,000	\$ 730.90	79%
Millennium Mall	782,359,322	Under Development	

**Industrial/Warehouse**

	Property Value	ARR (PSF)	Occupancy
Sagikor Industrial Park - Norman Road	1,494,500,000	\$ 573.52	94%
Sagikor Industrial Park - Freeport, Montego Bay	1,180,000,000	\$ 537.68	96%
Sagikor Industrial Park - Marcus Garvey Drive	500,000,000	\$ 514.92	99%

**Land for Development**

	Property Value
23-25 Seymour Avenue	455,000,000



# Management's Discussion & Analysis



## COMPANY OVERVIEW

**Sagicor Real Estate X Fund Limited ("X Fund or the Group"), a St. Lucian International Business Company, is the largest publicly traded real estate investment company in Jamaica on the JSE.**

We continue to be a leading private sector investor in the Jamaican commercial and tourism real estate market, through our investment in the Sigma Real Estate Portfolio and through direct ownership of the Hilton Rose Hall, DTO and a newly acquired stake in the Jewel Grande. These are owned through wholly owned subsidiary companies, X Fund Properties Limited and X Fund Properties LLC.

The consolidated net profit attributable to stockholders for the year ended 31 December 2017 was \$2.74 billion, 62% higher than 2016's net profit of \$1.69 billion. The major contributors to this strong performance were:

- Improvement in the hotels' Occupancy and Average Daily Rates (ADR) fuelled by ongoing renovation of the properties. DoubleTree had year-over-year growth of 23% and 12% respectively. The resulting growth in hotel revenue was 21%, reaching \$10.27 billion, up from \$8.46 billion for 2016.
- Foreign exchange gains of \$181 million, compared to losses of \$403 million for 2016, associated primarily with our US dollar denominated loans. The Jamaican dollar had a 2.85% revaluation during 2017 relative to a depreciation of 6.61% for 2016.

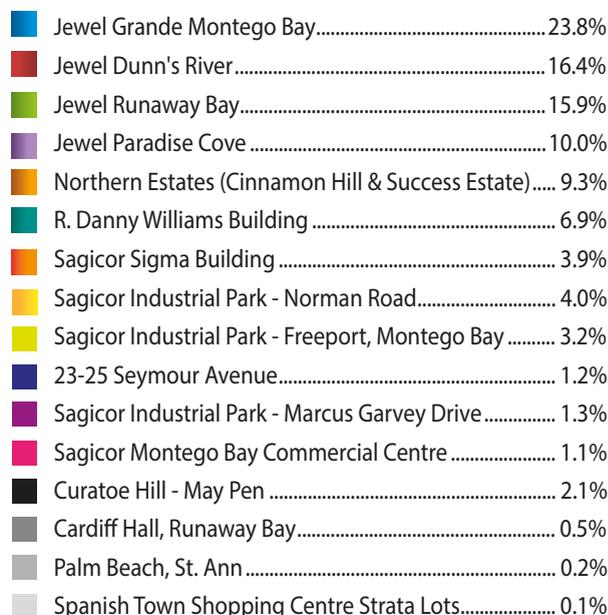
- Appreciation and realised gain of \$2.38 billion from investment in Sigma Funds Units (2016 - \$2.25 billion). This was due mainly to gains of \$5.02 billion recognized by Sigma Real Estate Portfolio (Sigma Portfolio), arising from the revaluation of the Jewel hotels and other real properties.

There was also a \$254 million gain on the revaluation of our direct investment in the Palmyra (now Jewel Grande). No revaluation was done in 2016 as the property was acquired during that year.

Our hotel operation comprises two hotels directly owned by the Group; the Hilton Rose Hall Resort and Spa (Hilton Rose Hall) and DoubleTree Universal in Orlando, Florida (DoubleTree). Hotel revenue of \$10.27 billion grew by 21% over the \$8.46 billion for 2016, driven by improved occupancy and room rates. Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was \$2.62 billion, compared to \$1.84 billion for 2016.

The Group also held a 38% interest in the Sigma Portfolio, down from 46% at December 2016. The Sigma Portfolio has property investments in the tourism sector through full ownership of three of the Jewel Resorts-branded hotels, a 56% holding in Jewel Grande Montego Bay, and the real estate sector by owning several office/retail shopping buildings, industrial/warehousing properties and prime land holdings slated for development. The net earnings in the Sigma

## Sigma Real Estate Portfolio Review



### Sigma Real Estate Portfolio Results By Segment

	Revenue \$M	EBITDA \$M	Net Income \$M
Hotel sector	7,580	1,552	1,313
Non-hotel properties	664	465	465
Other	3,879	2,886	2,504
TOTAL - 2017	12,123	4,903	4,282
TOTAL - 2016	9,872	3,512	3,026

Portfolio, which forms the basis for appreciation of the Sigma Portfolio unit values, was based on 2017 revenue of \$12.12 billion – of which \$7.58 billion (2016 - \$7.13 billion) was earned by the Jewel hotels.

EBITDA was \$4.90 billion and net profit \$4.28 billion. Earnings per stock unit (EPS) was \$1.22 (2016 - \$0.75). The weighted average number of shares for EPS was 2,243,005,125 for both periods. Return on average

Stockholders' Equity (ROE) was 12.88% (2016 – 9.5%).

At the end of December 2017, the Sigma Real Estate Portfolio held sixteen (16) real estate assets which comprised of prime commercial and resort properties located across Jamaica, as well as five lots of land, of which one is currently being developed as a commercial complex, and the other four are slated for development in the future.

In terms of value, Sigma Real Estate's stake in the newly upgraded and renamed Jewel Grande Montego Bay

was number one, whereas the lowest in value is the recently acquired Palm Beach lot of land in St. Ann. The invested real assets of the Sigma Real Estate Portfolio can be broken down as follows: (1) Commercial (Non-Hotel) Properties; (2) Tourism (Hotel) Properties; (3) Land for Development.

The portfolio, on an asset value basis, continues to be dominated by the 4 Jewel hotel properties at 66%. The portfolio's net earnings show a similar split between the tourism and commercial properties with hotels accounting for 70%. The Sigma Real Estate Portfolio generated net income of J\$4.28 billion in 2017, up 42% from J\$3.03 billion from the previous year.

The net earnings generated by the hotel properties are

**The Sigma Real Estate Portfolio generated net income of J\$4.28 billion in 2017, up 42% from J\$3.03 billion from the previous year.**

denominated in US dollars and therefore provide a hedge against devaluation of the Jamaican dollar. The hotel properties contributed net profit of J\$1.31 billion to the overall profitability of the portfolio, down 5% from J\$1.38 billion from the previous year.

The commercial (non-hotel) properties in the Sigma Real Estate Portfolio contributed approximately J\$465 million towards the portfolio's overall net profit, up from J\$364 million in 2016. The average occupancy across the commercial properties in the portfolio was 98%, up from 95% for 2016.

## MARKET DYNAMICS

### GLOBAL ECONOMY

Growth in global output was estimated at about 3.7% in 2017. This reflected a rebound in global output and should be viewed in the context of recovery in trade, investment and manufacturing activities. Global growth was supported by improvements in financial conditions, rising confidence and increases in commodity prices. Within the Advanced Economies, USA recorded estimated growth of 2.3% compared with growth of 1.5% in 2016. This stemmed from a weakening US dollar which led to increased private investment.

For the Euro Area, growth accelerated to 2.4% in 2017 from 1.8% the previous year. The higher growth stemmed from stronger export growth and increased domestic demand. Additionally, improved financial conditions positively impacted the growth performance. The United Kingdom recorded a slowing in growth of 1.7%, coming from 1.9% in 2016. This deceleration was mainly influenced by a slower pace of growth in private consumption owing to the depreciation of Great Britain Pound depressing household's real income.

There was higher inflation in 2017 for the Advanced Economies, while lower inflation was recorded for the Emerging Markets & Developing Economies. In the Advanced Economies inflation rose to 1.7% from 0.8% in 2016, this increase was pushed by higher crude oil prices which boosted inflation for major economies. For Emerging Markets & Developing Economies inflation declined to 4.2% from 4.3% in 2016, this was impacted by rebound in commodity prices.

### JAMAICAN ECONOMY

For 2017, the Jamaican economy is estimated to have recorded real GDP growth of 0.5 per cent relative to 2016. This represents the fifth consecutive year of growth. Higher Real GDP was supported by increased external and internal demand, and improved stability in the macroeconomic environment, particularly related to greater predictability in the foreign exchange market. The Bank of Jamaica implemented the BOJ Foreign Exchange Intervention Tool (BFXITT) for the sale and purchase of foreign exchange to and from Authorised Dealers and



**The increase in total visitor arrivals and visitor expenditure supported the acceleration in economic activity. The expansion of existing properties and the construction of new hotels have facilitated the vibrancy in the Hotel & Restaurant sector.**



Cambios. Also, labour market conditions improved with unemployment rate declining by 1.5 percentage points to 11.7% from 12.3% in 2016. This was the lowest rate of unemployment for a calendar year since 2009. The main industries supporting this growth were Hotels & Restaurants (up 3.9%); Manufacture (up 1.5%); and Construction (up 0.9%).

The increase in total visitor arrivals and visitor expenditure supported the acceleration in economic activity. The expansion of existing properties and the construction of new hotels have facilitated the vibrancy in the Hotel & Restaurant sector. The consequent increased room stock supported the growth in tourist arrivals. For the calendar year 2017 stop-over arrivals were 4.3 million, an increase of 11.4% when compared to 2016.

Similarly, fiscal operations of the Jamaican government displayed improvements. For the first nine months of the fiscal year, a fiscal surplus was recorded, pushed mainly by increased revenue. This improvement in revenue collection was due to a shift to indirect taxes and increased compliance. Inflation for the year was relatively low, despite an increase in the rate compared with 2016. Net International Reserves continued an upward trend, along with debt/GDP declining for the fourth consecutive year.

The growth path was favourably impacted by the expansion in new investments. Commercial bank credit to the private sector continues to grow strongly. The annual growth in private sector credit at the end of December 2016 was 14.8%, which was significantly stronger than the expansion of 9.5% a year earlier.

The Jamaica Stock Exchange Main Index increased by 50.0% in 2017, relative to an increase of 27.6% in 2016. This faster rate of growth reflects the improvement in investor appetite which was influenced by



improved economic conditions as well as companies reporting higher profits. Also within the equities market were announcements of stocks splits, rights issues and bonus issues which positively impacted the performance of equity prices.

**For 2018, growth in the real economy is anticipated within the range of 1.5% to 2.5%, based on increased investor confidence and increased investment activities.**

It is also anticipated that growth in the domestic economy will be driven by recovery in the agriculture sector as well as implementation of on-going structural and macroeconomic reforms, resulting in a faster pace of growth compared with 2016.

## Key Economic Statistics: **TOURISM SECTOR REVIEW**

Growth in Real Gross Domestic Product (GDP) was 0.5% for the 12-month period to December 2017 compared to 1.5% in 2016. The Average savings rate (domestic currency) was 1.57% at end of December 2017. The rate at end 2016 was 1.34%.

The 6-month Treasury Bill rate decreased by 193 bps to 4.63%. The rate at December 2016 was 6.56%. The average lending rate declined to 14.63% at end of November 2017 from 16.20 at the end of December 2016. Inflation ended the 12-month period to December 2017 at 5.2%, up from 1.7% in 2016.

The Jamaica Stock Exchange Main Index grew (50.0%) advancing to 288,382 points. The market advanced

27.6% in 2016. The Jamaican dollar appreciated by 2.7% against the US\$, during 2017, versus a depreciation of 6.6% in 2016. The weighted average daily selling price was \$125.00 as at December 31, 2017.

The unemployment rate at October 2017 was 10.4%, a decline of 2.5 percentage points relative to 12.9% in October 2016. For FY 2016/17, the primary surplus as a percent of GDP (7.6%) initially exceeded a relaxed target of 7.0% of GDP by 0.6 percentage point. The primary balance target for FY 2016/17 and beyond is 7.0% of GDP. Debt/GDP declined to 103% as at December 2017 from 121% in December 2016.

The NIR continued to remain in a strong position, increasing to US\$3.2Bn at end December 2017, up from US\$2.7Bn at year-end December 2016.



Travel & Tourism generated US\$7.6 trillion (10.2% of global GDP) and 292 million jobs in 2016, equivalent to 1 in 10 jobs in the global economy.

## TOURISM SECTOR REVIEW

### 1. Global Environment

Demand for international tourism remained robust in 2017 despite challenges. International tourist arrivals grew by 6.7% to reach a total of 1.3 Billion in 2017, according to preliminary data in the United Nation World Travel Organization (UNWTO) World Tourism Barometer. This represented a seven-year high in demand for international tourism due to sustained growth in most destinations as well as recovery in those that experienced declines in the past. Growth was led by increases in the Mediterranean destinations, with Europe recording an 8.4% increase in international arrivals. Africa registered growth of 7.8%, reflecting continued rebound that began in 2016. Additionally, growth in the Americas was 2.9% to 206.6 million arrivals. Growth was stronger in South America (6.7%) and the Caribbean (4.1%). Growth in Central America was 3.7% and for North America growth of 1.6%.

UNWTO noted that, in total, Travel & Tourism generated US\$7.6 trillion (10.2% of global GDP) and 292 million

jobs in 2016, equivalent to 1 in 10 jobs in the global economy. The sector accounted for 6.6% of total global exports and almost 30% of total global service exports.

### 2. Orlando Environment

In addition to tourism, Orlando is a major industrial and high tech centre. The metro area has a US\$13.4 billion technology industry employing over 53,000 people and is a nationally recognised cluster of innovation in digital media, agricultural technology, aviation, aerospace and software design. More than 150 international companies, representing approximately 20 countries, have facilities in Metro Orlando. Recently, Forbes magazine recognised Orlando as the top city in the United States for job growth. Despite the passage of Hurricane Irma in September 2017, increased arrivals to Florida were recorded for 2017. Hurricane Irma caused infrastructure damage and resulted in temporary closure of airlines.

### International Tourism

Region	2009	2010	2011	2012	2013	2014	2015	2016	2017
World	-3.9%	6.6%	4.6%	4.7%	4.7%	4.3%	4.6%	3.9%	6.7%
Europe	-5.1%	3.1%	6.4%	3.9%	4.8%	2.3%	4.7%	2.4%	8.4%
Asia and the Pacific	-1.6%	13.2%	6.2%	7.1%	6.9%	5.8%	5.6%	7.7%	5.8%
Americas	-4.9%	6.4%	3.7%	4.5%	3.0%	8.5%	6.0%	3.7%	2.9%
Africa	4.5%	9.3%	-70.0%	4.5%	4.5%	0.9%	-2.5%	7.6%	7.9%
Middle East	-5.4%	14.6%	-9.3%	2.6%	-1.5%	9.9%	2.0%	2.4%	4.9%

### 3. Jamaican Environment

The increased global tourist travel partly resulted in a higher number of visitors to the island. This was favourably impacted by domestic policy initiatives focused on facilitating increased investments and visitor arrivals. Against this background, total visitor arrivals to the island increased relative to the previous year.

Total visitor arrivals increased by 11.4% to 4.3 million. This was due to increased visitors from the USA, Canadian and European markets, which was facilitated by increases in hotel room capacity, flight frequency as well as the introduction of new flights. The continued uptick in visitors from these source markets is partly attributable to improved economic conditions in the USA and Europe, as well as an increase in flight frequency and ship call to Jamaica. Towards the last quarter of the year, Jamaica also benefited from the diversion of passengers from the hurricane-affected regional destinations.

#### 3.1. Stopover Arrivals

Total stopover arrivals grew by 7.8% to 2.3 million persons. This performance was due mainly to increased arrivals from the three major source markets (USA, Canada and Europe) for Jamaica and was facilitated by increased airlifts. Stopover arrivals from the United States market recorded a 7.4% increase, with 1,509,963 visitors compared to the 1,406,058 visitors during 2016. Arrivals from Canada (the second largest source market) recorded 405,174 visitors, an increase of 8.9% compared to 2016. This was the first increase from Canada since 2014. Arrivals from the European market grew by 10.6% to 325,804 visitors, this was 31,095 more visitors than in 2016.

The average length of stay of Foreign National arrivals in all types of accommodations was 8.4 nights, a decline compared to 8.8 nights in 2016. However, for the Non-Resident Jamaican arrivals, the average length of stay increased to 17.5 nights from 16.8 nights in 2016. Despite a fall in the average length of stay, total visitor expenditure increased during 2017. Provisional visitor expenditure was US\$2.9 billion, 11.2% higher than in 2016.

