Sagicor Real Estate X Fund Limited

Financial Statements
31 December 2018
(expressed in thousands of Jamaican dollars)

Sagicor Real Estate X Fund Limited
Index
31 December 2018

May 27, 2019

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Independent Auditor's Report

**To the Shareholders of
Sagicor Real Estate X Fund Limited**

Opinion

We have audited the consolidated financial statements of Sagicor Real Estate X Fund Limited (the Company) and its subsidiaries (together the Group), which comprise the consolidated and stand-alone statement of financial position as at December 31, 2018, and the consolidated and stand-alone statements of comprehensive income, changes in stockholder's equity and statement of cash flows for the year then ended, and notes to the consolidated and stand-alone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and stand-alone financial statements present fairly, in all material respects, the consolidated financial position of the Group and stand-alone financial position of the Company as at December 31, 2018, and of its consolidated and stand-alone financial performance and its consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Stand-alone Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 matters	How our audit addressed the key audit matters
Valuation of Owner Managed Hotel Property included in Property Plant and Equipment and Investment Property – Jewel Grande Montego Bay Resort and Spa (Group) *See notes 2 (l), 2 (m), 3, 16 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$12.6 billion at December 31, 2018 (See Note 16, land and buildings), or 26% 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$1.9 billion at December 31, 2018 (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 property 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.	
Discontinued Operations - Hilton Rose Hall Resort and Spa formerly operated by X Fund Properties Limited (Group) *See note 2 (b), 33 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.* X Fund Properties Limited disposed of its hotel operation, the Hilton Rose Hall Resort and Spa, to Playa Hotels & Resorts, N.V. effective June 1, 2018. The operations of Hilton Rose Hall Resort and Spa hotel was discontinued and management based on these considerations, determined the criteria of IFRS 5 'Discontinued Operations' were met. The business generated revenue of J$2.7 billion for year ended December 31, 2018. The accounting treatment in the financial statements is significant due to the complexity of the underlying contractual agreements and the numerous material effects on the consolidated financial statements. The disclosure of the discontinued operations is contained in the consolidated statement of comprehensive income, the consolidated cash flows from discontinued operations, the consolidated statement of financial position and Note 33 Discontinued operations.	We read and reviewed the executed agreements to evaluate and determine appropriate treatment of the transaction in accordance with the requirements of IFRS 5. We held meetings and performed inquiries with the entity's management and Board of Directors to obtain an understanding of the disposal process as well as of the particularities and contingencies of the executed agreements; We performed procedures to verify completeness and accuracy of the assets and liabilities presented as discontinued operations, including measurement in accordance with IFRS 5. Reconciling the reclassified assets and liabilities and results to the business unit reporting available in the entity's financial reporting system. Additional procedures include but are not restricted to: • Validating the cash proceeds received and inspecting the shareholding certificate. • Validating the expenses related to discontinued operations. • Validating the gain or loss recognised on discontinued operation. • Auditing the six months results of the statement of comprehensive income.

Business Combinations – Investment in Subsidiary and Associate (Group) *See notes 2 (b), 3, 14, 15 and 36 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
Effective July 1, 2018 the Group has a shareholding in Playa Hotel & Resorts N.V. (Playa) of 15.33% through the ownership of shareholding in subsidiary Jamziv Mobay Jamaica Portfolio Limited. Management assessed and determined that the Group had significant influence over the entity even though it owned less than 20% of Playa shares – rebuttable presumption under IAS 28, 'Investment in associates and joint ventures'. Given its participation in the policy-making decisions, significant involvement in, and influence over decision making of Playa, this allows them to clearly demonstrate influence over Playa's financial and operating results. Management applied significant judgement regarding whether or not it could evidence the existence of significant influence. These include: • representation on the board of directors or equivalent governing body of the investee, • participation in the policy-making process, and; • whether or not shareholdings are considered to be substantial when compared to other owners. Given that these determinations require judgment, we focused our attention on this area.	We obtained and evaluated management's analysis and application of accounting policies and assessed that they were appropriate and consistent with the requirements outlined under IAS 28. We verified the following: • The Group representation on board and sub-committees and examined the corporate governance structure to determine the importance of these committees. • The Group shareholdings as the second largest in Playa. We tested the Group's ownership of shares in Playa. Based on the procedures performed, we concluded that management's conclusions were reasonable.

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 IFRS, 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 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 to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group 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 and stand-alone 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 auditor's 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 partner on the audit resulting in this independent auditor's report is Rosilyn Novela.

Grant Thornton

Chartered Accountants

Sagicor Real Estate X Fund Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue:			
Net investment income	8	26,843	59,891
Net capital gains on financial assets and liabilities	8	246,512	2,608,294
Hotel revenue	8	5,546,543	4,742,922
Total revenue		5,819,898	7,411,107
Expenses:			
Direct expenses	9(a)	(2,153,034)	(2,007,819)
Administrative and other operating expenses	9(b)	(2,796,349)	(2,192,503)
Net impairment losses on financial assets	9(b)	(109,888)	(4,252)
Operating expenses		(5,059,271)	(4,204,574)
Finance costs	11	(1,146,645)	(1,274,983)
Operating (loss)/profit		(386,018)	1,931,550
Share of loss from associate accounted for using the equity method	15	(393,887)	-
(Loss)/profit before taxation		(779,905)	1,931,550
Taxation	12	537,626	(47,998)
Net (loss)/profit from continuing operations		(242,279)	1,883,552
Discontinued operations			
Profit from discontinued operations, net of taxes (attributable to equity holders of the company)	33	242,264	858,474
Net (loss)/profit		(15)	2,742,026
Other comprehensive income -			
Items that may be subsequently reclassified to profit or loss –			
Re-translation of foreign operation		(408,721)	(157,395)
Items that will not be subsequently reclassified to profit or loss –			
Revaluation of land and buildings		2,715,601	519,053
Other comprehensive income for the period, net of taxes		2,306,880	361,658
Total comprehensive income for the period		2,306,865	3,103,684
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic and fully diluted	13	$0.07	$1.22

The accompanying notes on pages 11 to 87 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Comprehensive Income (Continued)

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Net profit attributable to:			
Stockholders of the company		154,349	2,742,026
Non-controlling interests	32	(154,364)	-
		(15)	2,742,026
Total comprehensive income is attributable to:			
Stockholders of the company		2,363,994	3,103,684
Non-controlling interests	32	(57,129)	-
		2,306,865	3,103,684
Total comprehensive income for the period attributable to stockholders of the company arises from:			
Continuing operations		1,765,527	2,784,126
Discontinued operations		598,467	319,558
		2,363,994	3,103,684

The accompanying notes on pages 11 to 87 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-Current Assets			
Investment in associate	15	27,796,598	-
Property, plant and equipment	16	14,766,405	26,276,625
Investment property	17	1,922,362	2,043,581
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	18	774,861	15,204,393
Financial assets at fair value through profit or loss	19	273,249	243,224
Goodwill	36	923	-
		45,534,398	43,767,823
Current Assets			
Inventories	20	41,563	339,428
Receivables	21	1,403,048	1,947,444
Securities purchased under agreement to resell	22	130,693	636,894
Cash resources	23	1,691,004	998,503
		3,266,308	3,922,269
Current Liabilities			
Bank overdraft	23	17,927	32,317
Payables	24(a)	1,030,877	1,599,251
Contract liabilities	24(b)	62,610	483,362
Borrowings	26	4,033,391	1,823,400
Taxation payable		429,969	50,630
		5,574,774	3,988,960
Net Current Liabilities		(2,308,466)	(66,691)
		43,225,932	43,701,132