#### Total Visitor Arrival

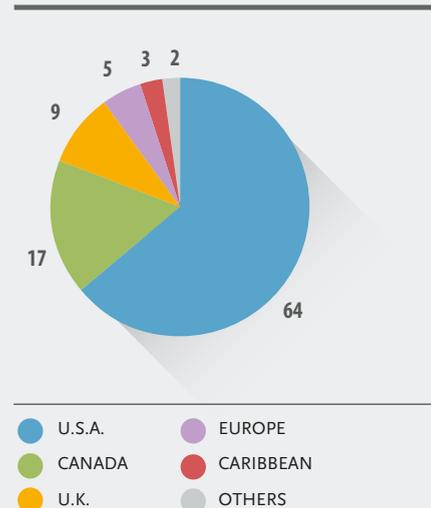
MILLIONS



● TOTAL STOP OVER  
● CRUISE PASSENGERS

#### Stop over Visitors

BY MARKET SHARE (%)



● U.S.A. ● EUROPE  
● CANADA ● CARIBBEAN  
● U.K. ● OTHERS





### 3.2. Cruise Passenger Arrivals

A total of 1,923,274 cruise passengers embarked at Jamaica's three major ports in 2017. This was an increase of 267,712 passengers or 16.2%. This reflected increased arrivals at all ports, with Falmouth recording the largest increase of 137,769 passengers or 19.5%; followed by Montego Bay (up 16.2%) and Ocho Rios (up 10.6%) ports.

### 4. Economic Impact

The Hotels & Restaurants industry grew by an estimated 3.9% for calendar year 2017 relative to the similar period last year, which was mainly attributed to an improvement of stopover arrivals. This was accompanied by an estimated increased tourist expenditure of 7.4%, which totalled US\$627.3 million for the period. The sector continues to be the leading earner of foreign exchange for Jamaica.

The Jamaica Tourist Board (JTB) continued its marketing activities to maintain and reinforced a positive image of Jamaica in the various target markets. Several initiatives were used to promote the island and showcase the authentic natural experiences and the numerous enjoyable, refreshing and relaxing encounters. These initiatives included digital ad





campaigns in main source markets; use of social media influencers to promote under-the-radar experiences in Jamaica.

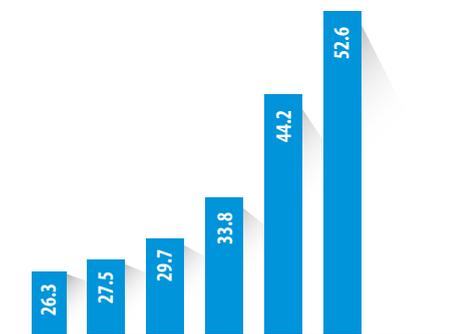
#### 4.1. Employment

The average annual employment in the Hotels and Restaurants industry increased to 99,300 persons, from 94,750 persons in 2016. This represented approximately 8.3% of total employment, relative to 8.1% in 2016.

#### 4.2. Loans & Advances

At the end of 2017, the stock of Loans & Advances to the industry by commercial banks was \$52.6 billion compared with \$44.2 billion at the end of 2016. The Tourism sector remained one of the main drivers of domestic currency loans. The higher loan stock at commercial banks and FIA institutions emanated from increased financing partly associated with construction activity within the industry.

**Commercial Banks Loans & Advances**  
US\$ BILLIONS



The UNWTO projects international tourist arrivals worldwide to grow at a rate of 4% – 5% in 2018. The Americas is expected to grow at 3.5% to 4.5%.

## 5. Outlook

Following on the fairly robust growth in sector since 2010, the outlook for the Travel & Tourism sector in 2018 remains strong. It is expected that the sector will continue to drive wealth and job creation in the global economy. The UNWTO projects international tourist arrivals worldwide to grow at a rate of 4% – 5% in 2018. The Americas is expected to grow at 3.5% to 4.5%.

Within the domestic economy, it is anticipated that real value added for the Hotels & Restaurants industry will continue to grow for 2018, owing to higher stopover arrivals. Growth in stopover arrivals will be boosted by increased flight frequency and introduction of additional flights. There is also the expectation of higher cruise passenger arrivals, stemming from the introduction of new cruise vessels, conducting projects to improve the cruise passenger experience at the



ports, face-to-face sales meetings with existing and new cruise companies, and increased participation in cruise travel trade events and promotions.

Consequent on the continued expansion and build-out of new hotels, it is anticipated that the employment prospects for the Hotels & Restaurants Industry are expected to improve. The room stock in the industry has been increasing since 2013, with a 8% increase in room stock for 2016 relative to 2015.

## COMMERCIAL SECTOR REVIEW

The Real Estate, Renting & Business Activities sector has registered growth for the past 5 years and is projected to continue on this trend into 2018. Particularly for 2017 the sector grew by 0.5%. This was pushed by growth in renting of machinery & equipment without operator; investigation & security activities; and real estate activities. Higher tourist arrivals and construction activities boosted the increase in renting of machinery & equipment. Additionally, the performance of the construction sector is used as a gauge for assessing activities in the real estate sector. For calendar year 2017, the construction sector of the economy grew by 0.9%. Among the main contributors to this performance was higher levels of construction activities associated with new hotel construction and expansion works; and the construction of new office space to facilitate the expansion of Business Process Outsourcing (BPO) activities and other businesses. The BPO sector continued to play an important role in the economy as it contributes positively to the economic activities.

**The excellent performance for the year resulted in a consolidated net profit attributable to stockholders of \$2.74 billion, up by 62% over the \$1.69 billion for the corresponding period.**

## FINANCIAL PERFORMANCE

### Operations

Consolidated revenue of \$13.18 billion, grew by 29% over the \$10.25 billion for 2016. This reflected improved hotel revenue, as tourist arrivals and room rates have improved over 2016. Capital gains from Sigma Fund investment of \$2.38 billion was up 6% over the \$2.25 billion for 2016, plus gain on revaluation of Jewel Grande Montego Bay of \$254 million. The Jamaican dollar revalued in 2017, resulting in substantial foreign exchange gains relative to the losses of 2016.

The excellent performance for the year resulted in a consolidated net profit attributable to stockholders of \$2.74 billion, up by 62% over the \$1.69 billion for the corresponding period. Tighter expense management by the hotels resulted in a 4% improvement in efficiency.

Ongoing initiatives are being implemented to reduce energy consumption and further improve efficiency. Year-over-year increase in interest expense and depreciation resulted from borrowings to finance the purchase of additional units in the Sigma Portfolio; a 15% investment in real property at the Jewel Grande Montego Bay (formerly known as Palmyra); and additional fixed assets purchased during renovation of the Hilton.

The Group generated cash of \$1.29 billion from its operating activities (2016 - \$2.53 billion). As at 31 December 2017, the Group had cash and cash equivalents of \$1.26 billion, up from \$659 million at 31 December 2016. Cash inflow from borrowings in 2016 of \$3.66 billion, along with cash from operating activities, were used to acquire additional units in the Sigma Portfolio and towards the purchase and renovation of the Jewel Grande Montego Bay. Cash and cash equivalents excluded restricted cash of \$213 million.

### Balance Sheet

The Group's total assets grew by \$3.33 billion to \$47.69 billion, up from \$44.36 billion as at 31 December 2016. This growth reflected cash inflow from operating activities, revaluation gain on Hilton Rose Hall and DoubleTree Orlando and share of Jewel Grande Montego Bay's total assets.

Total borrowings at December 2017 stood at \$21.46 billion (31 December 2016 - \$21.65 billion). Total Stockholders' Equity as at 31 December 2017 was \$22.69 billion compared to \$19.90 billion as at 31 December 2016. Net earnings and revaluation gains on the properties, less dividend paid of \$314 million and currency translation loss of \$157 million, attributed to the change in Equity. Market capitalisation at 31 December 2017 and 31 December 2016 were \$33.65 billion and \$27.48 billion, respectively, due to market prices.

## RISK MANAGEMENT

In addition to other information set forth in this Annual Report, investors should be mindful of the risks described. These risks are not the only ones facing shareholders. Additional risks not presently known to the Directors or that the Directors may presently consider to be immaterial may also impair X Fund's operations.

X Fund's actual results could differ materially from those anticipated as a result of certain factors, including the following risks faced by X Fund.

### Ordinary Stock Price Fluctuations

The trading price of X Fund's shares has fluctuated since its listing on the JSE Main Exchange and may continue to do so in the future. Some of the reasons for fluctuations in the price of the shares include but are not limited to:

announcements of developments related to X FUND's business;

the issue of additional shares by X FUND from time to time;

announcements concerning the properties in the Sigma Real Estate Portfolio;

announcements concerning Sagicor Sigma Global Funds in general and Sigma Real Estate Portfolio in particular;

general conditions in the economy, the real estate market, and the markets served by any of the major tenants

substantial loss or damage to any of the Sigma Real Estate Portfolio properties by hurricane, fire and other natural disasters;

changes in the law regarding several matters including but not limited to taxation, rights of landlords and tenants, planning and the environment.

In addition, prices on the stock market may be particularly subject to volatility. In many cases, the fluctuations may be unrelated to the operating performance of the affected companies. As a result, the price of the shares could fluctuate in the future without regard to operating performance.

### Changes in Government Policies

The Government of Jamaica may from time to time affect macroeconomic conditions through fiscal and monetary policies, which may have an adverse impact on the real estate market, the stock market and the performance of X Fund.

### Risk relating to Marketability of the shares

The X Fund's shares, listed on the Jamaica Stock Exchange, may not be readily saleable and shareholders who





**The transaction model is tax sensitive. Changes in the tax treatment of international business companies in Saint Lucia or unit trusts in Jamaica or of companies listed on the Jamaica Stock Exchange could materially affect the profitability of X Fund.**

may want to “cash out” may not be able to do so or may only be able to do so at a discount.

**Risks of hurricane, fire and other Acts of God**

Material events affecting the properties in the Sigma Real Estate Portfolio could also impact X Fund’s performance and operating results. These properties are susceptible to loss or damage by fire, hurricane, earthquake, flood and other perils. Although Sigma Real Estate Portfolio intends to maintain insurance on the properties against such perils, there are numerous factors which could expose Sigma Real Estate Portfolio to

loss as a result of a fire, hurricane or other such peril. For instance:

- a) the insurers could delay settlement or deny liability in respect of a claim for a variety of reasons and even if Sigma Real Estate Portfolio were to ultimately prevail, such delay could prevent the repair or reinstatement of the property with consequential loss of rental income and exposure to increased costs of repairs or reinstatement;
- b) an insurer or reinsurer could become insolvent or otherwise be unable to respond to a loss under the policy of insurance;

- c) loss of rent is not covered under the insurance policy;
- d) after a loss, the sitting tenant may elect to relocate to other premises or to close operations in the leased premises and Sigma Real Estate Portfolio may be unable to promptly find a suitable replacement tenant.

**Taxation Risks**

The transaction model is tax sensitive. Changes in the tax treatment of international business companies in Saint Lucia or unit trusts in Jamaica or of companies listed on the Jamaica Stock Exchange could materially affect the profitability of X Fund. An increase in property taxes or the introduction of any new tax in respect of hotel properties, or on companies generally, or on rental properties could also reduce X Fund’s profit margin through its investments in the Sigma Real Estate Portfolio.

### Foreign Currency Risk

Although a few leases provide for rent to be paid in United States dollars, as a general rule rent is payable in Jamaican dollars under the leases relating to the Sigma Real Estate Portfolio properties. Certain costs such as insurance and refurbishing costs as respects imported materials such as carpets and elevators may be increased as a result of the devaluation of the Jamaican dollar relative to the United States dollar and other foreign currencies. Accordingly, Sigma Real Estate Portfolio is exposed to the risk that the value of the future cash flows from rental income may fluctuate because of changes in foreign exchange rates. Sigma Real Estate Portfolio does not, at this point, hedge its foreign exchange risks and it has no current plans to do so.

### Operational Risks

In the execution of its business functions, X Fund is exposed to operational risks arising from failures in systems and the processes through which it operates. Critical areas of operational risks include:

- (a) employee errors - such as failure to renew insurance or to insure for the proper value;
- (b) accounting errors, data entry errors; and
- (c) fraud (internal and external) or other criminal activity.

Under the Property Management Agreement between Sagicor Property Services Limited ("Sagicor Property") and Sagicor Jamaica (in its capacity as managing agent for Sigma Real Estate Portfolio), Sagicor Property is required to indemnify Sigma Real Estate Portfolio against loss or damage caused by the gross negligence, or

wilful default or fraud of Sagicor Property or any of its employees or agents in the performance of their duties or functions. Sagicor Property seeks to eliminate such risks by maintaining a comprehensive system of internal controls and administrative checks and balances to monitor transactions supported by a robust internal auditing capability. It also maintains an off-site data repository which will enable it to continue operations in the event of catastrophe affecting its operating location.

### Lessees' Risks

Although Sagicor Property has taken care to select reputable tenants for the rental properties in the Sigma Real Estate Portfolio nevertheless changes in the business fortune of a tenant could affect its creditworthiness and business practices. Rental income to Sigma Real Estate Portfolio could therefore be affected by counter-party risk under the relevant leases - that is to say the risk that a tenant may be unable or unwilling to pay its rent on the due date. That risk has





been ameliorated somewhat, but not substantially, by requiring tenants to place a security deposit with Sigma Real Estate Portfolio – typically one month's rent and in a few cases, two months'.

### Thin market in Company's Shares

The Jamaican stock market is relatively small and the market in X Fund's shares is expected to be relatively thin compared to larger capital markets. That means that trade in small quantities of X Fund's shares can trigger wide swings (up or down) in the market price of the shares and make it easier for the stock price to be manipulated.

### Sale of substantial block of Shares may cause market price to decline

X Fund's shares are freely tradable. Sagicor Life Jamaica Limited (Sagicor Jamaica) and Sagicor Pooled Investment Funds (PIF) are not restricted in the manner or timing of the disposal of any of their shares. It is possible that relatively large blocks of shares may be acquired by pension funds and institutional investors. A sale of a substantial block of shares by any one or more shareholders may cause the market price of the shares to materially decline.

### The Special Share held by PIF will deter take-over bids

The fact that PIF holds the Special Share which gives it control over the election of Directors and other key corporate decisions will make it unlikely that any investor other than PIF or entities affiliated to PIF would bid for control of X Fund. Such bid if made would usually be expected to be at a premium above the prevailing trading price of the shares. Accordingly, the likelihood of stockholders receiving a take-over bid is reduced, perhaps significantly.

### Fluctuation Property Value

Movement in the market value of the Sigma Real Estate portfolio properties will be reflected in the value of the shares, given X Fund's investment in the unit trust portfolio. Property value may fall for a variety of reasons, including but not limited to, change in government policy or taxation; fall in demand for rentable office and warehouse space (due to economic downturn or other factors triggering a reduction in demand for rentable office and warehouse space) and construction of new and more modern office and warehouse facilities.

### Affecting Unit Trusts

The shares will derive their value from the units in the Sigma Real Estate Portfolio. Any change in the law or regulation which impacts (whether adversely or positively on unit trusts) will, most likely, "feed" through to the value of the shares.

### Lack of Diversification

The Sigma Real Estate Portfolio is a non-diversified portfolio within the Sagicor Sigma Global Funds (Sagicor Sigma). The lack of diversification means that the Portfolio is particularly exposed to risks affecting the property market.

### Related Party & Potential Conflict of Interest

X Fund is managed by Sagicor Jamaica. Sagicor Jamaica is also providing investment management services to the Sigma Real Estate Portfolio and, along with the Sagicor Pooled Investment Funds, are substantial investors in X Fund. In spite of the multiple roles which Sagicor Jamaica will play, the interests of the various parties are generally aligned. Notwithstanding that the parties all share common interest in the success of X Fund, it is possible that conflicts of interest would arise in the day-to-day operations of X Fund.

The Group has a robust Corporate Governance Committee which includes non-executive directors. That Committee is charged with the duty of ensuring adherence to best practice standards of corporate governance and ethics within the Group. This Board Committee, among other things, reviews related party transactions and monitors conflict of interest situations to ensure that all such transactions are carried out on an arm's length basis with the utmost integrity. In addition, X Fund has appointed independent directors, to chair its Investment and Audit Committees. The Audit

Committee also monitors and reviews related party transactions and other potential conflict of interest scenarios to ensure strict compliance with best practice benchmarks.

X Fund's goal in risk management is to ensure that it understands, measures, and monitors the various risks that arise and that it adheres strictly to the policies and procedures which are established to address these potential risks.

## STRATEGIC OUTLOOK

**The Group's main strategic priorities will continue to focus on actively seeking viable real-estate investments within the Caribbean region and North America.**

Our main aim is to enhance value for shareholders by continuously improving the yields on our real estate linked investments.



# DOUBLETREE ORLANDO



## Hotel Renovation Complete

The Group's acquisition of DoubleTree by Hilton at the Entrance of Universal Orlando in September 2015 represented our first non-Jamaican property holding, and an expansion of the geographical diversification of the Group's assets.

We commenced a full renovation of the hotel towers in 2016, which was completed in 2017 at a total cost of US\$25m. This is expected to drive revenue growth through improved occupancy, as well as the ability to charge higher daily room rates.

The renovations have resulted in improvements and modernization of all 742 guest rooms and 19 suites, as well as common areas and amenities. The hotel offers large conferencing facilities, a variety of restaurants and dining options, banquet halls and other leisure services geared towards attracting both small and large client groups. This, coupled with its ideal location across from Universal, Orlando makes it a hotel of choice for all.

As a Universal Partner Hotel, the DoubleTree is within walking distance to Universal Studios Florida, Islands of Adventure and CityWalk. Guests can also enjoy complimentary scheduled transportation to Universal Orlando Resort™, SeaWorld Orlando®, Aquatica, and the newly opened Universal's Volcano Bay™ Water Park. The DoubleTree is ideally located near golf courses, The Mall at Millenia, Premium Outlets Orlando, SeaWorld® Orlando and Walt Disney® World Resorts.

With all this and more our guests can discover an oasis of contemporary luxury with a business style at the newly redesigned DoubleTree by Hilton Hotel at the Entrance to Universal Orlando.

## HOTEL AMENITIES/SERVICES

### 5 Food and Beverage Outlets

- Junior Olympic Outdoor Pool and Jacuzzi
- Newly Renovated Fitness Center with Precor Equipment
- 63,000 square feet of flexible indoor/outdoor meeting space
- Two full service restaurants, lobby bar, pool bar, Deli and Starbucks
- Game Room featuring the newest Arcade Games
- Official Universal Desk for attraction tickets and information to Universal Orlando®, SeaWorld Orlando® and Wet 'N Wild Orlando®
- Complimentary scheduled shuttle service to Universal Orlando Resort, Wet 'N Wild, SeaWorld and Aquatica® (provided by Universal Orlando)
- Fully-equipped Business Center
- Avis Car Rental on site



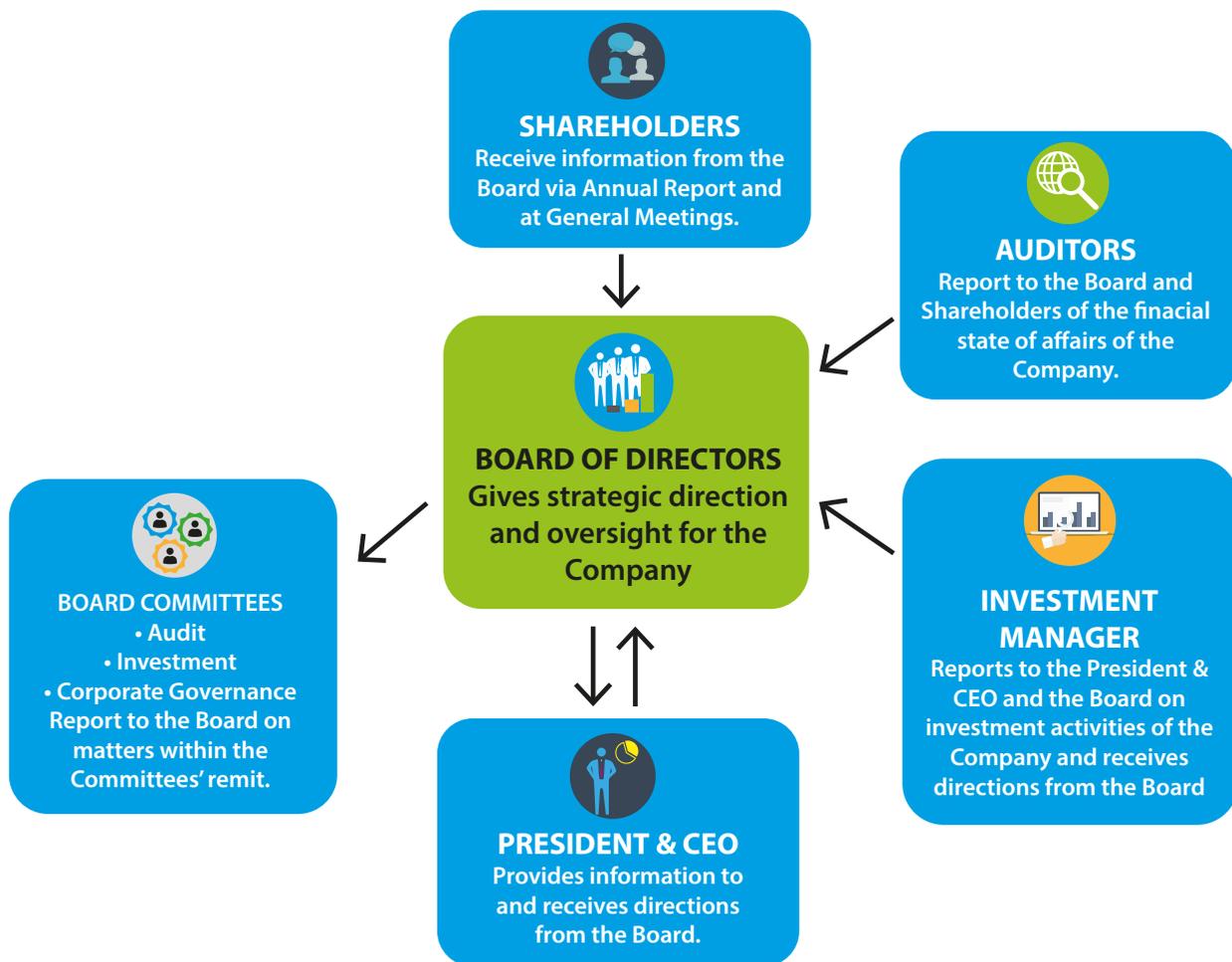
# Corporate Governance

The Group (Sagikor Real Estate Limited and its subsidiaries) is committed to adhering to the principles and guidelines laid out in the Company’s Corporate Governance Policy and thus maintain a high standard of corporate governance.

The Policy is influenced by applicable laws and regulations, internally accepted corporate governance best practices and recent trends in governance. This Policy is available on the Sagikor Website at:

<https://www.sagikorjamaica.com/Forms/Investments/XFund-CorporateGovernancePolicy2018.pdf>

The Group’s corporate governance framework is best illustrated by the diagram below:





## Board of Directors

The Amended and Re-stated Articles of Association for Sagicor Real Estate X Fund Limited (X Fund) provide for a Board of Directors of not more than twelve (12) persons.

The Board of Directors of X Fund has established a tradition of best practices in corporate governance as a foundation for long-term success, while committing to internationally accepted standards and procedures, including compliance with sound accounting practices. X Fund recognises the need to continuously upgrade its standards of corporate governance through a review process and therefore intends to adopt new standards as they evolve.

### Board Responsibilities:

The Board of Directors is responsible for (i) the strategic direction of X Fund (and its subsidiaries) which involves setting business objectives and the plans for achieving them; (ii) execution of the approved business objectives through adequate management, leadership and resources; (iii) monitoring the performance of hotel properties within

the Group and the Sigma Real Estate Portfolio with a view to achieving the strategic objectives and ensuring compliance with all applicable legal and regulatory regimes; and (iv) due and proper accounting to all stakeholders of X Fund including in particular, the stockholders.

### Board Composition and Structure:

As at December 31, 2017, the Board has 10 directors and is chaired by Mr. Richard Byles. The Board has elected one of its members to be Managing Director (styled as President & Chief Executive Officer (CEO)). Nine (9) of the directors are non-executive directors and of this nine (9), 4 are independent directors.

### Director Independence:

In accordance with the Corporate Governance Policy, the Board has maintained a structure which includes four (4) independent directors to add to the objectivity and transparency of the Board.

### Directors' Expertise:

Having regard to the skills and competencies of each director, the Board and Committees are structured to ensure there is an appropriate mix of both knowledge, skill and experience relevant to the business of X Fund.

The table below illustrates the skillset of the directors:

	Gen Mgt	Int'l Bus	Finance	Strat Mgt	Corp Law	Banking	Corp Fin M&A	Asset Mgt	Insurance	HR Mgt	Property	Info Tech	Other
Dr. Dodridge Miller													
Christopher Zacca													
Stephen McNamara													Corp. Gov.
Rohan Miller													
Vinay Walia													Corp. Gov.
Peter Pearson													Corp. Gov.
Michael Fraser													
Dr. M. Patricia Downes-Grant													Corp. Gov.
Hon R. D. Williams													
Richard Byles													

### Board Operations

The Board is scheduled to meet quarterly. In addition, adhoc meetings are held to deal with urgent matters. The critical agenda items which were covered at Board Meetings in 2017 include:

- The approval of the year-end audited Financial Statements
- The review and approval of the quarterly unaudited financial statements and reports to the stockholders;
- Approval of major investment activities and strategic business initiatives including expansion of the hotel portfolio
- Ratification/approval of decisions of the Board Committees

In June 2017, the Company held its first Board Retreat over a 2-day period to discuss the strategic outlook of the Company.

### Board Appointment, Term, Election & Retirement

The Amended and Restated Articles of X Fund sets out the basis on which directors are appointed. A director may hold office until he/she ceases to be a director. Annually, at least one third of the directors retire at the Company's Annual General Meeting and said directors are eligible for re-election. The directors retiring this year are Richard Byles and Vinay Walia, and being eligible, offer themselves for re-election and are being recommended to the shareholders for re-appointment. In accordance with Article 98 and subsequent to the last Annual General Meeting, the directors of the Board added two (2) directors to their number, namely Dr. Dodridge Miller and Christopher Zacca. Having been so appointed, these two directors retire and, being eligible, offer themselves for re-election and are being recommended to the shareholders for re-appointment.

## Board Committees and Attendance Records

During 2017, a total of fourteen (14) Board and Committee Meetings were held.

The Committee Members are appointed by the Board of Directors and hold office until otherwise determined by the Board of Directors or until they cease to be directors. The Committees comprise a majority of non-executive directors. Representatives of the Investment Manager

attend meetings as invitees and participate in the meetings through presentations of discussion documents and development of strategies.

The table below shows the composition of the Board/Committee and directors' attendance at meetings as at December 31, 2017:

### Directors' Attendance: Board and Committee Meetings 2017

Directors	Board Total Meetings	Audit Committee Total Meetings	Investment Committee Total Meetings	Corp. Governance Committee Total Meetings
(Number of Meetings – total - 14)	held:5	held: 4	held: 4	held: 1
**Dr. Dodridge Miller	1 of 5	-	-	-
**Christopher Zacca	3 of 5	-	2 of 4	-
Hon R. D Williams	5 of 5	-	4 of 4	-
Richard Byles	5 of 5	-	4 of 4	1 of 1
Dr. Patricia Downes-Grant	5 of 5	-	-	-
Michael Fraser	4 of 5	4 of 4	-	-
Stephen McNamara	5 of 5	-	-	-
Rohan Miller	5 of 5	3 of 4	4 of 4	-
Peter Pearson	5 of 5	4 of 4	-	1 of 1
Vinay Walia	5 of 5	4 of 4	4 of 4	1 of 1

\*\* Appointed June 23, 2017 (3 Board meetings were held since appointment)

## Directors' Remuneration

The Board determines the level and structure of fees paid to non-executive directors; executive directors do not receive fees in respect of their office as directors of the Company or any of the companies within the Sagicor Group. The payment of directors' fees commenced at the end of the

quarter ended December 31, 2013. The level of fees is in line with other listed companies in the financial sector. Fees are paid quarterly based on an annual retainer. A total of \$13,160,000 was paid as directors' fees in 2017.

### Directors' Remuneration

Board/Committee J\$	Annual Retainer	Audit Committee	Investment Committee	Corporate Governance Committee
Board Chairman	1,212,500.00			
Board Director (ALL)	1,543,500.00			
Committee Chair		992,250.00	992,250.00	661,500***
Member of Committee		661,500.00	661,500.00	661,500***

\*\*\* To be paid in 2018

## The Board is committed to maintaining high standards of corporate disclosure and transparency and ensures that all shareholders are provided with adequate and timely information on the Group's performance.

### Audit Committee/Investment Committee/Corporate Governance Committee

The Board of X Fund established three Committees to ensure that there is an ongoing review of its corporate integrity and X Fund's ability to achieve its strategic and operational objectives. The Committees are Audit Committee, Investment Committee and Corporate Governance Committee. Two of these committees (Audit and Investment Committees) meet quarterly in the absence of any pressing matter or emergency. The Corporate Governance Committee, which was established in February 2016, is scheduled to meet at least twice annually.

**Audit Committee** – The Committee Members are Mr. Peter Pearson (Chairman and independent director), Mr. Vinay Walia (independent director) and Mr. Michael Fraser.

**Investment Committee** – Mr. Vinay Walia (Chairman and independent director), Dr. the Hon. R. Danvers Williams, Mr. Richard Byles, Mr. Christopher Zacca (appointed June 2017) and Mr. Rohan Miller are the members of this Committee.

**Corporate Governance Committee** – This Committee is chaired by the Board Chairman, Mr. Richard Byles with 2 independent directors, Messrs. Peter Pearson and Mr. Vinay Walia forming the rest of the Committee. The Committee had its first meeting on May 17, 2017 with the main agenda item being the Board Evaluation.

### Board Evaluation

The Board evaluates its performance and that of its individual directors on an annual basis in order to determine the effectiveness of the directors, the Board and its Committees. All directors were invited to participate in a self-evaluation survey and 360 degrees feedback [Peer Review] for the year 2016. The outcome of the surveys was

discussed by the Corporate Governance Committee at its meeting on May 17, 2017 and was shared with the Board at its 2017 Board Retreat.

### Director Orientation and Training

In October, 2017, the directors attended and participated in training sessions held for directors of all Sagicor-affiliated entities, namely:

- IFRS – Transfer pricing and Shadow Accounting (Update)
- Corporate Governance enhancing Board Effectiveness
- Compliance & Risk Management for Strategic Planning
- A Great Company – How to Manage This

### Dividend Policy

At its meeting in May 2015, the Board determined a Dividend Policy which would allow for dividend payments of between 15% and 25% of annual net profits. A dividend of 14 cents per share was paid during the year 2017.

### Shareholder Rights and Responsibilities

The Board is committed to maintaining high standards of corporate disclosure and transparency and ensures that all shareholders are provided with adequate and timely information on the Group's performance. Shareholders also have the opportunity to participate effectively through a question and answer session at the Company's Annual General Meeting and are given clear guidelines before voting at General Meetings.

The Minutes of the Annual General Meetings are prepared and made available to shareholders for review at the meeting.

# FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017





## *Independent auditors' report*

To the Shareholders of Sagicor Real Estate X Fund Limited

### *Report on the audit of the consolidated and stand-alone financial statements*

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#### *Our opinion*

In our opinion, the consolidated financial statements and stand-alone financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Real Estate X Fund Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2017, and their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

Sagicor Real Estate X Fund Limited's consolidated and stand-alone financial statements comprise:

- the consolidated and company statements of financial position as at 31 December 2017;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *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 *Auditors' responsibilities for the audit of the consolidated and stand-alone 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Head office: PricewaterhouseCoopers East Caribbean, The Financial Services Centre, Bishop's Court Hill,

P.O. Box 111, St. Michael, BB14004, Barbados, West Indies

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### *Our audit approach*

Our 2017 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year. The most significant event of the last twelve months has been the completion and opening of Jewel Grande Montego Bay Resort and Spa, a joint operation in which the Group has interest through its subsidiary X Fund Properties Limited.

The valuation of the joint operation investment property (Jewel Grande Montego Bay Resort and Spa) is carried at fair value and includes significant management estimates and judgements. Consequently it has been combined with the existing key audit matter for valuation of owner managed Hotel Properties included in Property Plant and Equipment given the similarities in risk and audit approach.

#### **Audit scope**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### **How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group's businesses are organised into three primary business segments being hotel operations, investment in Sigma Real Estate Portfolio and other, as defined in Note 7 to the financial statements. Geographically, the segments are Jamaica and the United States of America. Each of these business segments include a number of reporting units, which together form the consolidated financial statements.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

#### How our audit addressed the Key audit matter

**Valuation of Owner Managed Hotel Properties included in Property Plant and Equipment and Investment Property – Jewel Grande Montego Bay Resort and Spa (Group)**

*See notes 2 (k), 2 (l), 3, 14 and 17 of the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.*

Owner managed hotel properties included in property, plant and equipment are carried at a fair value of J\$22.7 billion at 31 December 2017 (see note 14, land and buildings), or 48% of total assets for the Group.

Investment property representing management's share of interest in joint operated property Jewel Grande Resort and Spa are carried at fair value of J\$2 billion at 31 December 2017 (see note 17), or 4% of total assets for the Group.

These balances are material to the financial statements of the Group as a whole. Fair value in respect of property valuations is by its nature subjective with significant judgement applied and the existence of significant estimation uncertainty led us to direct specific audit focus and attention to this area.

The Group uses independent qualified property appraisers to value its owner managed hotel properties and investment property annually. The appraisals are performed using the market value approach and the income capitalisation approach. The market value approach establishes the value of the property in comparison to historic sales involving similar properties, whilst the income capitalisation approach is based on the principle that the value of a property is indicated by its net return, known as the present worth of future benefits.

We engaged our own independent expert to assist us in assessing the appropriateness of the Group's valuation methodology and we confirmed that it was suitable for determining market value for the purposes of the financial statements in accordance with the financial reporting framework.

We obtained the valuations performed by management's third party experts and, with the assistance of our expert, assessed the appropriateness of the valuers' scope of work and also assessed the experience, competence and objectivity of the valuers. We found them to be appropriately qualified and independent, confirming there was no affiliation to the Group.