The accompanying notes on pages 11 to 87 form an integral part of these financial statements

Sagicor Real Estate X Fund Limited

Consolidated Statement of Financial Position (Continued)

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Stockholders' Equity			
Share capital	28	12,642,512	12,642,512
Currency translation reserve		47,600	245,340
Fair value reserves	30	3,479,364	3,077,123
Retained earnings	31	8,884,244	6,724,751
		25,053,720	22,689,726
Non-controlling interests	32	10,893,492	-
Total Equity		35,947,212	22,689,726
Non-Current Liabilities			
Borrowings	26	6,170,569	19,634,744
Deferred income taxes	27	1,108,151	1,376,662
Total Liabilities		7,278,720	21,011,406
Total Equity and Liabilities		43,225,932	43,701,132

Approved for issue by the Board of Directors on 24 May 2019 and signed on its behalf by:

Richard Byles Director

Christopher Zacca Director

The accompanying notes on pages 11 to 87 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Changes in Stockholders' Equity

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Currency Translation Reserve	Fair Value Reserves	Retained Earnings	Non-controlling Interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017		12,642,512	402,735	2,558,070	4,296,746	-	19,900,063
Net profit for the year		-	-	-	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	29	-	-	-	(314,021)	-	(314,021)
Balance at 31 December 2017		**12,642,512**	**245,340**	**3,077,123**	**6,724,751**	**-**	**22,689,726**
Net profit/(loss) for the year		-	-	-	154,349	(154,364)	(15)
Re-translation of foreign operations		-	(197,740)	-	-	(210,981)	(408,721)
Unrealised gain on revaluation of property, plant and equipment		-	-	2,407,385	-	308,216	2,715,601
Total comprehensive income		-	(197,740)	2,407,385	154,349	(57,129)	2,306,865
Transfer between reserves		-	-	(2,005,144)	2,005,144	-	-
Non-controlling Interests at acquisition		-	-	-	-	10,950,621	10,950,621
Balance at 31 December 2018		**12,642,512**	**47,600**	**3,479,364**	**8,884,244**	**10,893,492**	**35,947,212**

The accompanying notes on pages 11 to 87 form an integral part of these financial statements

Sagicor Real Estate X Fund Limited
Consolidated Statement of Cash Flows
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	34	1,045,639	1,258,087
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	16	(569,808)	(1,833,999)
Purchase to complete property, plant and equipment projects in relation to sale of discontinued operations		(335,530)	-
Purchase of investment property	17	(209,521)	(624,543)
Purchase of investments		-	(1,688,863)
Proceeds from sale of property, plant and equipment		5,603	-
Proceeds from sale of discontinued operations	33	12,700,770	-
Proceeds from sale of investments		14,506,122	4,128,467
Investment in associate		(14,490,618)	-
Restricted cash		8,287	632,740
Interest received		28,686	57,709
Net cash provided by investing activities		11,643,991	671,511
Cash Flows from Financing Activities			
Borrowings		(11,251,881)	151,442
Interest paid		(1,267,717)	(1,173,317)
Dividends paid	29	-	(314,021)
Net cash used in financing activities		(12,519,598)	(1,335,896)
Increase in cash and cash equivalents		170,032	593,702
Effect of exchange gains on cash and cash equivalents		51,448	6,083
Cash and cash equivalents at beginning of year		1,258,772	658,987
Cash and Cash Equivalents at year end	23	1,480,252	1,258,772

The accompanying notes on pages 11 to 87 form an integral part of these financial statements

Sagicor Real Estate X Fund Limited
Company Statement of Comprehensive Income
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

Revenue	Note	2018 $'000	2017 $'000
Net investment income	8	5,940	6,057
Net capital gains on financial assets and liabilities	8	55,360	2,042,226
		61,300	2,048,283
Administrative and other operating expenses	9	(49,016)	(33,857)
Finance costs	11	(270,168)	(117,549)
(Loss)/profit before tax		(257,884)	1,896,877
Taxation	12	68,453	(22,007)
Net (loss)/profit, being total comprehensive income for the period		(189,431)	1,874,870

The accompanying notes on pages 11 to 87 form an integral part of these financial statements

Sagicor Real Estate X Fund Limited

Company Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-Current Assets			
Investment in subsidiaries	14	24,008,822	9,518,204
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	18	-	14,352,483
Financial assets at fair value through profit or loss	19	88,065	90,902
Deferred income taxes	27	2,407	-
		24,099,294	23,961,589
Current Assets			
Securities purchased under agreement to resell	22	16	3,264
Cash resources	23	360	424
		376	3,688
Current Liabilities			
Bank overdraft	23	122	-
Payables	24	3,494,623	518,743
Borrowings	26	2,962,877	2,518,796
		6,457,622	3,037,539
Net Current Liabilities		(6,457,246)	(3,033,851)
		17,642,048	20,927,738
Stockholders' Equity			
Share capital	28	12,642,512	12,642,512
Retained earnings	31	4,999,536	5,188,967
		17,642,048	17,831,479
Non-Current Liabilities			
Borrowings	26	-	3,030,059
Deferred income taxes	27	-	66,200
		-	3,096,259
		17,642,048	20,927,738

Approved for issue by the Board of Directors on 24 May 2019 and signed on its behalf by:

Richard Byles	Director	Christopher Zacca	Director

The accompanying notes on pages 11 to 87 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Company Statement of Changes in Stockholders' Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Retained Earnings	Total
		$'000	$'000	$'000
Balance at 31 January 2017		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	29	-	(314,021)	(314,021)
Balance at 31 December 2017		**12,642,512**	**5,188,967**	**17,831,479**
Net loss, being total comprehensive income for the year		-	(189,431)	(189,431)
Balance at 31 December 2018		**12,642,512**	**4,999,536**	**17,642,048**

The accompanying notes on pages 11 to 87 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Company Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Net (loss)/profit for the year		(189,431)	1,874,870
Items not affecting cash:			
Interest income		(5,940)	(6,057)
Finance costs	11	270,168	117,549
Income tax expense	12	(68,453)	22,007
Gain on disposal of investment		-	(35,882)
Effect of exchange losses/(gains) on foreign currency		78,587	(136,574)
Fair value gain on units held in Sagicor Sigma Global Funds		(138,135)	(1,979,229)
Fair value losses/(gains) on other financial investments		4,188	(3,197)
		(49,016)	(146,513)
Change in operating assets and liabilities:			
Receivables		-	12,590
Payables		2,893,745	390,166
Cash provided by operating activities		2,844,729	256,243
Taxation paid		(154)	-
Net cash provided by operating activities		2,844,575	256,243
Cash Flows from Investing Activities			
Investment in subsidiary	14	(14,490,618)	-
Proceeds from sale of investment		14,490,618	104,626
Interest received		5,886	6,052
Net cash provided by investing activities		5,886	110,678
Cash Flows from Financing Activities			
Interest paid		(91,660)	(100,785)
Borrowings		(2,762,243)	(2,320,448)
Promissory note		-	2,360,371
Dividends paid	29	-	(314,021)
Net used in financing activities		(2,853,903)	(374,883)
Decrease in cash and cash equivalents		(3,442)	(7,962)
Effect of exchange gains on cash and cash equivalents		8	135
Cash and cash equivalents at beginning of year		3,688	11,515
Cash and Cash Equivalents at year end	23	254	3,688

The accompanying notes on pages 11 to 87 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

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 (SLJL). Its ultimate parent company, Sagicor Group Jamaica Limited (SGJL) owns 29.3%. Effective, October 1, 2018 the Company became a subsidiary of SGJL, as SGJL now controls the Company.