Our expert evaluated the valuations provided by management's experts and performed an independent assessment of the underlying data and key assumptions, including any contrary evidence, that underpin the valuations confirming that the methodology used by management's third party experts was appropriate and the work performed was consistent with accepted professional practices.

As a result of the above audit procedures and the evidence we obtained, the carrying value of the properties as determined by management was considered reasonable.

The market value and income capitalisation



approaches take into consideration various assumptions and factors including;

- location of properties
- number of rooms for sale to the market
- price per guest room
- current and future occupancy
- foreign currency earnings
- the rate of inflation of direct expenses
- an appropriate discount/capitalization rate
- quality of the facilities at the property
- estimated future maintenance and capital expenditure

Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of the owner managed hotel properties or the investment property.

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#### ***Valuation of Sagicor Sigma Global Funds - Sigma Real Estate Portfolio (Group and Company)***

*See notes 2 (d), 2 (h), 8 and 16 of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.*

The Group's and Company's financial investments in the Sagicor Sigma Global Funds - Sigma Real Estate Portfolio (the Fund) account for J\$15.2 billion or 32% and J\$14.4 billion or 60% of total assets for the Group and Company respectively.

The valuation of the investments in the Sigma Real Estate portfolio is based on the daily Net Asset Value (NAV) of the Fund. In arriving at the NAV, many of the inputs required can be obtained from readily available liquid market prices, however, certain assets do not have readily observable market data. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in high estimation uncertainty risk which therefore led us to focus our attention on this area.

We confirmed the number of unit holdings and the unit price as at year end with the investment Fund Manager.

We further considered the inputs required in arriving at the NAV of the Fund. The Fund's valuation of individual investment holdings was assessed and, where readily observable data was available, the data was sourced independently and a comparison to management's results was performed. The observable data used by management was found to be consistent with the independently obtained data.

For judgemental valuations, which may depend on unobservable inputs, the assumptions, methodologies and models used by the Fund were evaluated and challenged. This included agreeing the significant inputs relating to yield, prices and valuation inputs to external sources.

In the context of examining the inputs and assumptions required to arrive at the NAV of the Fund, we found management's judgements to be reasonable.




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### *Other information*

Management is responsible for the other information. The other information comprises the information presented in the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements*

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

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's and 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 Group or Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

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### *Auditors' responsibilities for the audit of the consolidated and stand-alone financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and stand-alone 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 consolidated and stand-alone 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 Group's and 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 Group's and 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 auditors' report to the related disclosures in the consolidated and stand-alone 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 auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement leader on the audit resulting in this independent auditors' report is Tonya Graham.

*PricewaterhouseCoopers*

Castries, St Lucia  
5 March 2018

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Revenue:</b>			
Net investment income	8	59,891	25,503
Net capital gains on financial assets and liabilities	8	2,844,777	1,770,227
Hotel revenue	8	10,272,381	8,457,432
Total revenue		<u>13,177,049</u>	<u>10,253,162</u>
<b>Expenses:</b>			
Direct expenses	9(a)	(3,952,014)	(3,291,558)
Administrative and other operating expenses	9(b)	<u>(4,703,309)</u>	<u>(3,743,271)</u>
<b>Operating Expenses</b>		<u>(8,655,323)</u>	<u>(7,034,829)</u>
Finance costs	11	<u>(1,511,466)</u>	<u>(1,290,340)</u>
<b>Profit before tax</b>		3,010,260	1,927,993
<b>Taxation</b>	12	<u>(268,234)</u>	<u>(238,995)</u>
<b>Net Profit</b>		2,742,026	1,688,998
<b>Other Comprehensive Income, net of taxes -</b>			
<b>Items that may be subsequently reclassified to profit or loss –</b>			
Re-translation of foreign operation		(157,395)	320,051
Unrealised gain on revaluation of property, plant and equipment		<u>519,053</u>	<u>2,558,070</u>
Total other income recognised directly in stockholders' equity, net of taxes		<u>361,658</u>	<u>2,878,121</u>
<b>Total Comprehensive Income</b>		<u><u>3,103,684</u></u>	<u><u>4,567,119</u></u>
<b>Earnings per stock unit for profit attributable to the stockholders of the company during the period:</b>			
Basic and fully diluted	13	<u><u>\$1.22</u></u>	<u><u>\$0.75</u></u>

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Consolidated Statement of Financial Position

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	14	26,067,569	25,093,054
Investment in Sigma Global Funds – Sigma Real Estate Portfolio	16	15,204,393	15,408,913
Investment property	17	2,043,581	1,165,473
Financial investments	18	243,224	221,461
		<u>43,558,767</u>	<u>41,888,901</u>
<b>Current Assets</b>			
Inventories	19	339,428	137,977
Receivables	20	2,156,500	825,471
Securities purchased under agreement to resell	22	636,894	-
Short term deposits	23	-	236,962
Cash resources	23	998,503	1,273,216
		<u>4,131,325</u>	<u>2,473,626</u>
<b>Current Liabilities</b>			
Bank overdraft	23	32,317	-
Payables	24	2,082,613	1,696,270
Borrowings	25	1,823,400	2,722,515
Taxation payable		50,630	-
		<u>3,988,960</u>	<u>4,418,785</u>
<b>Net Current Assets / (Liabilities)</b>		<u>142,365</u>	<u>(1,945,159)</u>
		<u>43,701,132</u>	<u>39,943,742</u>

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Consolidated Statement of Financial Position (Continued)

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Stockholders' Equity</b>			
Share capital	26	12,642,512	12,642,512
Currency translation reserve		245,340	402,735
Fair value reserves	27	3,077,123	2,558,070
Retained earnings	29	6,724,751	4,296,746
		<u>22,689,726</u>	<u>19,900,063</u>
<b>Non-Current Liabilities</b>			
Borrowings	25	19,634,744	18,925,035
Deferred income taxes	30	1,376,662	1,118,644
		<u>21,011,406</u>	<u>20,043,679</u>
		<u>43,701,132</u>	<u>39,943,742</u>

Approved for issue by the Board of Directors on February 28, 2018 and signed on its behalf by:



Richard Byles

Director



Christopher Zacca

Director

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Currency Translation Reserve	Share Capital	Fair Value Reserves	Retained Earnings	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2015		82,684	12,642,512	-	2,921,769	15,646,965
Net profit		-	-	-	1,688,998	1,688,998
Re-translation of foreign operations		320,051	-	-	-	320,051
Unrealised gain on revaluation of property, plant and equipment		-	-	2,558,070	-	2,558,070
Total comprehensive income		320,051	-	2,558,070	1,688,998	4,567,119
Transaction with owners:-						
Dividends paid	28	-	-	-	(314,021)	(314,021)
<b>Balance at 31 December 2016</b>		<b>402,735</b>	<b>12,642,512</b>	<b>2,558,070</b>	<b>4,296,746</b>	<b>19,900,063</b>
Net profit		-	-	-	2,742,026	2,742,026
Re-translation of foreign operations		(157,395)	-	-	-	(157,395)
Unrealised gain on revaluation of property, plant and equipment		-	-	519,053	-	519,053
Total comprehensive income		(157,395)	-	519,053	2,742,026	3,103,684
Transaction with owners:-						
Dividends paid	28	-	-	-	(314,021)	(314,021)
<b>Balance at 31 December 2017</b>		<b>245,340</b>	<b>12,642,512</b>	<b>3,077,123</b>	<b>6,724,751</b>	<b>22,689,726</b>

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Consolidated Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>			
Net cash provided by operating activities	31	1,285,514	2,534,536
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	14	(1,624,943)	(2,350,086)
Purchase of investment property	17	(624,543)	(1,165,473)
Purchase of investments		(1,688,863)	(3,876,679)
Sale of investments		4,128,467	1,342,773
Restricted cash		632,740	914,881
Interest received		57,709	38,772
Net cash provided by/(used in) investing activities		880,567	(5,095,812)
<b>Cash Flows from Financing Activities</b>			
Interest paid		(1,409,800)	(1,215,575)
Borrowings		151,442	3,664,191
Dividends paid	28	(314,021)	(314,021)
Net provided by financing activities		(1,572,379)	2,134,595
Increase/(decrease) in cash and cash equivalents		593,702	(426,681)
Effect of exchange gains on cash and cash equivalents		6,083	14,533
Cash and cash equivalents at beginning of year		658,987	1,071,135
<b>Cash and Cash Equivalents at year end</b>	23	1,258,772	658,987

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Company Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Revenue:</b>			
Net investment income	8	6,057	9,229
Net capital gains on financial assets and liabilities	8	2,181,297	1,411,319
Dividends from subsidiary		-	160,000
		<u>2,187,354</u>	<u>1,580,548</u>
Administrative and other operating expenses		(33,857)	-
Finance costs	11	(256,620)	(271,918)
<b>Profit before tax</b>		1,896,877	1,308,630
<b>Taxation</b>	12	(22,007)	(17,417)
<b>Net Profit , being total Comprehensive Income</b>		<u>1,874,870</u>	<u>1,291,213</u>

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Company Statement of Financial Position

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Non-Current Assets</b>			
Investment in subsidiary	15	9,518,204	9,518,204
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	16	14,352,483	12,441,999
Financial investments	18	90,902	90,283
		<u>23,961,589</u>	<u>22,050,486</u>
<b>Current Assets</b>			
Receivables	20	-	12,590
Securities purchased under agreement to resell	22	3,264	-
Short term deposits	23	-	11,058
Cash resources	23	424	457
		<u>3,688</u>	<u>24,105</u>
<b>Current Liabilities</b>			
Payables	24	518,743	128,578
Borrowings	25	2,518,796	2,377,755
		<u>3,037,539</u>	<u>2,506,333</u>
<b>Net Current Liabilities</b>			
		<u>(3,033,851)</u>	<u>(2,482,228)</u>
		<u>20,927,738</u>	<u>19,568,258</u>
<b>Stockholders' Equity</b>			
Share capital	26	12,642,512	12,642,512
Retained earnings	29	5,188,967	3,628,118
		<u>17,831,479</u>	<u>16,270,630</u>
<b>Non-Current Liabilities</b>			
Borrowings	25	3,030,059	3,253,435
Deferred income taxes	30	66,200	44,193
		<u>3,096,259</u>	<u>3,297,628</u>
		<u>20,927,738</u>	<u>19,568,258</u>

Approved for issue by the Board of Directors on February 28, 2018 and signed on its behalf by:



Richard Byles

Director



Christopher Zacca

Director

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Company Statement of Changes in Stockholders' Equity

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2015		12,642,512	2,650,926	15,293,438
Net profit, being total comprehensive income for the year		-	1,291,213	1,291,213
Transaction with owners:-				
Dividends paid	28	-	(314,021)	(314,021)
<b>Balance at 31 December 2016</b>		12,642,512	3,628,118	16,270,630
Net profit, being total comprehensive income for the year		-	1,874,870	1,874,870
Transaction with owners:-				
Dividends paid	28	-	(314,021)	(314,021)
<b>Balance at 31 December 2017</b>		12,642,512	5,188,967	17,831,479

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Company Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit for the year		1,874,870	1,291,213
Items not affecting cash:			
Interest income		(6,057)	(9,229)
Finance cost		256,620	271,918
Income tax expense		22,007	17,417
Gain on disposal of investment		(35,882)	(12,610)
Effect of exchange losses on foreign currency balances		(136,574)	381,961
Fair value gain on units held in Sagicor Sigma Global Funds		(1,979,229)	(1,742,210)
Fair value gain on other financial investments		(3,197)	(6,038)
Fair value loss on loan payable		-	32,844
		<u>(7,442)</u>	<u>225,266</u>
Change in operating liabilities:			
Receivables		12,590	4,866
Payables		<u>390,166</u>	<u>120,980</u>
Net cash provided by operating activities		<u>395,314</u>	<u>351,112</u>
<b>Cash Flows from Investing Activities</b>			
Sale of investments	16	104,626	39,046
Interest received		<u>6,052</u>	<u>9,333</u>
Net cash provided by investing activities		<u>110,678</u>	<u>48,379</u>
<b>Cash Flows from Financing Activities</b>			
Interest paid		(239,856)	(263,666)
Borrowings		(2,320,448)	86,605
Promissory note		2,360,371	-
Dividends paid	28	<u>(314,021)</u>	<u>(314,021)</u>
Net used in financing activities		<u>(513,954)</u>	<u>(491,082)</u>
Decrease in cash and cash equivalents		<u>(7,962)</u>	<u>(91,591)</u>
Effect of exchange gains on cash and cash equivalents		135	-
Cash and cash equivalents at beginning of year		<u>11,515</u>	<u>103,106</u>
<b>Cash and Cash Equivalents at year end</b>	<b>23</b>	<u><u>3,688</u></u>	<u><u>11,515</u></u>

The accompanying notes on pages 61 to 117 form an integral part of these financial statements.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification and Principal Activities

- (a) Sagicor Real Estate X Fund Limited (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, Cap. 12.14 of the Revised Laws of Saint Lucia.

On February 28, 2013, the Company changed its name to Sagicor Real Estate X Fund Limited ("X Fund").

The Company is 52.3% owned by the Sagicor Pooled Pension Funds Limited, which is administered by Sagicor Life Jamaica Limited (SLJ). Sagicor Group Jamaica Limited owns 29.2%.

One of the primary investments of the Company is units in the Sagicor Sigma Global Funds – Sigma Real Estate Portfolio. The fund manager for Sagicor Sigma Global Funds is Sagicor Investments Jamaica Limited (SIJL), which is a wholly owned subsidiary of Sagicor Group Jamaica Limited, the immediate parent of both SLJ and SIJL.

The Company's main business activity is to invest in hotel and commercial real estate activities.

On December 1, 2014 X Fund Properties Limited was formed and is a wholly owned subsidiary of Sagicor Real Estate X Fund Limited. X Fund Properties Limited is incorporated and domiciled in Jamaica and has coterminous year with its parent company. Its main business activity is the operation of the Hilton Rose Hall Resort and Spa.

On July 31, 2015, X Fund Properties Limited established a wholly-owned subsidiary, X Fund Properties LLC. X Fund Properties LLC is incorporated and domiciled in Delaware, USA and has coterminous year with its parent company. Its main business activity is the operation of the DoubleTree Universal Hotel in Orlando, Florida (the DoubleTree).

On April 20, 2016, Sun Isles Tour Services Limited was formed as an international business company under the International Business Companies Act, Cap. 12.14 of the Revised Laws of Saint Lucia and is a wholly owned subsidiary of Sagicor Real Estate X Fund Limited. The company is not yet operational.

The Company's subsidiaries which together with the Company is referred to as the "Group".

- (b) Jewel Grande Montego Bay Resort and Spa

During 2016, the Group acquired approximately 22% interest in a joint acquisition of real property, Palmyra Resort and Spa. Two related entities also acquired interest in the said real property, Sagicor Sigma Global Funds (43%) and Sagicor Pooled Investment Fund (35%). In 2017, the Group pooled its interest in the real property with Sagicor Pooled Investment Fund and Sagicor Sigma Global Funds to form a joint operation to operate the combined assets as a hotel, Jewel Grande Montego Bay Resort and Spa. The Jewel Grande Montego Bay Resort and Spa started operations in September 2017. See Note 17 for summary financial performance of the joint operation.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification and Principal Activities (Continued)

(c) Management agreements

Sagicor Life Jamaica  
X Fund Properties Limited

(d) Details of the subsidiaries are as follows:

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
X Fund Properties Limited	Jamaica	Hotel	100	100	Nil
X Fund Properties LLC	USA	Hotel	100	100	Nil
Sun Isles Tour Services Limited	St. Lucia	Not yet operational	100	100	Nil

(e) The Group entered into a property management agreement with Ambridge Hospitality LLC to manage the hotel properties, Hilton Rose Hall Resort & Spa and DoubleTree Orlando. The property management agreement has an initial term of five years and may be extended or shortened in accordance with the property management agreement. The management agreement may be terminated prior to the expiration of the initial term upon the sale of the hotels to a bona fide third party purchaser, an event of default as defined in the property management agreement, or if a predetermined performance standard is not satisfied. Ambridge Hospitality LLC is entitled to receive a base management fee equal to 2.18% of total operating revenues, as defined. For the year ended 31 December 2017 the Group recognized property management fees of \$210,513,000 (2016 - \$167,153,000).

The Group reimburses Ambridge for expenses incurred relating to hotel operations. For the year ended 31 December 2017, the Group incurred reimbursable expenses of \$249,980,000 (2016 - \$271,195,000).

# Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

## 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 consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets, investment properties and financial liabilities.

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

#### **Standards, interpretations and amendments to published standards effective in the current year**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following:

**Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosures can be improved. There was no significant impact from the adoption of this amendment during the year.

**Amendments to IAS 12, Income Taxes**, (effective for annual periods beginning on or after 1 January 2017). In January 2017, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets. There was no significant impact from the adoption of this amendment during the year.

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

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 Group has not early adopted. The Group 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:

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)**

**IFRS 15, Revenue from contracts with customers, amendment** (effective for annual periods beginning on or after 1 January 2018). The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment. The Group does not expect any significant impact on its financial statements arising from the future adoption of the amendments.