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 SGJL, the immediate parent of SLJL, SIJL and the Company.

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

(b) On December 1, 2014 X Fund Properties Limited was formed and is a wholly owned subsidiary of X Fund. 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.

(c) 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).

(d) 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 X Fund. The subsidiary did not become operational, and is in the process of being wound up.

(e) On April 25, 2018, Jamziv Mobay Jamaica Portfolio Limited ("Jamziv") was incorporated in Jamaica as a holding company. On July 1, 2018, X Fund acquired 51.86% of Jamziv, in addition to the 8.95% that X Fund Properties Limited purchased on June 2, 2018. Together the X Fund Group owns 60.81% of Jamziv, which in turn holds 15.33% of Playa Hotels & Resorts N.V. ("Playa")

On June 2, 2018, X Fund Group and Sagicor Sigma Global Funds (trustee JCSD Trustee Services Limited) (referred to as "Sagicor Parties") entered a definitive agreement for a business combination with Playa. In exchange, Sagicor Parties received 20 million shares of Playa common stock and US$100 million in cash.

X Fund controls 15.33% of the 130,478,993 shares issued by Playa, through its subsidiary company, Jamziv. Based on X Fund Group levels of investment in, and significant influence over, Playa, X Fund is accounting for its investment in Playa as an associated company from the date of acquisition as required by IAS 28. Due to this transaction, the operations of Hilton Rose Hall and Spa was discontinued effective June 1, 2018 (Note 33).

Sagicor Real Estate X Fund Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(f) The company's subsidiaries, joint operations and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries, Joint Operation and Associate	Incorporation in	Principal Activities	Holdings held by Company %	Holdings held by the Group %	Holdings held by non-controlling interests %
X Fund Properties Limited	Jamaica	Hospitality and real estate investment	100	100	Nil
X Fund Properties LLC	USA	Hospitality	100	100	Nil
Sun Isles Tour Services Limited	St. Lucia	Winding up	100	100	Nil
Jamziv Mobay Jamaica Portfolio Limited	Jamaica	Holding Company	51.86%	60.81%	39.19%
Playa Hotels & Resorts N.V.	Netherlands	Hospitality	-	15.33%	-

(g) 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 other 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.

A portion of Jewel Grande Montego Bay Resort and Spa was included in the definitive agreement with Playa. Following this transaction, the ownership of the joint operation changed with the X Fund Group holding approximately 22.87%, Sagicor Sigma Global Funds 36.52% and Sagicor Pooled Investment Fund 40.61%. See Note 17 for summary financial performance of the joint operation.

(h) Management agreements

- Sagicor Life Jamaica Limited
- X Fund Properties Limited
- Playa Management USA, LLC

(i) The Group entered into a property management agreement with Ambridge Hospitality LLC to manage the hotel properties, Hilton Rose Hall Resort and 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 2018 the Group recognized property management fees of $168,302,000 (2017 - $210,513,000).

The Group reimburses Ambridge for expenses incurred relating to hotel operations. For the year ended 31 December 2018, the Group incurred reimbursable expenses of $311,741,000 (2017 - $249,980,000).

1. Identification and Principal Activities (Continued)

(e) Continued

Termination of contract
Following the sale of the Hilton Rose Hall Resort and Spa, the property management agreement with Ambridge Hospitality LLC was terminated on June 1, 2018.

(f) The Group entered into a property management agreement on May 31, 2018 with Playa Management U.S.A LLC to manage the joint operation of Jewel Grande Montego Bay Resort and Spa. The property management agreement has an initial term of ten 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. Playa Management U.S.A LLC is entitled to receive a base management fee equal to 7% of gross operating profit in year 1, and 8% and 9% in year 2 and year 3, respectively. For the year ended 31 December 2018 the Group recognized its share of the property management fees of $5,492,000.

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:

- **IFRS 9, 'Financial Instruments',** (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

Sagicor Real Estate X Fund Limited

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

- **IFRS 9, 'Financial Instruments' (continued)**
  IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  The Group has performed a review of its business model based on the different portfolios of financial assets and the characteristics of these financial assets in the various entities within the Group. The Group's investment portfolio continues to be classified as fair value through profit or loss and other financial assets, which are held for collection, continue to be measured at amortised cost.

  There was no impact on the Group's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the Group does not currently have any such liabilities.

  The impairment model was reviewed and adopted. It required the identification of the credit risk associated with counterparties. The counterparties are mainly Governments investments and trade receivables from customers. A provisions matrix was used for the trade receivables reflecting past experience of losses incurred due to default as well as forward looking information in arriving at an assessment of impairment. As it relates to investments, management reviewed the macro economic factors of each country as well as specific credit rating information for securities, where available, to aid with its impairment assessment.

  Changes in accounting policies resulting from adoption were applied as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Group has not recognised any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings or other components of equity. There was no adjustment to the opening retained earnings.

- **IFRS 15, 'Revenue from contracts with customers'** (effective for annual period 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 are required to be capitalised and amortised over the period when the benefits of the contract are consumed. Except for management fees and commission, all other revenue streams are not within the scope of IFRS 15. In accordance with the transition provisions of IFRS 15, the standard has been implemented using the modified retrospective method with no restatement of comparative information. There was no significant impact on the Group resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements
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2. **Summary of Significant Accounting Policies (Continued)**

(a) **Basis of preparation (continued)**

Standards, interpretations and amendments to published standards effective in the current year (continued)

- **IFRS 15, 'Revenue from Contracts with Customers'**, (effective for annual periods beginning on or after 1 January 2018). Clarifies the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The adoption of this amendment did not have a material impact on the financial statements of the Group.

- **Amendment to IAS 40, Investment property'**, (effective for annual periods beginning on or after 1 January 2018) clarifies 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 adoption of this amendment did not have a material impact on the financial statements of the Group.

- **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. There was no significant impact from the adoption of this amendment during the year.

- **Annual improvements 2014 – 2017**, (effective for annual periods beginning on or after 1 January 2018). These amendments impact two standards as follows:

  (ii) IFRS 12, 'Disclosure of interest in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2018.

  (iii) IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018. These amendments clarify that companies account for long term interests in associate or joint venture to which the equity method is not applied using IFRS 9. There was no significant impact from the adoption of this amendment during the year.