**IFRS 9, 'Financial Instruments'**, (effective for annual periods beginning on or after 1 January 2018). IFRS 9 is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Management is in the process of assessing how the Group's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee with representation from all affected function areas and headed by the Group Chief Financial Officer was created to oversee the implementation project. The project involves three phases:

- (i) Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds;
- (ii) Phase 2: Assessing availability of data, defining and determining detailed modelling methodology across different businesses based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted expected credit losses ("ECL") and defining methodology to incorporate forward looking information;
- (iii) Phase 3: Implementation; this includes finalising the forward-looking scenarios and determining the weight for each scenario and estimating ECL with forward looking information.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)***

#### ***IFRS 9, 'Financial Instruments' (continued)***

Currently management has completed Phase 1 and key decisions around classification and measurement of financial assets are currently being reviewed by management. Phase 2 has also been started and data gaps are being addressed and management is working on the ECL methodology.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The new standard is not expected to impact the Group's consolidated financial liabilities in this regard as there are no financial liabilities which are currently designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Group's consolidated financial statements, as the Group does not use hedge accounting.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). In the event of a significant increase in credit risk, allowance 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'. The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty as well as forecasts of economic conditions at the reporting date.

In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Group is in the process of assessing the full impact of the impairment requirements of IFRS 9.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)***

#### ***IFRS 9, 'Financial Instruments' (continued)***

The initial financial impact estimate of transitioning to the new impairment methodology reduces the Equity of the Group.

#### ***Assessment of Significant Increase in Credit Risk***

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to be the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

#### ***Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios***

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and FLI are required to be incorporated in the measurement of ECL, as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group will use three scenarios that will be probability weighted to determine ECL.

#### ***Expected Life***

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

#### ***Definition of Default and Write-Offs***

The Group has modified its definition of impaired financial instruments (Stage 3) for certain categories of financial instruments to make it consistent with the definitions used in the calculation of regulatory capital. The Group does not expect to rebut the presumption in IFRS 9 that loans and other balances with credit risk which are 90 days past due are in default.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)**

**IFRS 15, 'Revenue from Contracts with Customers'**, (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

**IFRS 16, 'Leases'**, (effective for annual periods beginning on or after 1 January 2019) was issued in January 2016 and replaces IAS 17, 'Leases'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from Contracts with Customers'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption.

**Amendment to IAS 40, Investment property'** (effective for annual periods beginning on or after 1 January 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Group does not expect any significant impact on its financial statements arising from the future adoption of the amendments.

**IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)**

**IFRIC 23, 'Uncertainty over income tax treatments'** This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

#### (b) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the minority interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition.

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity. Investments in subsidiaries are stated in the Company's financial statements initially at cost less impairment.

##### (ii) Joint Operation

The Group recognises its investment in joint operation by accounting for its relevant share of the assets, liabilities, revenues and expenses.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (c) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the Group's presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions 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 statement of comprehensive income, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

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

##### (iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax or applicable sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### (i) Sales of services

Sale of service generated from hotel and other operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

##### (ii) Sale of goods

Sale of goods, mainly from gift shops is recognised when products are sold to customers. Sales are usually in cash or by credit card.

##### (iii) Interest income

Interest income is recognised using the effective interest method.

##### (iv) Gain or loss on sale of investment

Gain or loss on the disposal or maturity of investment, is determined by comparing sale proceeds with the carrying amount of the investment. This amount is recognised in the income and expenditure.

##### (v) Unrealised gains

Unrealised gains on appreciation of value in Sigma Real Estate Portfolio are recognised as income.

#### (e) Taxation

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current and deferred tax is charged or credited to profit in the statement of comprehensive income, except where they relate to items charged or credited to other comprehensive income or equity, in which case, they are also dealt with in other comprehensive income or equity.

Current tax charges are based on taxable profits for the year, 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 year end.

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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised 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.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

**(f) 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 on hand and deposits held at Group less bank overdrafts and restricted cash.

**(g) Securities purchased under agreement to resell**

The purchase of securities under resale agreements are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired. The related interest income are recorded on the accrual basis.

**(h) Financial assets**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity. The Group classifies its Investment in Sagicor Sigma Global Funds – Real Estate Portfolio and its financial instruments in the category of fair value through profit and loss. Management determines the classification of its financial assets at initial recognition.

**Financial assets at 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. Assets in this category are classified as current assets if expected to be settled with 12 months, otherwise they are classified as non-current.

**Recognition and measurement**

Regular purchases and sales of financial assets are recognised at the trade date – the date on which the Group 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 statement of comprehensive income. Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group 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 statement of comprehensive income 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 recognised in the statement of comprehensive income as part of other statement of comprehensive income when the Group’s right to receive payment is established.

Financial assets and liabilities are offset and the net is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(i) Inventories**

Inventories are stated at the lower of average cost and net realisable value. Cost is determined using the average cost method. In the case of the company, cost represents invoiced cost plus direct inventory-related expenses. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

#### (k) Property, plant and equipment

Property, plant and equipment, including owner-managed properties, are recorded at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use. Subsequent to their initial recognition, property, plant and equipment are carried at revalued amounts. Revaluations are performed by independent qualified valuers annually.

Increases in the carrying values arising from the revaluations are credited to fair value reserve. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to the statement of comprehensive income. All other decreases in carrying values are charged to the statement of comprehensive income. Any subsequent increases are credited to the statement of comprehensive income up to the respective amounts previously charged.

Revaluation surplus realised through the depreciation or disposal of revalued assets are retained in the fair value reserve and will not be available for offsetting against future revaluation losses. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of position date.

Depreciation is calculated mainly on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives which are estimated as follows:

Buildings	25 - 40 years
Furniture, fixtures and equipment	7-10 years
Computer equipment	3-5 years
Motor vehicles	5 years

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (k) Property, plant and equipment (continued)

Land is not depreciated. No depreciation is provided for construction in progress until they are completed and ready for use.

Property, plant and equipment are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amounts by which the carrying amount of a cash generating unit exceeds the higher of its fair value less costs to sell and its value in use, which is the estimated net present value of future cash flows to be derived from the cash generating unit.

Repairs and maintenance expenses are charged in arriving at profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

#### (l) Investment Property

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

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income.

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Other wise, it is accounted for as owner-occupied property.

Rental income is recognised on an accruals basis.

#### (m) Impairment of non-financial assets

Property, plant and equipment and other assets, excluding goodwill, 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

#### (n) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of five years. Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

## Notes to the Financial Statements

31 December 2017

*(expressed in Jamaican dollars unless otherwise indicated)*

### 2. Summary of Significant Accounting Policies (Continued)

**(o) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(p) Borrowings**

Bank loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance cost.

**(q) Share capital**

Common shares which are non-redeemable, and for which the declaration of dividends is discretionary are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds. Shares are classified as equity when there is no obligation to transfer cash or other assets.

**(r) Dividends**

Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's Board of Directors.

## Notes to the Financial Statements

31 December 2017

*(expressed in Jamaican dollars unless otherwise indicated)*

### 3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### **Income taxes**

The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit 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 initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### **Valuation of owner managed hotel properties and investment property**

Freehold land and building are carried in the statement of financial position at fair value, with changes in fair value being recognised in fair value reserve' through other comprehensive income. The Group uses independent qualified property appraisers to value its land and buildings annually. Those fair values were derived using the market value approach and the income capitalisation approach, which references market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of property. The most significant input into this valuation approach is price per square foot. Significant increases (decreases) in estimated price per square foot in isolation would result in a significant higher (lower) fair value.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The Group'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 Group 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 Group'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) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is a very important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

#### Credit review process

The Sagicor Group's investment manager, Sagicor Life Jamaica Limited, manages the Group's exposure to credit risk relating to investment by reviewing the ongoing financial status of each counterparty. The company's Finance Department has responsibility for conducting credit reviews for customers through regular analysis of the ability of financial institutions and other counterparties to meet repayment obligations.

##### (i) Investments

The Group 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.

##### (ii) Receivables

The Group exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Finance Department assesses the credit worthiness of customers prior to the Group offering them a credit facility. Customer credit risk are monitored according to their credit characteristics such as whether it is an individual or company, geographic location, industry, aging profile, and previous financial difficulties. Receivables consist primarily of \$2,156,500,000 (2016 - \$812,881,000) due to the Group's hotel operations.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The Group's average credit period on the sale of service is 30 days. The Group has provided fully for all trade receivables that are over 120 days past due based on historical experience which dictates that amounts past due beyond 120 days are generally not recoverable.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### **Maximum exposure to credit risk**

##### (ii) Receivables (continued)

The Group and Company's maximum exposure to credit risk at the year-end were as follows:

	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Trade receivables	464,121	354,209	-	-
Other receivable	459,714	53,086	-	-
Due from related parties	558,399	261,811	-	12,590
Financial Investments	243,224	221,461	90,902	90,283
Cash at ban (excluding cash on hand)	955,027	1,261,789	424	457
Short term deposits	-	236,962	-	11,058
Securities purchased under agreement to resell	636,894	-	3,264	-
	<u>3,317,379</u>	<u>2,389,318</u>	<u>94,590</u>	<u>114,388</u>

##### (iii) Ageing analysis of trade receivables that are past due but not impaired

Trade receivables less than 90 days past due are not considered impaired. At year end, trade receivables as shown below were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group	
	2017	2016
	\$000	\$000
1 to 30 days past due	402,213	309,346
31 to 60 days past due	59,177	36,912
Over 60 days past due	2,731	7,951
	<u>464,121</u>	<u>354,209</u>

##### (iv) Analysis of trade receivables that are past due and impaired

At year end, trade receivables as shown below were impaired for which full provision was made. The individually impaired receivables mainly relate to clients whose policy period has expired.

	The Group	
	2017	2016
	\$000	\$000
Provision for receivables impairment	5,681	6,964
	<u>5,681</u>	<u>6,964</u>

The creation and release of provision for impaired receivables have been included in administration expenses in statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than those listed above that were individually impaired.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the group may be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group's liquidity management process includes monitoring future cash flows and liquidity on a daily basis.

#### *Liquidity risk management process*

The Group's liquidity management process, as carried out and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Optimising cash returns on investment;

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 Group and its exposure to changes in interest rates and exchange rates

#### *Undiscounted cash flows of financial liabilities*

The maturity profile of the Group and the company's financial liabilities at year end based on contractual undiscounted payments was as follows:

	<b>The Group</b>				<b>Total</b>
	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	
<b>31 December 2017</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Bank overdraft	32,317	-	-	-	32,317
Borrowings	1,419,104	1,724,504	11,138,888	26,149,497	40,431,993
Payables	2,082,613	-	-	-	2,082,613
	<u>3,534,034</u>	<u>1,724,504</u>	<u>11,138,888</u>	<u>26,149,497</u>	<u>42,546,923</u>

	<b>The Company</b>				<b>Total</b>
	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	
<b>31 December 2017</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Borrowings	36,747	2,611,749	3,360,489	-	6,008,985
Payables	518,743	-	-	-	518,743
	<u>555,490</u>	<u>2,611,749</u>	<u>3,360,489</u>	<u>-</u>	<u>6,527,728</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (b) Liquidity risk (Continued)

	The Group				Total
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
31 December 2016	\$000	\$000	\$000	\$000	\$000
Borrowings	427,568	3,333,830	10,011,403	27,572,581	41,345,382
Payables	1,696,270	-	-	-	1,696,270
	2,123,838	3,333,830	10,011,403	27,572,581	43,041,652

	The Company				Total
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
31 December 2016	\$000	\$000	\$000	\$000	\$000
Borrowings	60,002	2,545,303	3,765,194	-	6,370,499
Payables	128,578	-	-	-	128,578
	188,580	2,545,303	3,765,194	-	6,499,077

#### (c) Market risk

The Group 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 mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group'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 value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising mainly from the US dollar currency exposure. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances. Payments of foreign liabilities are also made timely.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (i) Currency risk (continued)

Concentration of currency risk

The table below summaries the Group and Company exposure to foreign currency exchange rate risk at 31 December.

	The Group		
	2017		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Financial investments and securities purchased under agreement to resell	254,945	625,173	880,118
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	15,204,393	-	15,204,393
Cash resources	(18,703)	984,889	966,186
Receivables	1,630,572	525,928	2,156,500
Total financial assets	17,071,207	2,135,990	19,207,197
<b>Financial Liabilities</b>			
Borrowings	9,263,735	12,194,409	21,458,144
Payables	1,248,957	833,656	2,082,613
Total financial liabilities	10,512,692	13,028,065	23,540,757
<b>Net financial position</b>	6,558,515	(10,892,075)	(4,333,560)

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (i) Currency risk (continued)

	<b>The Company</b>		
	<b>2017</b>		
	<b>J\$ J\$'000</b>	<b>US\$ J\$'000</b>	<b>Total J\$'000</b>
<b>Financial Assets</b>			
Financial investments and securities purchased under agreement to resell	1,191	92,975	94,166
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	14,352,483	-	14,352,483
Cash resources	40	384	424
<b>Total assets</b>	<b>14,353,714</b>	<b>93,359</b>	<b>14,447,073</b>
<b>Financial Liabilities</b>			
Borrowings	2,370,206	3,178,649	5,548,855
Payables	518,743	-	518,743
<b>Total financial liabilities</b>	<b>2,888,949</b>	<b>3,178,649</b>	<b>6,067,598</b>
<b>Net financial position</b>	<b>11,464,765</b>	<b>(3,085,290)</b>	<b>8,379,475</b>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (i) Currency risk (continued)

	The Group		
	2016		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Short term deposits	91,228	145,734	236,962
Financial investments	131,179	90,282	221,461
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	15,408,913	-	15,408,913
Cash resources	67,425	1,205,791	1,273,216
Receivables	484,186	341,285	825,471
Total financial assets	16,182,931	1,783,092	17,966,023
<b>Financial Liabilities</b>			
Borrowings	7,771,149	13,876,401	21,647,550
Payables	602,111	1,094,159	1,696,270
Total financial liabilities	8,373,260	14,970,560	23,343,820
<b>Net financial position</b>	7,809,671	(13,187,468)	(5,377,797)

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (i) Currency risk (continued)

	The Company		
	2016		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Short term deposits	2,380	8,678	11,058
Financial investments	-	90,283	90,283
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	12,441,999	-	12,441,999
Cash resources	40	417	457
Receivables	-	12,590	12,590
<b>Total assets</b>	<b>12,444,419</b>	<b>111,968</b>	<b>12,556,387</b>
<b>Financial Liabilities</b>			
Borrowings	-	5,631,190	5,631,190
Payables	-	128,578	128,578
<b>Total financial liabilities</b>	<b>-</b>	<b>5,759,768</b>	<b>5,759,768</b>
<b>Net financial position</b>	<b>12,444,419</b>	<b>(5,647,800)</b>	<b>6,796,619</b>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (i) Currency risk (continued)

##### Foreign currency sensitivity

The following table indicates the currencies to which the Group and 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 for changes in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar denominated receivables, trade payables, borrowings, group balances, investment securities and cash and cash equivalent balances.