Sagicor Real Estate X Fund Limited

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

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, but were not effective at the statement of financial position date. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **IFRS 16, 'Leases'**, (effective for annual periods beginning on or after 1 January 2019) with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption.

- **Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation** (effective for annual periods beginning on or after 1 January 2019). This amendment will enable companies to measure at amortised cost some financial assets with negative compensation. The assets affected, that include some loans and debt instruments, would otherwise have been measured at fair value profit or loss. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity but the prepayment amount could be less than unpaid amounts of principal and interest. To qualify to use amortised cost, such negative compensation should be reasonable compensation for early termination. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

- **Amendment to IFRS 3 "Business Combination"** (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business.

- **Amendments to IAS 28 'Investments in associates', on long term interests in associates and joint ventures** (effective for annual periods beginning on or after 1 January 2019). These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The Group currently applies the equity method to its associated companies.

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)

- **Amendment to IAS 1 and IAS 8**, (effective for annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual periods beginning on or after 1 January 2019). 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 IFRIC 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. The adoption of this standard is not expected to have a significant impact on the Group.

- **Annual improvement 2015-2017,** (effective for annual periods beginning on or after 1 January 2019). This amendment includes minor changes to:
    - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
    - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
    - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

Sagicor Real Estate X Fund Limited

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to the variable returns from its ownership interest in the entity and when the Group can effect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are de-consolidated from the date on which 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 uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. 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 non-controlling 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. Any non-controlling interest balances represent the equity in a subsidiary not attributable to X Fund's interests.

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the minority interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation.

Non-controlling interest balances are subsequently re-measured by the minority's proportionate share of changes in equity after the date of acquisition. Investments in subsidiaries are stated in the company's financial statements at cost less impairment.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(ii) Change in ownership interests in subsidiaries without change in control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity, Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

(iv) Discontinued operations
When the Group disposes of interest in an entity or a significant portion of the company, the disclosure will reflect a single amount in the statement of comprehensive income comprising the total of:
(i) the post-tax profit or loss of discontinued operations and
(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal Group(s) constituting the discontinued operation.

The statement of comprehensive income shows a section identified as relating to discontinued operations; that is, separately from continuing operations.

(v) Joint operation
The Group recognises its investment in joint operation by accounting for its relevant share of the assets, liabilities, revenues and expenses of joint operations and its share of any jointly incurred assets, liabilities, revenues and expenses.

(c) Segment reporting

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

2. Summary of Significant Accounting Policies (Continued)

(d) 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 that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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.

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2. Summary of Significant Accounting Policies (Continued)

(e) Revenue recognition
Revenue recognition – IFRS 15

Revenues from service contracts with customers consist primarily of hotel revenue from guests reservations. These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the guests. The Group's performance obligations within these service arrangements are generally satisfied over time as the guests receive and consume contracted benefits.

Revenue from service contracts with customers is recognised when (or as) the Group satisfies the performance obligation of the contract. For obligations satisfied over time, revenue is recognised daily over the reservation period. For performance obligations satisfied at a point in time, revenue is recognised at that point in time.

Revenue recognition – year ended 31 December 2017

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) Hotel revenue
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.

- 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.

- 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.

- Management fees
  Arises from services rendered in conjunction with management contracts where the Group actively manages the consideration received from hotel operation administration.

- Rental income
  Revenue comprises the invoiced value of rental and maintenance charges, net of General Consumption Tax or applicable sales tax. Rental income and maintenance charges are recognised on an accrual basis.

(ii) Interest income
Interest income on financial assets at amortised costs and fair value through profit or loss is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method.

(iii) 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 statement.

(iv) Unrealised gains
Unrealised gains on appreciation of value in Sigma Real Estate Portfolio and investrment securities are recognised as income statement.

2. Summary of Significant Accounting Policies (Continued)

(f) 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.

(g) 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.

(h) 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.

2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets

(i) Classification of financial assets

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

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

Financial assets measured at amortized cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or loss arising on de-recognition is recognised directly in profit or loss and presented in net capital gains and financial assets and liabilities.

Financial assets measured at fair value through profit and loss
Financial assets that do not meet the criteria for amortised cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and present net with net capital gains and financial assets and liabilities in the period it arises. Interest income and interest earned on assets measured at fair value through profit and loss Interest income is earned based on the effective interest rate based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

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

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

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

Sagicor Real Estate X Fund Limited
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2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

(i) Impairment of financial assets measured at amortized cost
IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

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

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

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

(iii) Definition of default
The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

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

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

(iv) Write-off
Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

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2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

(v) The general approach to recognising and measuring ECL
The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement
Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time.

A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a Grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a Group are homogeneous.

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

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

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

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

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

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

Forward looking information
Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Financial assets - Policies under IAS 39

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.

2. Summary of Significant Accounting Policies (Continued)

(j) 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.

(k) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 4(a).

(l) 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

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

(l) 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.

(m) 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. Otherwise, it is accounted for as owner-occupied property.

Rental income is recognised on an accruals basis.

(n) 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.

(o) 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.

2. Summary of Significant Accounting Policies (Continued)

(p) 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.

Contract liabilities are recognise when guests prepay for reservation.

(q) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

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2. Summary of Significant Accounting Policies (Continued)

(r) Financial Liabilities

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

(ii) Re-classified balances
Financial liabilities balances which were accounted for at amortised cost under IAS 39 continue to be so accounted for under IFRS 9 and financial liabilities balances which were accounted for at fair value through income under IAS 39 are now accounted at FVTPL on the adoption of IFRS 9. Consequently, no financial liability balances have been restated as of January 1, 2018.

During the ordinary course of business, the Group assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in the following paragraphs:

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

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.

(s) 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.

(t) 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.

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:

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

In the process of applying the Group's accounting policy management has made the following significant judgement regarding the amounts recognised in the financial statements:

(i) Investment in associate

As at July 1, 2018 the Group's has a shareholding in Playa Hotels & Resorts N.V. of 15.33%. From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case.If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways: representation on the board of directors or equivalent governing body of the investee; participation in the policy-making process, including participation in decisions about dividends or other distributions; material transactions between the entity and the investee; interchange of managerial personnel; or provision of essential technical information

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has two representation on the Board out of twelve and are also members of two strategic Board committees.

Management has concluded, given its participation in the policy-making decisions, significant involvement in, and influence over decision making of Playa, this allows them to clearly demonstrate influence over Playa financial and operating results even though the X Fund Group owns less than 20% of Playa shares - rebuttable presumption.

Management has concluded after taking the above into consideration that it has significant influence over Playa through its holding and as such is of the view that its strategic investment in the Playa should be treated as an investment in associate in accordance with IAS 28.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

(b) Key sources of estimation uncertainty

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

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 recognized 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 capitalization 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.

Business Combination

In a business combination, the acquirer must allocate the cost of the business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value at that date. The allocation is based upon certain valuations and other studies performed with the assistance of external valuation specialists. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and the carrying amounts of some assets, such as intangible assets, acquired through a business combination could therefore differ significantly in the future.

As prescribed by IFRS 3 (revised), if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination is effected, the acquirer must account for the business combination using those provisional values and has a twelve month period from the acquisition date to complete the purchase price allocation. Any adjustment of the carrying amount of an identifiable asset or liability made as a result of completing the initial accounting is accounted for as if its fair value at the acquisition date had been recognised from that date. The purchase price allocation for the acquisitions of Jamziv have been provisional determined as described in Note 36.

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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. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

	2018	2017
Debt securities by rating category		
B	273,249	243,224
	273,249	243,224

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

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 $1,403,048,000 (2017 - $1,947,444,000) due to the Group's hotel operations.

Maximum exposure to credit risk

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

	Group		Company	
	2018	2017	2018	2017
	$000	$000	$000	$000
Trade receivables	197,967	464,121	-	-
Other receivable	102,359	459,714	-	-
Due from related parties	665,659	558,399	-	-
Financial assets at fair value through profit or loss	273,249	243,224	88,065	90,902
Securities purchased under agreement to resell	130,693	636,894	16	3,264
Cash and cash equivalent (excluding cash on hand)	1,666,906	955,027	238	424
	3,036,833	3,317,379	88,319	94,590

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4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of financial assets

The Group has financial assets that are subject to the expected credit loss model:
i. trade receivables for the provision of services, and
ii. Other receivables

While cash at bank is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

i. Trade Receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the Group first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on an internal risk rating system considering various qualitative and quantitative factors. All other non-specific trade receivables are then Grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 1 January 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to the ability of the customers to settle the receivables. A summary of the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 December 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount $'000	168,795	31,314	1,150	6,945	208,204
Loss allowance provision $'000	-	-	-	10,237	10,237

1 January 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount $'000	399,128	59,988	5,005	5,681	469,802
Loss allowance provision $'000	-	-	-	5,681	5,681

On review of the loss allowance provisions for impairment under IFRS 9, no adjustment to the opening loss allowance provisions under IAS 39 was required.

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.

Other impairment losses recorded in the income statement on other financial assets amounted to $107,563,000 (2017 - $15,164,000).

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of financial assets

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 90 days past due based on historical experience which dictates that amounts past due beyond 90 days are generally not recoverable.

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

(a) Significant financial difficulties of the debtor
(b) Probability that the debtor will enter bankruptcy or financial reorganization and,
(c) Default of late payments (more than 30 days overdue)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Analysis of trade receivables

The following table summarises the Group's credit exposure for trade receivables at their carrying amounts, as categorised by customer sector:

	2018 $'000	2017 $'000
Travel agents	163,485	445,190
Other	44,719	24,612
	208,204	469,802
Less: Impairment loss	(10,237)	(5,681)
	197,967	464,121

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of financial assets (continued)

The closing loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	2018 $'000	2017 $'000
At 31 December – calculated under IAS 39 and opening loss allowance as under IFRS 9 (1 January 2018 not restated *)	5,681	6,963
Impairment losses:		
Increase in loss allowance	8,349	-
Receivables written off as uncollected	1,503	3,383
Unused amounts reversed	(5,296)	(4,665)
At 31 December 2018 (2017 amounts calculated under IAS 39)	10,237	5,681

* No restatement was required on transition to IFRS 9 as a result of applying the expected credit risk model.

Net impairment losses on financial assets recognised in profit or loss

During the year, the following losses were recognised in the income statement in relation to impaired financial assets:

	2018 $'000	2017 $'000
Movement in loss allowance for trade receivables	9,851	3,383
Impairment loss on other financial assets	107,563	15,164
Reversal of previous impairment losses	(5,296)	(4,665)
	112,118	13,882

ii. Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt instruments that are measured at the fair value through profit or loss. The maximum exposure at the reporting period is the carrying amount of these investments $1,048,110,000 (2017- $15,447,617,000).

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 Grouping 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 financing 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

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4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

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:

	The Group				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2018	$000	$000	$000	$000	$000
Bank overdraft	17,927	-	-	-	17,927
Payables and contract liabilities	967,490	-	-	-	967,490
Borrowings	153,381	753,990	4,909,312	8,340,422	14,157,105
	1,138,798	753,990	4,909,312	8,340,422	15,142,522

	The Company				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2018	$000	$000	$000	$000	$000
Bank overdraft	122	-	-	-	122
Payables	3,494,623	-	-	-	3,494,623
Borrowings	2,541,930	203,418	298,096	-	3,043,444
	6,036,675	203,418	298,096	-	6,538,189

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

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

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4. Financial Risk Management (Continued)

(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.

Concentration of currency risk

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

	The Group		
	2018		
	J$ J$'000	US$ J$'000	Total J$'000
Financial Assets			
Financial assets at fair value through profit and loss and securities purchased under agreement to resell	284,346	119,596	403,942
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	774,861	-	774,861
Cash resources	13,211	1,677,793	1,691,004
Receivables	1,088,823	314,225	1,403,048
Total financial assets	2,161,241	2,111,614	4,272,855
Financial Liabilities			
Bank overdraft	269	17,658	17,927
Payables and contract liabilities	686,065	407,422	1,093,487
Borrowings	2,862,887	7,341,073	10,203,960
Total financial liabilities	3,549,221	7,766,153	11,315,374
Net financial position	(1,387,980)	(5,654,539)	(7,042,519)

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company		
	2018		
	J$	US$	Total
Financial Assets	J$'000	J$'000	J$'000
Financial assets at fair value through profit and loss and securities purchased under agreement to resell	16	88,065	88,081
Cash resources	3	357	360
Total assets	19	88,422	88,441
Financial Liabilities			
Bank overdraft	122	-	122
Payables	3,494,623	-	3,494,623
Borrowings	2,488,225	474,652	2,962,877
Total financial liabilities	5,982,970	474,652	6,457,622
Net financial position	(5,982,951)	(386,230)	(6,369,181)

	The Group		
	2017		
	J$	US$	Total
Financial Assets	J$'000	J$'000	J$'000
Financial assets at fair value through profit and loss 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
Financial Liabilities			
Payables and contract liabilities	1,248,957	833,656	2,082,613
Borrowings	9,263,735	12,194,409	21,458,144
Total financial liabilities	10,512,692	13,028,065	23,540,757
Net financial position	6,558,515	(10,892,075)	(4,333,560)

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company		
	2017		
	J$	US$	Total
Financial Assets	J$'000	J$'000	J$'000
Financial assets at fair value through profit and loss 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
Total assets	14,353,714	93,359	14,447,073
Financial Liabilities			
Payables	518,743	-	518,743
Borrowings	2,370,206	3,178,649	5,548,855
Total financial liabilities	2,888,949	3,178,649	6,067,598
Net financial position	11,464,765	(3,085,290)	8,379,475

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.