	The Group			
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2017 %	2017 \$'000	2016 %	2016 \$'000
<b>Currency:</b>				
USD				
Revaluation	1	108,921	1	131,875
Devaluation	10	(1,089,208)	10	(1,318,747)
	The Company			
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2017 %	2017 \$'000	2016 %	2016 \$'000
<b>Currency:</b>				
USD				
Revaluation	1	30,853	1	56,478
Devaluation	10	(308,529)	10	(564,780)

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) 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. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group and Company's exposure to interest rate risk are as follows:

	The Group					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>31 December 2017</b>						
<b>Assets</b>						
Financial investments and securities purchased under agreement to resell	634,724	-	-	235,467	9,927	880,118
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	-	-	15,204,393	15,204,393
Receivables	-	-	-	-	2,156,500	2,156,500
Cash resources	163,626	-	-	-	802,560	966,186
<b>Non-financial assets :</b>						
Property, plant and equipment	-	-	-	-	26,067,569	26,067,569
Investment property	-	-	-	-	2,043,581	2,043,581
Inventories	-	-	-	-	339,428	339,428
<b>Total assets</b>	<b>798,350</b>	<b>-</b>	<b>-</b>	<b>235,467</b>	<b>46,623,958</b>	<b>47,657,775</b>
<b>Liabilities</b>						
Borrowings	801,739	699,585	6,674,743	12,920,890	361,187	21,458,144
Payables	44,222	-	-	-	2,038,391	2,082,613
<b>Non-financial liabilities</b>						
Taxation payable	-	-	-	-	50,630	50,630
Deferred income taxes	-	-	-	-	1,376,662	1,376,662
	<b>845,961</b>	<b>699,585</b>	<b>6,674,743</b>	<b>12,920,890</b>	<b>3,826,870</b>	<b>24,968,049</b>
<b>Total interest repricing gap</b>	<b>(47,611)</b>	<b>(699,585)</b>	<b>(6,674,743)</b>	<b>(12,685,423)</b>	<b>42,797,088</b>	<b>22,689,726</b>
<b>Cumulative repricing gap</b>	<b>(47,611)</b>	<b>(747,196)</b>	<b>(7,421,939)</b>	<b>(20,107,362)</b>	<b>22,689,726</b>	

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

31 December 2017	The Company					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>Assets</b>						
Financial investments and securities purchased under agreement to resell	3,264	-	-	88,184	2,718	94,166
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	-	-	14,352,483	14,352,483
Cash resources	424	-	-	-	-	424
<b>Non-financial asset :</b>						
Investment in subsidiary	-	-	-	-	9,518,204	9,518,204
<b>Total assets</b>	<b>3,688</b>	<b>-</b>	<b>-</b>	<b>88,184</b>	<b>23,873,405</b>	<b>23,965,277</b>
<b>Liabilities</b>						
Borrowings	-	2,502,553	3,030,059	-	16,243	5,548,855
Payables	-	-	-	-	518,743	518,743
<b>Non-financial liability:</b>						
Deferred income taxes	-	-	-	-	66,200	66,200
<b>Total liabilities</b>	<b>-</b>	<b>2,502,553</b>	<b>3,030,059</b>	<b>-</b>	<b>601,186</b>	<b>6,133,798</b>
<b>Total interest repricing gap</b>	<b>3,688</b>	<b>(2,502,553)</b>	<b>(3,030,059)</b>	<b>88,184</b>	<b>23,272,219</b>	<b>17,831,479</b>
<b>Cumulative repricing gap</b>	<b>3,688</b>	<b>(2,498,865)</b>	<b>(5,528,924)</b>	<b>(5,440,740)</b>	<b>17,831,479</b>	

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

31 December 2016	The Group					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>Assets</b>						
Short term Deposits	236,962	-	-	-	-	236,962
Financial investments	-	-	-	213,632	7,829	221,461
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	-	-	15,408,913	15,408,913
Receivables	-	-	-	-	825,471	825,471
Cash resources	206,799	-	-	-	1,066,417	1,273,216
<b>Non-financial assets :</b>						
Property, plant and equipment	-	-	-	-	25,093,054	25,093,054
Investment Property	-	-	-	-	1,165,473	1,165,473
Inventories	-	-	-	-	137,977	137,977
<b>Total assets</b>	<b>443,761</b>	<b>-</b>	<b>-</b>	<b>213,632</b>	<b>43,705,134</b>	<b>44,362,527</b>
<b>Liabilities</b>						
Borrowings	25,381	2,438,841	5,738,093	13,125,753	319,482	21,647,550
Payables	-	-	-	-	1,696,270	1,696,270
<b>Non-financial liabilities:</b>						
Deferred income taxes	-	-	-	-	1,118,644	1,118,644
	25,381	2,438,841	5,738,093	13,125,753	3,134,396	24,462,464
<b>Total interest repricing gap</b>	<b>418,380</b>	<b>(2,438,841)</b>	<b>(5,738,093)</b>	<b>(12,912,121)</b>	<b>40,570,738</b>	<b>19,900,063</b>
<b>Cumulative repricing gap</b>	<b>418,380</b>	<b>(2,020,461)</b>	<b>(7,758,554)</b>	<b>(20,670,675)</b>	<b>19,900,063</b>	

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

	The Company					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>31 December 2016</b>						
<b>Assets</b>						
Short term Deposits	11,058	-	-	-	-	11,058
Financial investments	-	-	-	87,486	2,797	90,283
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	-	-	12,441,999	12,441,999
Receivables	-	-	-	-	12,590	12,590
Cash resources	457	-	-	-	-	457
<b>Non-financial asset :</b>						
Investment in subsidiary	-	-	-	-	9,518,204	9,518,204
<b>Total assets</b>	<b>11,515</b>	<b>-</b>	<b>-</b>	<b>87,486</b>	<b>21,975,590</b>	<b>22,074,591</b>
<b>Liabilities</b>						
Borrowings	-	2,365,177	3,265,552	-	461	5,631,190
Payables	-	-	-	-	128,578	128,578
<b>Non-financial liabilities:</b>						
Deferred income taxes	-	-	-	-	44,193	44,193
<b>Total liabilities</b>	<b>-</b>	<b>2,365,177</b>	<b>3,265,552</b>	<b>-</b>	<b>173,232</b>	<b>5,803,961</b>
<b>Total interest repricing gap</b>	<b>11,515</b>	<b>(2,365,177)</b>	<b>(3,265,552)</b>	<b>87,486</b>	<b>21,802,358</b>	<b>16,270,630</b>
<b>Cumulative repricing gap</b>	<b>11,515</b>	<b>(2,353,662)</b>	<b>(5,619,214)</b>	<b>(5,531,728)</b>	<b>16,270,630</b>	

##### **Interest rate sensitivity**

Floating rate instruments expose the group to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk. The company earns interest on its investments in debt securities and pays interest on its borrowings (Notes 18, 22, 23 & 25). Accordingly, the group does not have significant exposure to interest rate risk.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders 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.

### 6. Fair Value of Financial Instruments

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders 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.

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 Group. 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) Investments in unit trusts are based on prices quoted by the fund managers.
- (ii) The fair values of financial investments are measured by reference to quoted market prices or dealer quotes when available.
- (iii) 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 2017, 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).

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Fair Value of Financial Instruments (Continued)

		The Group			
		2017			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
	Investment in Sagikor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	15,204,393	15,204,393
	Financial investments	-	880,118	-	880,118
		-	880,118	15,204,393	16,084,511

		The Group			
		2016			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
	Investment in Sagikor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	15,408,913	15,408,913
	Financial investments	-	221,461	-	221,461
		-	221,461	15,408,913	15,630,374

		The Company			
		2017			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
	Investment in Sagikor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	14,352,483	14,352,483
	Financial investments	-	90,902	-	90,902
		-	90,902	14,352,483	14,443,385

		The Company			
		2016			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
	Investment in Sagikor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	12,441,999	12,441,999
	Financial investments	-	90,283	-	90,283
		-	90,283	12,441,999	12,532,282

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Fair Value of Financial Instruments (Continued)

Reconciliation of level 3 items –

	The Group		The Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Balance at beginning of year	15,408,913	10,726,225	12,441,999	10,726,225
Purchases	-	3,773,326	-	-
Redemptions	(2,584,314)	(1,192,202)	(104,627)	(26,435)
Total gains statement of comprehensive income	2,379,794	2,101,564	2,015,111	1,742,209
Balance at end of period	15,204,393	15,408,913	14,352,483	12,441,999

The gains or losses recorded in the statement of comprehensive income are included in Note 8.

The following table summarizes the quantitative information about the significant unobservable inputs used to measure the Group's Level 3 financial instruments:

Description	Fair value at		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000	
The Group:						
Investment in Sigma Real Estate Portfolio	15,204,393	15,408,913	Computed unit prices	13,683,954	13,868,022	If the estimated fair values were higher / lower by 10% the value would increase by \$1,386,375,000 ( 2016 - \$1,386,802,000)

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Segmental Financial Information

Management has determined the operating segment based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into two primary business segments:

- Hotel operations – direct ownership and operation of hotels.
- Investment in Sigma Real Estate Portfolio – indirect investment in real estate via the Sagicor Sigma Global Funds.
- Other – comprises of other investment assets.

There was no transaction between the operating segments during 2017 or 2016.

	The Group				
	2017				
	Hotel Operations	Sigma Real Estate Portfolio	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	10,326,215	2,379,793	6,057	-	12,712,065
Net capital gains/(losses) on financial assets and liabilities	141,164	320,623	3,197	-	464,984
Revenue from other segments	-	-	-	-	-
Total revenue	10,467,379	2,700,416	9,254	-	13,177,049
Operating expenses	(7,842,107)	-	-	-	(7,842,107)
Depreciation	(813,216)	-	-	-	(813,216)
Finance costs	(854,918)	(656,548)	-	-	(1,511,466)
Profit before taxation	957,138	2,043,868	9,254	-	3,010,260
Taxation	(213,159)	(54,982)	(93)	-	(268,234)
Net profit	743,979	1,988,886	9,161	-	2,742,026
Segment assets	35,222,513	15,204,393	94,591	(2,831,405)	47,690,092
Segment liabilities	15,672,094	12,038,765	120,912	(2,831,405)	25,000,366

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	United States of America	Total
	2017		
	\$'000	\$'000	\$'000
Revenue	8,559,180	4,617,869	13,177,049
Total assets	33,951,363	13,738,729	47,690,092

Geographically, the segments are Jamaica and United States of America.

	The Group				
	2016				
	Hotel Operations	Sigma Real Estate Portfolio	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	8,473,706	2,252,135	9,229	-	10,735,070
Net capital gains/(losses) on financial assets and liabilities	(86,564)	(401,383)	6,039	-	(481,908)
Total revenue	8,387,142	1,850,752	15,268	-	10,253,162
Operating expenses	(6,543,512)	-	-	-	(6,543,512)
Depreciation	(491,317)	-	-	-	(491,317)
Finance costs	(730,590)	(559,750)	-	-	(1,290,340)
Profit before taxation	621,723	1,291,002	15,268	-	1,927,993
Taxation	(182,167)	(56,675)	(153)	-	(238,995)
Net profit	439,556	1,234,327	15,115	-	1,688,998
Segment assets -	28,932,694	15,408,913	114,388	(93,468)	44,362,527
Segment liabilities	14,923,555	9,443,387	188,990	(93,468)	24,462,464

The Group's geographic information:

	Jamaica	United States of America	Total
	2016		
	\$'000	\$'000	\$'000
Revenue	6,767,159	3,486,003	10,253,162
Total assets	31,546,029	12,816,498	44,362,527

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Revenue

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Net Investment Income</b>				
<b>Interest Income:</b>				
Securities purchased under agreement to resell	16,470	15,341	40	504
Bank deposits	4,369	11,860	28	3,017
Financial assets	39,052	15,092	5,989	5,708
	59,891	42,293	6,057	9,229
Investment property expenses	-	(16,790)	-	-
	59,891	25,503	6,057	9,229
<b>Net capital gains on financial assets and liabilities:</b>				
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio:				
Unrealised	2,099,444	2,101,564	1,979,229	1,742,210
Realised	280,350	150,571	35,882	12,610
Net capital losses gains on other investment securities	283,577	6,242	3,197	6,038
Net capital losses on loan payable	-	(84,689)	-	(32,844)
Net foreign exchange losses	181,406	(403,461)	162,989	(316,695)
	2,844,777	1,770,227	2,181,297	1,411,319
<b>Hotel Income:</b>				
Rooms	8,399,578	6,895,631	-	-
Food and beverage	1,166,032	1,023,237	-	-
Gift shop	130,848	120,163	-	-
Health club	111,924	92,763	-	-
Other departments	296,141	212,874	-	-
Gains on disposal of property, plant and equipment	1,241	920	-	-
Other	166,617	111,844	-	-
	10,272,381	8,457,432	-	-

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Expenses by Nature

Pursuant to an Arrangement dated April 25, 2014, all Initial Public Offering and administrative expenses accruing in respect of the operations of Sagicor Real Estate X Fund Limited (the Company) will be covered by Sagicor Sigma Global Funds - Sigma Real Estate Portfolio for a period of five years. Expenses covered by the Sagicor Sigma Global Funds - Sigma Real Estate Portfolio on behalf of Company were as follows. The agreement ended in May 2017.

	<b>The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditors' remuneration	-	5,334
Director fees	2,852	11,130
Professional fees and other costs	4,457	11,286
	<u>7,309</u>	<u>27,750</u>

Total direct, administration and other operating expenses recognized were:

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Direct Expenses -</b>		
Rooms	412,748	498,847
Food and beverage	1,282,754	1,116,187
Gift shop	52,405	48,352
Health club	12,470	11,947
Other operated departments	392,250	104,993
Staff costs (Included in Note 10)	1,799,387	1,511,232
	<u>3,952,014</u>	<u>3,291,558</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Expenses by Nature (Continued)

#### (b) Administration and other operating expenses-

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Advertising and promotion	354,303	321,673
Audit fees	43,021	33,973
Bad debt expense	13,882	(2,794)
Bank charges	31,426	26,336
Commission expense (travel agents and others)	198,030	147,784
Credit card commissions	173,198	143,168
Depreciation	813,216	491,317
Donations	434	230
Guest transportation	1,052	919
Insurance	122,522	132,867
Irrecoverable general consumption taxes	633	871
License and permits	3,477	2,673
Management fees to operator of hotel properties	210,513	167,153
Other taxes	147,317	162,668
Professional and legal fees	15,403	5,749
Rent	78,472	67,760
Repairs and maintenance	311,518	272,779
Security	31,211	21,884
Staff costs (Included in Note 10)	908,939	898,607
Trade name fees	361,717	295,254
Utilities	621,472	536,983
Other	261,553	15,417
	<u>4,703,309</u>	<u>3,743,271</u>
Total expenses	<u>8,655,323</u>	<u>7,034,829</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Staff Cost – Direct and Indirect

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries	2,156,411	1,905,960
Payroll taxes – employer's portion	132,054	166,976
Pension	13,993	12,306
Allowances and benefits	372,755	289,794
Other	33,113	34,803
	<u>2,708,326</u>	<u>2,409,839</u>

The average number of persons employed by group and the company was as follows:

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
Full time	484	469
Part time	447	491
	<u>931</u>	<u>960</u>

### 11. Finance Costs

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense -				
Amortisation of upfront fees on loan	42,252	29,918	13,952	8,831
Mortgage Notes	1,238,398	997,335	9,835	-
Structured loans	230,816	263,087	232,833	263,087
	<u>1,511,466</u>	<u>1,290,340</u>	<u>256,620</u>	<u>271,918</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Taxation

The taxation charge is computed on the profit for the period, adjusted for tax purposes, and comprises income tax at predominantly 1% (2016 - 1%), 25% (2016 - 25%) and 21% (2016 - 34%):

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current year tax charge	50,630	12	-	(48)
Deferred income tax (Note 30)	217,604	238,983	22,007	17,465
	<u>268,234</u>	<u>238,995</u>	<u>22,007</u>	<u>17,417</u>

Reconciliation of applicable tax charge to effective tax charge:

	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	<u>3,010,260</u>	<u>1,927,993</u>	<u>1,896,877</u>	<u>1,308,630</u>
Tax calculated at 1%	18,969	13,086	18,969	13,086
Tax calculated at 25%	178,461	170,199	-	-
Tax calculated at 21% (2016 - 34%)	85,154	24,642	-	-
Adjusted for the effects of:				
Net effect of other charges and allowances	(14,350)	31,160	3,038	6,023
Income not subject to tax	-	(92)	-	(1,692)
Taxation expense	<u>268,234</u>	<u>238,995</u>	<u>22,007</u>	<u>17,417</u>

Tax losses available to the Group at 31 December 2017 for set-off against future taxable profits amount to approximately \$402,037,000 (2016 - \$1,432,388,000) and may be carried forward for up to 6 years.

## Notes to the Financial Statements

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### 13. Earnings per Share

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

	2017 \$'000	2016 \$'000
Net profit attributable to stockholders	<u>2,742,026</u>	<u>1,688,998</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,243,005</u>	<u>2,243,005</u>
Basic earnings per share	<u>\$1.22</u>	<u>\$0.75</u>

### 14. Property, Plant and Equipment

	The Group				Total
	Land & Buildings	Computer Equipment	Furniture, Fixtures & equipment	Capital Work in Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation -</b>					
At 31 December 2015	19,036,928	12,699	513,361	103,200	19,666,188
Additions	235,251	534	374,184	1,740,117	2,350,086
Revaluation gain	3,249,891	-	-	-	3,249,891
Translation adjustment	583,263	-	16,612	-	599,875
At 31 December 2016	23,105,333	13,233	904,157	1,843,317	25,866,040
Additions/(transfers)	428,516	4,003	2,838,491	(1,646,067)	1,624,943
Disposal	-	-	(183,970)	-	(183,970)
Revaluation gain	579,106	-	-	-	579,106
Translation adjustment	(285,415)	-	(15,346)	-	(300,761)
At 31 December 2017	<u>23,827,540</u>	<u>17,236</u>	<u>3,543,332</u>	<u>197,250</u>	<u>27,585,358</u>
<b>Accumulated Depreciation -</b>					
At 31 December 2015	241,675	1,957	26,827	-	270,459
Additions	389,949	2,897	98,471	-	491,317
Translation adjustment	9,587	-	1,623	-	11,210
At 31 December 2016	641,211	4,854	126,921	-	772,986
Charges for the year	468,211	3,713	341,292	-	813,216
Disposal	-	-	(45,993)	-	(45,993)
Translation adjustment	(19,554)	-	(2,866)	-	(22,420)
At 31 December 2017	<u>1,089,868</u>	<u>8,567</u>	<u>419,354</u>	<u>-</u>	<u>1,517,789</u>
<b>Net Book Value -</b>					
31 December 2016	<u>22,464,122</u>	<u>8,379</u>	<u>777,236</u>	<u>1,843,317</u>	<u>25,093,054</u>
31 December 2017	<u>22,737,672</u>	<u>8,669</u>	<u>3,123,978</u>	<u>197,250</u>	<u>26,067,569</u>

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### 14. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, owner-managed hotels were independently revalued during the year by professional real estate valuers. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to \$435,016,000 (2016 – 3,249,891,000), has been credited to fair value reserves. If the revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	<u>The Group</u>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost	23,756,363	19,855,442
Accumulated depreciation	<u>(1,453,707)</u>	<u>(641,211)</u>
Net book value	<u>22,302,656</u>	<u>19,214,231</u>
Carrying value of revalued assets	<u>22,737,672</u>	<u>22,464,122</u>

### 15. Investments in Subsidiary

	<u>The Company</u>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares in:		
X Fund Properties Limited	<u>9,518,204</u>	<u>9,518,204</u>

### 16. Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio

The units in the fund and values thereof are:

	<u>The Group</u>		<u>The Company</u>	
	<b>Sigma Real Estate Portfolio</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
<b>UNITS</b>				
Opening balance	8,464,110,461	6,858,638,766	6,834,385,384	6,858,638,766
Purchases	-	2,358,328,463	-	-
Redemptions	<u>(1,290,873,767)</u>	<u>(752,856,768)</u>	<u>(63,068,488)</u>	<u>(24,253,382)</u>
Closing balance	<u>7,173,236,694</u>	<u>8,464,110,461</u>	<u>6,771,316,896</u>	<u>6,834,385,384</u>

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### 16. Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio (Continued)

	The Group		The Company	
	Sigma Real Estate Portfolio			
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>VALUE</b>				
Opening balance	15,408,913	10,726,225	12,441,999	10,726,225
Purchases	-	3,773,326	-	-
Redemptions	(2,303,964)	(1,192,202)	(68,745)	(26,435)
Changes in market value of investments	2,099,444	2,101,564	1,979,229	1,742,209
Closing balance	<u>15,204,393</u>	<u>15,408,913</u>	<u>14,352,483</u>	<u>12,441,999</u>
Value Per Unit	<u>2.12</u>	<u>\$1.82</u>	<u>2.12</u>	<u>\$1.82</u>

### 17. Investment Property

	The Group	
	2017	2016
	\$'000	\$'000
Opening balance	1,165,473	-
Fair valuation	253,565	-
Additions	<u>624,543</u>	<u>1,165,473</u>
	<u>2,043,581</u>	<u>1,165,473</u>

Investment property represent the Group's interest in a joint acquisition of real property, Palmyra Resort and Spa.