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Group			
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
Currency:	2018	2018	2017	2017
USD	%	$'000	%	$'000
Revaluation	1	56,545	1	108,921
Devaluation	10	(565,454)	10	(1,089,208)

	The Company			
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
Currency:	2018	2018	2017	2017
USD	%	$'000	%	$'000
Revaluation	1	3,862	1	30,853
Devaluation	10	(38,623)	10	(308,529)

(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:

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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. The Group and Company's exposure to interest rate risk are as follows:

	The Group					
31 December 2018	**1 to 3 Months $000**	**4 to 12 Months $000**	**2 to 5 Years $000**	**Over 5 Years $000**	**Non-Interest Bearing $000**	**Total $000**
Assets						
Financial investments and securities purchased under agreement to resell	41,175	89,184	-	265,503	8,080	403,942
Investment in Sagicor Sigma Global Funds –Sigma Real Estate Portfolio	-	-	-	-	774,861	774,861
Receivables	-	-	-	-	1,403,048	1,403,048
Cash resources	1,473,415	-	-	-	217,589	1,691,004
Non-financial assets:						
Investment in associate	-	-	-	-	27,796,598	27,796,598
Property, plant and equipment	-	-	-	-	14,766,405	14,766,405
Investment property	-	-	-	-	1,922,362	1,922,362
Goodwill	-	-	-	-	923	923
Inventories	-	-	-	-	41,563	41,563
Total assets	1,514,590	89,184	-	265,503	46,931,429	48,800,706
Liabilities						
Bank overdraft	17,927	-	-	-	-	17,927
Payables and contract liabilities	-	-	-	-	1,093,487	1,093,487
Borrowings	-	645,769	2,199,872	7,148,007	210,312	10,203,960
Non-financial liabilities:						
Taxation payable	-	-	-	-	429,969	429,969
Deferred income taxes	-	-	-	-	1,108,151	1,108,151
	17,927	645,769	2,199,872	7,148,007	2,841,919	12,853,494
Total interest repricing gap	1,496,663	(556,585)	(2,199,872)	(6,882,504)	44,089,510	35,947,212
Cumulative repricing gap	1,496,663	940,078	(1,259,794)	(8,142,298)	35,947,212	

4. **Financial Risk Management (Continued)**

(c) **Market risk (continued)**

(ii) Interest rate risk (continued)

	The Company					
31 December 2018	**1 to 3 Months $000**	**4 to 12 Months $000**	**2 to 5 Years $000**	**Over 5 Years $000**	**Non-Interest Bearing $000**	**Total $000**
Assets						
Financial investments and securities purchased under agreement to resell	16	-	-	85,298	2,767	88,081
Cash resources	360	-	-	-	-	360
Non-financial assets:						
Deferred income taxes	-	-	-	-	2,407	2,407
Investment in subsidiaries	-	-	-	-	24,008,822	24,008,822
Total assets	376	-	-	85,298	24,013,996	24,099,670
Liabilities						
Bank overdraft	122	-	-	-	-	122
Payables	-	-	-	-	3,494,623	3,494,623
Borrowings	-	2,552,740	279,694	-	130,443	2,962,877
Total liabilities	122	2,552,740	279,694	-	3,625,066	6,457,622
Total interest repricing gap	254	(2,552,740)	(279,694)	85,298	20,388,930	17,642,048
Cumulative repricing gap	254	(2,552,486)	(2,832,180)	(2,746,882)	17,642,048	

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group					
31 December 2017	**1 to 3 Months**	**4 to 12 Months**	**2 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
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	-	-	-	-	1,947,444	1,947,444
Cash resources	163,626	-	-	-	802,560	966,186
Non-financial assets:						
Property, plant and equipment	-	-	-	-	26,276,625	26,276,625
Investment property	-	-	-	-	2,043,581	2,043,581
Inventories	-	-	-	-	339,428	339,428
Total assets	798,350	-	-	235,467	46,623,958	47,657,775
Liabilities						
Borrowings	801,739	699,585	6,674,743	12,920,890	361,187	21,458,144
Payables and contract liabilities	44,222	-	-	-	2,038,391	2,082,613
Non-financial liabilities:						
Taxation payable	-	-	-	-	50,630	50,630
Deferred income taxes	-	-	-	-	1,376,662	1,376,662
	845,961	699,585	6,674,743	12,920,890	3,826,870	24,968,049
Total interest repricing gap	(47,611)	(699,585)	(6,674,743)	(12,685,423)	42,797,088	22,689,726
Cumulative repricing gap	(47,611)	(747,196)	(7,421,939)	(20,107,362)	22,689,726	

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company					
31 December 2017	**1 to 3 Months**	**4 to 12 Months**	**2 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
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
Non-financial assets:						
Investment in subsidiary	-	-	-	-	9,518,204	9,518,204
Total assets	3,688	-	-	88,184	23,873,405	23,965,277
Liabilities						
Borrowings	-	2,502,553	3,030,059	-	16,243	5,548,855
Payables	-	-	-	-	518,743	518,743
Non-financial liabilities:						
Deferred income taxes	-	-	-	-	66,200	66,200
Total liabilities	-	2,502,553	3,030,059	-	601,186	6,133,798
Total interest repricing gap	3,688	(2,502,553)	(3,030,059)	88,184	23,272,219	17,831,479
Cumulative repricing gap	3,688	(2,498,865)	(5,528,924)	(5,440,740)	17,831,479	

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, 19, 22, 23 & 26). Accordingly, the Group does not have significant exposure to interest rate risk.

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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 and ensure that the Group is not in breach of its loan covenants.

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 2018, 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).

6. Fair Value of Financial Instruments (Continued)

	The Group			
	2018			
	Level 1	Level 2	Level 3	Total
Financial Assets	$'000	$'000	$'000	$'000
Investments in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	774,861	774,861
Financial assets at fair value through profit or loss	-	273,249	-	273,249
	-	273,249	774,861	1,048,110

	The Group			
	2017			
	Level 1	Level 2	Level 3	Total
Financial Assets	$'000	$'000	$'000	$'000
Investments in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	15,204,393	15,204,393
Financial assets at fair value through profit or loss	-	243,224	-	243,224
	-	243,224	15,204,393	15,447,617

	The Company			
	2018			
	Level 1	Level 2	Level 3	Total
Financial Assets	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss	-	88,065	-	88,065
	-	88,065	-	88,065

	The Company			
	2017			
	Level 1	Level 2	Level 3	Total
Financial Assets	$'000	$'000	$'000	$'000
Investments in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	14,352,483	14,352,483
Financial assets at fair value through profit or loss	-	90,902	-	90,902
	-	90,902	14,352,483	14,443,385

6. Fair Value of Financial Instruments (Continued)

Reconciliation of level 3 items –

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Balance at beginning of year	15,204,393	15,408,913	14,352,483	12,441,999
Redemptions	(14,490,618)	(2,584,314)	(14,490,618)	(104,627)
Total gains statement of comprehensive income	61,086	2,379,794	138,135	2,015,111
Balance at end of period	774,861	15,204,393	-	14,352,483

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**
	2018 $'000	**2017 $'000**		**2018 $'000**	**2017 $'000**	
The Group:						
Investment in Sigma Real Estate Portfolio	774,861	15,204,393	Computed unit prices	697,375	13,683,954	If the estimated fair values were higher / lower by 10% the value would increase by $69,738,000 (2017 - $1,368,395,000)

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7. Segmental Financial Information

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:

(a) Hotel operations – direct ownership and operation of hotels.
(b) Indirect hotel operations and commercial – indirect investment in real estate via the Sagicor Sigma Global Funds and Jamziv.
(c) Other – comprises of other investment assets and other liabilities.

There was no transaction between the operating segments during 2018 or 2017.