#### Summarised Financial Information of Joint Operation

Set out below are the summarized financial information of Jewel Grande Resort and Spa, which is accounted for as a joint operation.

## Notes to the Financial Statements

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### 17. Investment Property (Continued)

*Summarised Financial Information of Joint Operation (continued)*

*Summarised Balance Sheet*

	<u>The Group</u>
	<b>2017</b>
	<b>\$'000</b>
Current assets	
Cash and cash equivalents	47,066
Other current assets	75,150
	<u>122,216</u>
Non-current assets	
Other non-current asset	947,914
Total Assets	<u>1,070,130</u>
Current liabilities	
Due to related companies	(1,826,141)
Other liabilities	(72,604)
	<u>(1,898,745)</u>
Net Liabilities	<u>(828,615)</u>

*Summarised statement of comprehensive income*

	<u>The Group</u>
	<b>2017</b>
	<b>\$'000</b>
Room revenue	213,777
Other hotel revenue	27,800
Other income	2,983
	<u>244,560</u>
Operating expenses	(735,597)
Staff costs	(228,623)
	<u>(964,220)</u>
Net loss and total comprehensive income	<u>(719,660)</u>

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31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Financial Investments

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Government of Jamaica Bonds	235,467	213,632	88,185	87,486
Interest receivable	7,757	7,829	2,717	2,797
	<u>243,224</u>	<u>221,461</u>	<u>90,902</u>	<u>90,283</u>

### 19. Inventories

	The Group	
	2017 \$'000	2016 \$'000
Beverage	21,738	18,521
Food	64,960	40,022
Gift shop	10,724	9,411
Guest supplies	38,412	42,081
Spa supplies	545	840
Goods in transit	164,074	-
Other	38,975	27,102
	<u>339,428</u>	<u>137,977</u>

### 20. Receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	469,802	361,173	-	-
Less: Provision for bad debts	(5,681)	(6,964)	-	-
	464,121	354,209	-	-
Prepayments	242,629	142,312	-	-
Due from related parties (Note 21)	558,399	261,811	-	12,590
General Consumption Taxes & other taxes	431,637	14,053	-	-
Other receivables	459,714	53,086	-	-
	<u>2,156,500</u>	<u>825,471</u>	<u>-</u>	<u>12,590</u>

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### 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.

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 are provided with management services.

#### (a) Related party transactions

The following transactions were carried out with related parties:

##### (i) Revenue and interest income -

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue -				
Interest income -				
Affiliated company- Sagicor Investment Jamaica Limited	20,768	27,179	129	3,499
Affiliated company- Sagicor Bank Jamaica Limited	31	22	28	22
	<u>20,799</u>	<u>27,201</u>	<u>157</u>	<u>3,521</u>
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio:				
Unrealised	2,099,444	2,101,564	1,979,229	1,742,210
Realised	280,350	150,571	35,882	12,610
	<u>2,379,794</u>	<u>2,252,135</u>	<u>2,015,111</u>	<u>1,754,820</u>
Other operating income -				
Management fees	14,916	-	-	-

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Related Party Transactions and Balances (Continued)

#### (a) Related party transactions (continued)

The following transactions were carried out with related parties:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(ii) <i>Administration expenses and interest expense</i>				
Administration and other operating expenses-				
Sagikor Re Insurance Ltd.	76,029	80,749	-	-
Interest expense -				
Sagikor Life Jamaica Limited	5,863	120,809	5,863	3,353
Sagikor Sigma Global Funds	384,678	314,663	49,886	30,737
Sagikor Pooled Pension Funds	<u>472,440</u>	<u>196,545</u>	<u>62,661</u>	<u>21,170</u>

#### (iii) *Dividends*

During the year, X Fund Properties Limited paid dividends of \$Nil (2016 - \$160,000,000) to its immediate parent company, Sagikor Real Estate X Fund Limited.

#### (b) Key management compensation

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Salaries	185,596	140,711	-	-
Payroll taxes – employer's portion	16,207	14,472	-	-
Other	18,853	9,751	-	-
	<u>220,656</u>	<u>164,934</u>	<u>-</u>	<u>-</u>
Directors' emoluments –				
Fees	13,160	11,130	13,160	11,130
Management remuneration	<u>9,049</u>	<u>-</u>	<u>9,049</u>	<u>-</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Related Party Transactions and Balances (Continued)

#### (c) Year-end balances arising from operations

Year-end balances arising from transactions in the normal course of business are as follows

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(i) Sagikor Sigma Global Funds – Sigma Real Estate Portfolio	15,204,393	15,408,913	14,352,483	12,441,999
(ii) Investment in real property – Jewel Grande Montego Bay Resort and Spa	2,043,581	1,165,473	-	-
(iii) Cash and cash equivalents - Sagikor Investments Jamaica Limited	-	236,962	-	11,058
Sagikor Bank Jamaica Limited	66,980	127,624	424	457
	66,980	364,586	424	11,515
(iv) Securities purchased under agreement to resell- Affiliated company - Sagikor Investment Jamaica Limited	636,894	-	3,264	-
(iii) Receivable from related parties - Other affiliated entities Due from Sagikor Sigma Global Funds (Sigma Real Estate Portfolio)	510,435	12,590	-	12,590
	47,964	249,221	-	-
	558,399	261,811	-	12,590
(iv) Payable to related parties - Sagikor Bank Jamaica Limited	(34,552)	-	-	-
Sagikor Life Jamaica Limited	(51,352)	(271)	(15,476)	-
Sagikor Sigma Global Funds	(32,398)	(35,340)	(32,398)	(35,110)
Sagikor Sigma Global Funds - The Jewel Hotels	(13,048)	(95,498)	-	-
X Fund Properties Limited	-	-	(461,199)	(93,468)
	(131,350)	(131,109)	(509,073)	(128,578)
(iii) Borrowings from related parties X Fund Properties Limited	-	-	2,370,206	-
Sagikor Life Jamaica Limited	112,543	115,854	112,543	115,854
Sagikor Sigma Global Funds	4,712,084	4,918,156	1,025,396	1,126,588
Sagikor Pooled Pension Funds	5,648,152	5,595,341	1,287,997	1,319,174
	10,472,779	10,629,351	4,796,142	2,561,616

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### 22. Securities Purchased under Agreements to Resell

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Securities purchased under agreements to resell	634,724	-	3,263	-
Interest receivable	2,170	-	1	-
	<u>636,894</u>	<u>-</u>	<u>3,264</u>	<u>-</u>

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Securities purchased under agreements to resell				
Jamaican dollar	102,623	-	1,191	-
United States dollar	534,271	-	2,073	-
	<u>636,894</u>	<u>-</u>	<u>3,264</u>	<u>-</u>

The effective weighted average interest rates on securities purchased under agreements to resell are as follows:

	The Group		The Company	
	2017 %	2016 %	2017 %	2016 %
Jamaican dollar	4	-	4	-
United States dollar	2	-	2	-

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### 23. Cash and Cash Equivalents

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash in hand	11,159	11,427	-	-
Cash at bank	987,344	1,261,789	424	457
Cash resources	998,503	1,273,216	424	457
Securities purchased under agreements to resell (with contractual maturity of 90 days)	505,364	-	3,264	-
Short term deposits (Note 21)	-	236,962	-	11,058
Bank overdraft	(32,317)	-	-	-
Restricted cash	(212,778)	(851,191)	-	-
Cash and cash equivalents	<u>1,258,772</u>	<u>658,987</u>	<u>3,688</u>	<u>11,515</u>

Restricted cash represents cash held by a subsidiary for renovation of the Doubletree Universal Hotel under the Franchise Agreement with Hilton for the said property.

#### Net Debt Reconciliation:

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

	The Group	The Company	The Group	The Company
	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Cash and cash equivalents	753,408	424	422,025	457
Liquid Investments	505,364	3,264	236,962	11,058
Borrowings – repayable within one year (including overdraft)	(1,823,400)	(2,518,796)	(2,722,515)	(2,377,755)
Borrowings – repayable after one year	(19,634,744)	(3,030,059)	(18,925,035)	(3,253,435)
Net Debt	<u>(20,199,372)</u>	<u>(5,545,167)</u>	<u>(20,988,563)</u>	<u>(5,619,675)</u>
Cash and liquid investments	1,258,772	3,688	658,987	11,515
Gross debt – fixed interest rates	(21,458,144)	(5,548,855)	(21,647,550)	(5,631,190)
Net Debt	<u>(20,199,372)</u>	<u>(5,545,167)</u>	<u>(20,988,563)</u>	<u>(5,619,675)</u>

## Notes to the Financial Statements

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### 23. Cash and Cash Equivalents (Continued)

#### Net Debt Reconciliation (continued)

	The Group			Total \$'000
	Cash and liquid Investments	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	
<b>Net debt as at 1 January 2016</b>	1,071,135	(5,422,647)	(11,648,564)	(16,000,076)
Cash flows	(426,681)	3,286,722	(5,676,667)	(2,816,626)
Foreign exchange adjustments	14,533	(251,940)	(308,613)	(546,020)
Other non-cash movements	-	(334,650)	(1,291,191)	(1,625,841)
<b>Net debt as at 31 December 2016</b>	658,987	(2,722,515)	(18,925,035)	(20,988,563)
Cash flows	593,702	2,554,112	(1,321,712)	1,826,102
Foreign exchange adjustments	6,083	61,720	174,397	242,200
Other non-cash movements	-	(1,716,717)	437,606	(1,279,111)
<b>Net debt as at 31 December 2017</b>	1,278,772	(1,823,400)	(19,634,744)	(20,199,372)

	The Company			Total \$'000
	Cash and liquid Investments	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	
<b>Net debt as at 1 January 2016</b>	103,106	(5,116,373)	-	(5,013,267)
Cash flows	(91,591)	3,001,438	(2,824,377)	85,470
Foreign exchange adjustments	-	(250,242)	(192,501)	(442,743)
Other non-cash movements	-	(12,578)	(236,557)	(249,135)
<b>Net debt as at 31 December 2016</b>	11,515	(2,377,755)	(3,253,435)	(5,619,675)
Cash flows	(7,962)	48,903	151,030	191,971
Foreign exchange adjustments	135	44,620	94,402	139,157
Other non-cash movements	-	(234,564)	(22,056)	(256,620)
<b>Net debt as at 31 December 2017</b>	3,688	(2,518,796)	(3,030,059)	(5,545,167)

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

### 24. Payables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade	392,357	332,364	-	-
Advance deposits	483,362	444,370	-	-
Accruals	345,577	711,467	9,672	-
Related parties (Note 21)	131,350	131,109	509,073	128,578
Other	729,967	76,960	-	-
	<u>2,082,613</u>	<u>1,696,270</u>	<u>518,743</u>	<u>128,578</u>

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### 25. Borrowings

	The Group			The Company		
	Total	Related party portion (Note 21)	Third party Portion	Total	Related party portion (Note 21)	Third party Portion
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>						
<i>(a) Structured Products</i>						
Note 2 – USD (iii)	3,172,241	2,411,500	760,741	3,172,241	2,411,500	760,741
Principal loan balance	3,172,241	2,411,500	760,741	3,172,241	2,411,500	760,741
Unamortised upfront fees on loan	(12,117)	-	(12,117)	(12,117)	-	(12,117)
Interest payable	18,525	14,436	4,089	18,525	14,436	4,089
	3,178,649	2,425,936	752,713	3,178,649	2,425,936	752,713
Less current portion	(148,590)	(14,436)	(134,154)	(148,590)	(14,436)	(134,154)
	3,030,059	2,411,500	618,559	3,030,059	2,411,500	618,559
<i>(b) Mortgage Notes</i>						
Note 3 (Tranche B) (iv)	1,560,016	1,560,016	-	-	-	-
Note 3 (Tranche C) (v)	3,927,145	3,927,145	-	-	-	-
Note 4 (Tranche A-E) (vi)	3,746,800	2,227,000	1,519,800	-	-	-
Tranche A-D (vii)	2,552,856	57,926	2,494,930	-	-	-
Goldman Sachs Loan (viii)	6,137,899	-	6,137,899	-	-	-
Principal loan balance	17,924,716	7,772,087	10,152,629	-	-	-
Unamortised upfront fees on loan	(177,847)	-	(177,847)	-	-	-
Interest payable	308,879	274,756	34,123	-	-	-
	18,055,748	8,046,843	10,008,905	-	-	-
Less current portion	(1,646,841)	(529,238)	(1,117,603)	-	-	-
	16,408,907	7,517,605	8,891,302	-	-	-
<i>(c) Other Loan</i>						
Promissory Note (x)	-	-	-	2,360,371	2,360,371	-
Interest payable	-	-	-	9,835	9,835	-
Development Loan (ix)	223,747	-	223,747	-	-	-
Less current portion	(27,969)	-	(27,969)	(2,370,206)	(2,370,206)	-
	195,778	-	195,778	-	-	-
Total Long term borrowings	19,634,744	9,929,105	9,705,639	3,030,059	2,411,500	618,559
Total Current portion of borrowings	1,823,400	543,674	1,279,726	2,518,796	2,384,642	-

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### 25. Borrowings (Continued)

	The Group			The Company		
	Total	Related party portion (Note 21)	Third party Portion	Total	Related party portion (Note 21)	Third party Portion
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>(a) Structured Products</i>	<b>2016</b>					
Note 1 (Tranche A) –						
US Indexed (i)	1,015,194	-	1,015,194	1,015,194	-	1,015,194
Note 1 (Tranche B) – USD (ii)	1,349,983	-	1,349,983	1,349,983	-	1,349,983
Note 2 – USD (iii)	3,265,552	2,546,414	719,138	3,265,552	2,546,414	719,138
Principal loan balance	5,630,729	2,546,414	3,084,315	5,630,729	2,546,414	3,084,315
Unamortised upfront fees on loan	(26,069)	-	(26,069)	(26,069)	-	(26,069)
Interest payable	26,530	15,202	11,328	26,530	15,202	11,328
	5,631,190	2,561,616	3,069,574	5,631,190	2,561,616	3,069,574
Less current portion	(2,377,755)	(15,202)	(2,362,553)	(2,377,755)	(15,202)	(2,362,553)
	3,253,435	2,546,414	707,021	3,253,435	2,546,414	707,021
<i>(b) Mortgage Notes</i>						
Note 3 (Tranche B) (iv)	1,605,904	1,605,904	-	-	-	-
Note 3 (Tranche C) (v)	3,927,145	3,927,145	-	-	-	-
Note 4 (Tranche A-E) (vi)	3,746,800	2,327,000	1,419,800	-	-	-
Goldman Sachs Loan (viii)	6,417,489	-	6,417,489	-	-	-
Principal loan balance	15,697,338	7,860,049	7,837,289	-	-	-
Unamortised upfront fees on loan	(180,212)	-	(180,212)	-	-	-
Interest payable	240,114	207,686	32,428	-	-	-
	15,757,240	8,067,735	7,689,505	-	-	-
Less current portion	(315,969)	(207,686)	(108,283)	-	-	-
	15,441,271	7,860,049	7,581,222	-	-	-
<i>(c) Other Loan</i>						
Development Loan (ix)	259,120	-	259,120	-	-	-
Less current portion	(28,791)	-	(28,791)	-	-	-
	230,329	-	230,329	-	-	-
Total Long term borrowings	18,925,035	10,406,463	8,518,572	3,253,435	2,546,414	707,021
Total Current portion of borrowings	2,722,515	222,888	2,499,627	2,377,755	15,202	2,362,553

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 25. Borrowings (Continued)

- i) *Note 1 (Tranche A) – US Indexed (The Company)*  
The 5.5% US dollar indexed amortizing notes are structured securities whereby the interest is payable quarterly with the note repayable by June 2016 with an option to extend a further 18 months. The option was exercised by some holders, extending the note to December 2017. Loan is secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.
- ii) *Note 1 (Tranche B) – US Dollar (The Company)*  
The 5.5% US dollar amortizing notes are structured securities whereby the interest is payable quarterly with the note repayable by June 2016 with an option to extend a further 18 months. The option was exercised by some holders, extending the note to December 2017. Loan is secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.
- iii) *Note 2 – US Dollar (The Company)*  
This Note was issued under three tranches (A,B,C). The tranches attract interest at 3.5%, 3.75% and 4.75% with maturity May 2018, May 2019 and May 2021 respectively, with option for further extension. Loan is secured by a debenture over units in the Sigma Real Estate Portfolio.
- iv) *Note 3 (Tranche B) – US Dollar (Subsidiary)*  
This Note attracts interest at a rate of 6% per annum, payable quarterly, and matures January 2025. The Note carries the option for early encashment by investors at certain anniversaries.
- v) *Note 3 (Tranche C) – Jamaican Dollar (Subsidiary)*  
This Note attracts interest at a rate of 8% per annum for the first two years with step up to 11.5% thereafter to maturity in January 2055. Interest is paid semi-annually and the Note has no option to early encash.