	The Group – Continuing Operations				
	2018				
	Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	5,546,543	-	26,843	-	5,573,386
Net capital gains/(losses) on financial assets and liabilities	46,491	114,663	85,358	-	246,512
Total revenue	5,593,034	114,663	112,201	-	5,819,898
Operating expenses	(4,332,080)	(49,016)	-	-	(4,381,096)
Depreciation	(678,175)	-	-	-	(678,175)
Finance costs	(876,477)	(270,168)	-	-	(1,146,645)
Operating loss	(293,698)	(204,521)	112,201	-	(386,018)
Share of loss from associates	-	(393,887)	-	-	(393,887)
(Loss)/profit before taxation	(293,698)	(598,408)	112,201	-	(779,905)
Taxation	519,405	(9,060)	27,281	-	537,626
Net loss	225,707	(607,468)	139,482	-	(242,279)
Segment assets	26,096,900	28,572,382	90,848	(5,959,424)	48,800,706
Segment liabilities	12,355,296	6,434,076	23,546	(5,959,424)	12,853,494

The Group's geographic information:

	Jamaica	United States of America	Total
	2018		
	$'000	$'000	$'000
Revenue	605,692	5,214,206	5,819,898
Total assets	32,273,270	16,527,436	48,800,706

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

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7. Segmental Financial Information (Continued)

	The Group – Discontinued Operations				
	2018				
	Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	2,987,613	-	-	-	2,987,613
Total revenue	2,987,613	-	-	-	2,987,613
Operating expenses	(1,864,172)	-	-	-	(1,864,172)
Depreciation	(179,967)	-	-	-	(179,967)
Profit before taxation	943,474	-	-	-	943 474
Taxation	(701,210)	-	-	-	(701,210)
Net profit	242,264	-	-	-	242,264

Geographically, the discontinued operations was from Jamaica.

	The Group – Continuing Operations				
	2017				
	Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	4,742,922	-	59,891	-	4,802,813
Net capital gains on financial assets and liabilities	12,698	2,379,793	215,803	-	2,608,294
Total revenue	4,755,620	2,379,793	275,694	-	7,411,107
Operating expenses	(3,751,049)	-	-	-	(3,751,049)
Depreciation	(453,525)	-	-	-	(453,525)
Finance costs	(760,506)	(514,477)	-	-	(1,274,983)
Profit before taxation	(209,460)	1,865,316	275,694	-	1,931,550
Taxation	(164,382)	44,701	71,683	-	(47,998)
Net profit	(373,842)	1,910,017	347,377	-	1,883,552
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

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7. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	United States of America	Total
		2017	
	$'000	$'000	$'000
Revenue	2,793,238	4,617,869	7,411,107
Total assets	33,951,363	13,738,729	47,690,092

	The Group – Discontinued Operations				
			2017		
	Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	5,602,427	-	-	-	5,602,427
Total revenue	5,602,427	-	-	-	5,602,427
Operating expenses	(4,164,027)	-	-	-	(4,164,027)
Depreciation	(359,690)	-	-	-	(359,690)
Profit before taxation	1,078,710	-	-	-	1,078,710
Taxation	(220,236)	-	-	-	(220,236)
Net profit	858,474	-	-	-	858,474

Geographically, the discontinued operations was from Jamaica.

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8. Revenue

	The Group		The Company	
Net Investment Income	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Interest Income:				
Securities purchased under Agreement to resell	6,481	16,470	32	40
Bank deposits	467	4,369	13	28
Financial assets	19,895	39,052	5,895	5,989
	26,843	59,891	5,940	6,057
Net capital gains on financial assets and liabilities:				
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio:				
Unrealised	(77,049)	2,099,444	-	1,979,229
Realised		280,350	138,135	35,882
Net capital losses gains/(losses) on other investment securities	36,909	30,012	(4,188)	3,197
Net capital losses gains on other investment property	8,772	253,565	-	-
Net foreign exchange gains/(losses)	139,745	(55,077)	(78,587)	23,918
	246,512	2,608,294	55,360	2,042,226
Hotel Revenue:				
Service contract revenue (i)				
Rooms	3,982,245	3,401,919	-	-
Food and beverage	1,226,075	956,100	-	-
Rental income	30,184	30,107		
Gift shop	94	-	-	-
Health club	3,423	-	-	-
Other departments	293,313	278,847	-	-
Gain/(loss) on disposal of property, plant and equipment	3,655	(6)	-	-
Other	7,554	75,955	-	-
	5,546,543	4,742,922	-	-

(i) Service contract revenue are presented separately in 2018 to conform with IFRS 15. The prior period amount is in accordance with under IAS 18.

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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 Group 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.

	The Company
	2017
	$'000
Director fees	2,852
Professional fees and other costs	4,457
	7,309

Total direct, administration and other operating expenses recognized were:

	The Group	
	2018	**2017**
	$'000	**$'000**
(a) Direct Expenses -		
Rooms	308,192	283,421
Food and beverage	510,459	326,372
Gift Shop	1,597	-
Health club	117	-
Other operated departments	253,096	441,658
Staff costs (Included in Note 10)	1,079,573	956,368
	2,153,034	2,007,819

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9. Expenses by Nature (Continued)

(b) Administration and other operating expenses-

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Advertising and promotion	316,876	234,282	4,583	-
Audit fees	46,385	43,021	9,611	8,738
Bank charges	3,787	1,282	216	-
Commission expense (travel agents and others)	113,469	118,539	-	-
Credit card commissions	113,140	93,713	-	-
Depreciation	678,175	453,525	-	-
Director fees	19,836	10,969	19,836	10,969
Donations	-	221	-	-
Guest transportation	621	220	-	-
Insurance	36,134	34,478	-	-
License and permits	3,257	2,538	-	-
Management fees to operator of hotel properties	121,261	99,275	-	-
Other taxes	163,226	141,444	-	-
Professional and legal fees	43,658	7,523	11,392	1,864
Rent	2,373	6,642	-	-
Repairs and maintenance	168,455	130,244	-	-
Security	1,899	428	-	-
Staff costs (Included in Note 10)	507,116	432,028	-	9,049
Trade name fees	196,863	150,690	-	-
Utilities	157,785	156,769	-	-
Other	102,033	74,672	3,378	3,237
	2,796,349	2,192,503	49,016	33,857
Net impairment loss on financial assets (Note 4(a))	109,888	4,252	-	-
Total operating expenses	5,059,271	4,204,574	49,016	33,857

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10. Staff Costs – Direct and Indirect

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Salaries	1,306,825	1,146,226	-	7,513
Payroll taxes – employer's portion	238,714	213,057	-	700
Pension	13,314	10,621	-	836
Allowances and benefits	15,427	14,429	-	-
Other	12,409	4,063	-	-
	1,586,689	1,388,396	-	9,049

The average number of persons employed by Group and the Company was as follows:

	The Group	
	2018	2017
Full time	194	484
Part time	145	447
	339	931

11. Finance Costs

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest expense -				
Amortisation of upfront fees on loan	10,738	42,252	11,198	13,952
Mortgage notes	907,345	1,238,398	120,580	9,835
Structured loans	73,162	230,816	73,162	232,833
Foreign exchange losses/(gains)	155,400	(236,483)	65,228	(139,071)
	1,146,645	1,274,983	270,168	117,549