Both Notes in (iv) and (v) above are secured as follows:

- A registered legal mortgage over the Hilton Rose Hall Resort and Spa;
- A debenture collateral to the mortgage creating fixed and floating charge over the X Fund Properties Limited assets and undertakings and;
- Debt Service Reserve Account containing three months of interest payment obligations.

- vi) *Note 4 (Tranche A-E) – Jamaican Dollar (Subsidiary)*  
This Note was issued under five tranches (A,B,C,D,E). Four of the five tranches have fixed coupon ranging from 7% to 11%, with tenure of 2 to 40 years. The fifth tranche is fixed for 2 years at 7% and variable thereafter at 200 basis points above the 3 months weighted average Treasury bill yield. The loan is secured by a mortgage over the Hilton Rose Hall Resort and Spa.
- vii) *Note 4 (Tranche A – D)*  
This Note has the following Tranches:  
Tranche A issued in United States Dollar at interest rate of 4.25% matures in September 2018.  
Tranche B in United States Dollar at an interest rate of 5% and matures in September 2020.  
Tranche C issued in Jamaican Dollar at interest rate of 7.5% and matures in September 2018.  
Tranche D in Jamaican Dollar at an interest rate of 8.75% and matures in September 2020.  
The loan is secured by a mortgage over the Hilton Rose Hall Resort and Spa.
- viii) *Goldman Sachs (Subsidiary)*  
The Note attracts interest at 4.9% per annum and matures October 2025. The mortgage note is secured by the investment in hotel property. The mortgage note accrues interest from the date of the loan with interest due monthly, in arrears, and requires principal and interest payments through maturity upon which the outstanding principal is due and payable. The Group may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 25. Borrowings (Continued)

- ix) This Note is interest free with annual forgiveness of debt over ten years, if certain conditions are met. The loan commenced in November 2015.
- ix) This promissory note is with Sagicor Real Estate X Fund Limited and attracts interest at 5% per annum and matures May 2018.

### 26. Share Capital

	2017 \$'000	2016 \$'000
Authorised:		
5,000,000,000 ordinary shares	US\$5,000,000	US\$5,000,000
1 special rights redeemable preference share	US\$1	US\$1
	<u>US\$5,000,001</u>	<u>US\$5,000,001</u>
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Issued and fully paid -		
2,243,005,125 (2016 - 2,243,005,125 ordinary shares of J\$1.00 par value)	12,642,412	12,642,412
1 special rights redeemable preference share	100	100
	<u>12,642,512</u>	<u>12,642,512</u>

### 27. Fair Value Reserves

This represents revaluation gains, net of taxes, on owner occupied properties revalued during the year.

### 28. Dividend

Dividend of \$314,021,000 (2016 – \$314,021,000) or \$0.14 (2016 – \$0.14) per share was paid during the year.

### 29. Net Profit and Retained Earnings

	2017 \$'000	2016 \$'000
(i) Net profit dealt with in the financial statements of:		
The company	1,874,870	1,291,213
Less dividend received from a subsidiary	-	(160,000)
The subsidiaries	867,156	557,785
	<u>2,742,026</u>	<u>1,688,998</u>
(ii) Retained earnings reflected in the financial statements of:		
The company	5,188,969	3,628,118
The subsidiaries	1,535,782	668,628
	<u>6,724,751</u>	<u>4,296,746</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 1% (2016 - 1%) for Sagicor Real Estate X Fund Limited, 25% (2016 - 25%) for X Fund Properties Limited and 21% (2016 - 34%) for X Fund Properties LLC.

	The Group		The Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Deferred income taxes	<u>(1,376,662)</u>	<u>(1,118,644)</u>	<u>(66,200)</u>	<u>(44,193)</u>

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

	The Group		The Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Balance at start of year	(1,118,644)	(186,586)	(44,193)	(26,728)
Charged to the statement of comprehensive income – (Note 12)	(217,604)	(238,983)	(22,007)	(17,465)
Revaluation of property	(60,054)	(691,821)	-	-
Effect of exchange rate translation	19,640	(1,254)	-	-
Balance at end of year	<u>(1,376,662)</u>	<u>(1,118,644)</u>	<u>(66,200)</u>	<u>(44,193)</u>

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

	The Group		The Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Deferred tax assets-				
Interest payable	71,789	54,569	-	-
Tax losses unused	256,213	418,504	1,473	1,281
Unrealised foreign currency losses/(gains)	8,563	45,594	(68)	3,925
Unrealised revaluation loss on loan payable	-	475	-	475
Accrued vacation & other	13,083	17,338	-	-
Deferred tax liabilities-	-	-	-	-
Property plant and equipment	(1,618,326)	(1,527,063)	-	-
Interest receivable	(1,802)	(1,259)	-	-
Unrealised revaluation gains on investments	<u>(105,182)</u>	<u>(126,802)</u>	<u>(67,605)</u>	<u>(49,874)</u>
Net deferred tax liability	<u>(1,376,662)</u>	<u>(1,118,644)</u>	<u>(66,200)</u>	<u>(44,193)</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position included the following:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax assets to be recovered after more than 12 months	264,776	535,221	1,405	5,681
Deferred tax liabilities to be recovered after more than 12 months	<u>(1,723,508)</u>	<u>(1,653,865)</u>	<u>(67,605)</u>	<u>(49,874)</u>

### 31. Consolidated Cash Flows from Operating Activities

	Note	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		2,742,026	1,688,998
Adjustments for:			
Depreciation	14	813,216	491,317
Loss on revaluation of loan payable		-	84,689
Gain on disposal of investment	8	(280,350)	(150,571)
Loss on disposal of property, plant and equipment		142,168	-
Interest income	8	(59,891)	(42,293)
Fair value gains on units held in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	8	(2,099,444)	(2,101,564)
Fair value gain on other financial investments		(30,012)	(6,242)
Fair value gain on investment property	17	(253,565)	-
Effect of exchange losses on foreign currency balances		(154,991)	467,809
Taxation expense	12	268,234	238,995
Amortization of franchise fees		2,016	1,795
Finance cost		<u>1,511,466</u>	<u>1,290,340</u>
		2,600,873	1,963,273
Changes in operating activities:			
Accounts receivables		(1,081,348)	(126,567)
Inventories		(201,451)	(39,972)
Payables		<u>(32,500)</u>	<u>737,862</u>
Cash provided by operating activities		1,285,574	2,534,596
Income tax paid		<u>(60)</u>	<u>(60)</u>
Net cash provided by operating activities		<u>1,285,514</u>	<u>2,534,536</u>

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Commitments and Contingencies

(i) Franchise Agreements

As of December 31, 2017, the hotels, DoubleTree and Hilton Rose Hall Resorts & Spa are operated under franchise agreements with Hilton Worldwide and its affiliates ("Hilton") and are licensed as Doubletree and Hilton respectively. In conjunction with the franchise agreements, the Group is obligated to pay Hilton royalty fees of between 4% and 5% of gross room revenue, and fees for marketing, reservations and other related activities of 4% of gross room revenue.

- *DoubleTree*

Franchise costs incurred under the franchise agreements were US\$3,051,542 (2016 – US\$ 2,258,580) for the year ended 31 December 2017 and are included in various accounts in the accompanying statement of comprehensive income. The franchise agreement terminates on September 30, 2025.

In addition, under the franchise agreements, the Group is periodically required to make capital improvements to the hotels in order for them to meet the franchisors' brand standards. Additionally, under certain loan covenants, the Group is obligated to fund 2% of gross income from operations to a restricted account for the ongoing replacement or refurbishment of furniture, fixtures and equipment at the hotel. Certain Members of the Group have guaranteed the Group's obligations under the franchise agreement.

- *Hilton Rose Hall Resort & Spa*

In conjunction with the franchise agreement, the Group is obligated to pay Hilton monthly royalty fees of US\$100,000 (2016 - US\$100,000), and monthly program fees of US\$50,000 (2016 - US\$50,000). The franchise agreement terminates on January 21, 2033.

(ii) Contingencies

The Group is party to various claims and routine litigation arising in the ordinary course of business. The Group does not believe that the results of all claims and litigation, individually or in the aggregate, will have a material adverse effect on its business, financial position or results of operations.

(iii) Other

In conjunction with the execution of a Loan Agreement on September 10, 2014, the Members executed an agreement with the Lender guaranteeing certain bad boy acts, environmental liabilities, and timely completion of the property improvement plan required by the franchisor.

## Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 33. Operating Leases

During the year the Group received tenant rental income from gift shop and car rental lease agreements. The lease agreements have remaining terms ranging from three to fifteen months. The tenant rental income is recognized on a straight line basis over the lives of the respective leases. The Group recognized rental income of \$32,167,000 (2016 - \$54,933,000).

Approximate future minimum rental revenues under non-cancellable operating leases, assuming extension options will be exercised, with initial terms in excess of one year in effect as at 31 December 2015.

	<b>The Group</b>
	<b>\$'000</b>
Year ending 31 December:	
2018	32,381
2019	32,637

### 34. Subsequent Event

Subsequent to the year-end, Sagicor Real Estate X Fund Limited and Sagicor Group Jamaica, through its affiliated entities (Sagicor), entered into an agreement for a business combination with Playa Hotels & Resorts N.V (Playa). Playa and Sagicor both owned and managed hotels in Jamaica. In exchange for the Sagicor hotels, Sagicor will receive 20 million shares of Playa and US\$100 million in cash.

The Sagicor hotels comprise properties owned by the Sagicor Sigma Global Funds - Sigma Real Estate Portfolio, the Sagicor Pooled Investment Funds and X Fund Properties Limited.

The portfolio of Sagicor properties include 4 existing resorts being the 489-room Hilton Rose Hall, the 268-room Jewel Runaway Bay, the 250-room Jewel Dunn's River and the 225-room Jewel Paradise Cove Beach. It also includes a newly-built 88-room Sentry Palm hotel tower and spa at Jewel Grande, 2 developable land sites with a potential density of up to 700 rooms and a hotel management contract for the Jewel Grande Sabal Palm and Silver Palm Towers.

The transaction is expected to positively impact earnings of Sagicor Real Estate X Fund Limited.

# Disclosure of Shareholdings

AS AS 31 DECEMBER 2017

## TOP TEN SHAREHOLDERS

SHAREHOLDERS	NO OF SHARES	PERCENTAGE
1 Sagikor Pooled Diversified Investment Fund	532,028,227	23.72%
2 Sagikor Pooled Mortgage & Real Estate Fund	490,260,812	21.86%
3 Sagikor Group Jamaica Limited	473,414,000	21.11%
4 SLJ Trading A/C - Sagikor Real Estate Fund	181,499,136	8.09%
5 Sagikor Pooled Equity Fund	149,925,372	6.68%
6 Sagikor JPS Employees Pension Plan	70,000,000	3.12%
7 First Ja/Nat'l Hsg Trust Pension Fund	30,000,000	1.34%
8 Heart Trust / NTA Pension Scheme	28,000,000	1.25%
9 SJIML A/C 3119	27,804,840	1.24%
10 JCSD Trustee Services Ltd. - Sigma Optima	26,780,617	1.19%
Total	2,009,713,004	89.60%
Other	233,292,121	10.40%
<b>Total Issued Shares</b>	<b>2,243,005,125</b>	<b>100.00%</b>

## SHAREHOLDINGS OF DIRECTORS

LIST OF DIRECTORS	HOLDINGS IN X-FUND
1 Christopher Zacca	Nil
2 Richard Byles	Nil
- connected - Bracknell Holdings Limited	5,378,905
- connected - Pavel Byles	20,581
3 R. Danny Williams	Nil
4 Rohan Miller	509,981
5 Michael Fraser	121,500
6 Patricia Downes-Grant	Nil
7 Stephen McNamara	Nil
8 Dodridge Miller	Nil
9 Peter Pearson	15,000
10 Vinay Walia	Nil

## SHAREHOLDINGS OF EXECUTIVE MANAGEMENT

	HOLDINGS IN X FUNDS
1 Rohan Miller	509,981

## SHAREHOLDINGS OF DIRECTORS IN CONNECTED COMPANY

SHAREHOLDERS	HOLDINGS IN SAGICOR GROUP
1 Christopher Zacca	Nil
- connected - Edward & Hope Zacca	3,615
2 Richard Byles	Nil
- connected - Bracknell Holdings Limited	20,967,377
- connected - Pavel Byles	68,366
3 R Danny Williams - Connected Ravers Limited	12,332,825
4 Rohan Miller	578,045
5 Michael Fraser	1,434,405
6 Patricia Downes-Grant	25,000
7 Stephen McNamara	Nil
8 Dodridge Miller	25,389
9 Peter Pearson	Nil
10 Vinay Walia	Nil



# FORM OF PROXY

I, ..... of .....  
 being a member of Sagicor Real Estate X Fund Limited hereby appoint

..... of .....  
 or failing him ..... of ..... as  
 my proxy to vote for me on my behalf at the Annual General Meeting of the Corporation at Coconut Bay Beach Resort  
 & Spa, Piquant, Saint Lucia on Tuesday, June 12, 2018 at 11:00 a.m. and at any adjournment thereof. The Proxy will  
 vote on the undermentioned resolutions as indicated:

	For	Against
<b>Resolution No. 1</b> THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2017 be and are hereby adopted.		
<b>Resolution No.2</b> THAT the election of directors be made en-bloc.		
<b>Resolution No. 3</b> THAT Directors Richard Byles and Vinay Walia, who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc.		
<b>Resolution No. 4</b> THAT by virtue of Article 98, Directors Dr. Dodridge Miller and Christopher Zacca, who were appointed by the Directors of the Board since the last Annual General Meeting as additions to the Board, and who retire and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc.		
<b>Resolution No. 5</b> THAT the amount of \$13,160,000 included in the Audited Accounts of the Company for the year ended December 31, 2017 as remuneration for their services as Directors be and is hereby approved.		
<b>Resolution No. 6</b> THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.		
<b>Resolution No. 7</b> THAT the interim dividend of fourteen (14) cents paid on September 5, 2017 be and is hereby ratified and declared as final for the year ended December 31, 2017.		

**NOTE:** If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting..

As witness my hand this ..... day of .....2018

Signature:.....

**NOTE:** (1) If the appointer is a Corporation, this form must be under the Common Seal or under the hand of an officer or attorney duly authorised.

(2) To be valid, this proxy must be lodged with the Secretary of the Corporation, 20 Micoud Street, Castries, St. Lucia not less than 48 hours before the time appointed for holding the meeting.

A proxy need not be a member of the Company.







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## REAL ESTATE X FUND

### REGISTERED OFFICE:

20 Micoud Street  
Castries  
St. Lucia

### Territories of Operation

#### **St. Lucia**

Sagicor Real Estate X Fund Limited  
20 Micoud Street  
Castries  
St. Lucia

#### **Jamaica**

X Fund Properties Limited  
(wholly owned subsidiary)  
28-48 Barbados Avenue  
Kingston 5  
Jamaica

#### **X Fund Properties LLC**

(wholly owned subsidiary of X Fund  
Properties Limited)  
5780 Major Boulevard  
Orlando, Florida 32819  
USA