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12. Taxation

The taxation charge is computed on the profit or loss for the period, adjusted for tax purposes, and comprises income tax at predominantly 1%, 25% and 21% for 2018 and 2017:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current year tax	501,931	50,630	-	-
Adjustment to prior year tax estimate	-	-	154	-
Total current tax expense	501,931	50,630	154	-
Deferred income tax (Note 27)	(338,347)	217,604	(68,607)	22,007
	163,584	268,234	(68,453)	22,007
Taxation is attributable to:				
(Loss)/profit from continuing operations	(537,626)	47,998	(68,453)	22,007
Profit from discontinued operations	701,210	220,236	-	-
	163,584	268,234	(68,453)	22,007

Reconciliation of applicable tax charge to effective tax charge:

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(Loss)/profit before taxation from continuing operations	(779,905)	1,931,550	(257,884)	1,896,877
Profit before taxation from discontinuing operations	679,168	1,078,710	-	-
	(100,737)	3,010,260	(257,884	1,896,877
Tax calculated at 1%	(2,579)	18,969	(2,579)	18,969
Tax calculated at 25%	(236,785)	178,461	-	-
Tax calculated at 21%	132,069	85,154	-	-
Adjusted for the effects of:				
Prior year deferred tax adjustment	(54,265)	-	(67,510)	-
Income not subject to tax	(59)	-	(59)	-
Expenses not deductible for taxation purposes	268,481	-	-	-
Net effect of other charges and Allowances	56,722	(14,350)	1,695	3,038
Taxation expense	163,584	268,234	(68,453)	22,007

Tax losses available to the Group at 31 December 2018 for set-off against future taxable profits amount to approximately $269,104,000 (2017 - $402,037,000) and may be carried forward for up to 6 years. Additionally, one of the Group's subsidiary has tax losses available for set-off against future profits of approximately $215,591,000 (2017 - $254,740,000) that begin to expire in 2035.

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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.

	2018 $'000	2017 $'000
From continuing operations attributable to the ordinary equity holders of the company	(0.04)	0.84
From discontinued operations	0.11	0.38
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	$0.07	$1.22
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	(87,915)	1,883,552
From discontinued operations	242,264	858,474
	154,349	2,742,026
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	2,243,005	2,243,005

14. Investment in Subsidiaries

	The Company	
	2018 $'000	2017 $'000
Shares in:		
X Fund Properties Limited	9,518,204	9,518,204
Jamziv (i)	14,490,618	-
	24,008,822	9,518,204

(i) Jamziv Mobay Jamaica Portfolio Limited
On 1 July 2018, Sagicor Real Estate X Fund Limited acquired 51.86% interest in Jamziv at cost of $14,490,618,000. See Note 36 for details.

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15. Investment in Associated Company

On June 2, 2018, Sagicor Real Estate X Fund Limited, X Fund Properties Limited and Sagicor Sigma Global Funds, referred to thereafter as the "Sagicor Entities" entered a definitive agreement for a business combination with Playa. In exchange, Sagicor Entities received 20 million shares of Playa common stock and US$100 million in cash. X Fund Group controls 15.328% of the 130,478,993 shares issued by Playa, through its subsidiary company, Jamziv. Based on X Fund's Group levels of investment in, and significant influence over, Playa, X Fund Group is accounting for its investment in Playa as an associated company from the date of acquisition as required by IAS 28. There were no contingent liabilities relating to the Group's interest in the associated company.

On July 1, 2018, the parent redeemed its units valuing $14,490,618,000 in Sagicor Sigma Global Funds in exchange for 51.86% interest in Jamziv.

(a) The investment in associated company is represented as follows:

	The Group
	2018
	$'000
Opening net assets at 1 July/Investment, at cost:	
Fair value of associate (i)	27,942,386
Share of income statement:	
Income before taxation	(276,238)
Income taxes	(117,649)
Loss for the period	(393,887)
Other comprehensive income	786,466
Effects of exchange rate changes	(538,367)
Total Comprehensive income	(145,788)
Investment, end of year	27,796,598

(i) This amount represents the fair value of the associate, Playa on July 1, 2018 as determined by reference to the quoted price on National Association of Securities Dealers Automated Quotation ("NASDAQ Indicative Value").

(b) The carrying values of investment in associated company, Playa and the values indicated by prices quoted on the NASDAQ Indicative Value as at December 31, 2018 are as follows:

	Carrying Value	NASDAQ Indicative Value
	2018	**2018**
	$'000	**$'000**
Playa Hotels & Resorts N.V.	27,796,598	18,234,545

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15. Investment in Associated Company (Continued)

(c) Summarised Financial Information of Associated Company (Continued)

Set out below are the summarized financial information for, Playa Hotels & Resorts N.V., which is accounted for by using the equity method as at December 31, 2018

Summary Statement of Financial Position:

	The Group
	2018
	$'000
Current assets:	
Cash resources	14,754,131
Other current assets	15,116,032
	29,870,163
Non-current assets:	
Property, plant and equipment, net	231,793,892
Other non-current asset	11,562,832
	243,356,724
Total Assets	273,226,887
Current liabilities:	
Financial liabilities	1,582,018
Other liabilities	21,026,662
	22,608,680
Non-current liabilities:	
Loan payable	125,459,120
Other liabilities	16,184,743
Total Liabilities	164,252,543
Net Assets	108,974,344

Summarised statement of comprehensive income for the period 1 July to 31 December 2018:

	The Group
	2018
	$'000
Revenue	37,862,311
Direct and selling, general and administrative expenses:	(35,749,531)
Operating Profit	2,112,780
Other operating income	548,539
Interest Expense	(4,463,500)
Loss before taxation	(1,802,181)
Taxation	(767,544)
Net Loss after tax	(2,569,725)
Other comprehensive income	786,466
Total comprehensive income	(1,783,259)

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15. Investment in Associated Company (Continued)

(d) **Reconciliation of the Group's 15.328% interest:**

	The Group	
	2018	**2017**
	$'000	**$'000**
Share of net assets	16,703,587	-
Intangible assets including goodwill	11,093,011	-
Carrying value	27,796,598	-

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16. Property, Plant and Equipment

	The Group				
	Land & Buildings	Computer Equipment	Furniture, Fixtures & equipment	Capital Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000
Cost or Valuation -					
At 1 January 2017	23,105,333	13,233	904,157	1,843,317	25,866,040
Additions	428,516	56,599	2,994,951	(1,646,067)	1,833,999
Disposal	-	-	(183,970)	-	(183,970)
Revaluation gain	579,106	-	-	-	579,106
Translation adjustment	(285,415)	-	(15,346)	-	(300,761)
At 31 December 2017	23,827,540	69,832	3,699,792	197,250	27,794,414
Additions	77,282	8,953	374,935	108,638	569,808
Disposal	(12,736,620)	(17,236)	(1,392,358)	(304,620)	(14,450,834)
Revaluation gain	1,991,054	-	-	-	1,991,054
Translation adjustment	223,384	-	47,360	-	270,744
At 31 December 2018	13,382,640	61,549	2,729,729	1,268	16,175,186
Accumulated Depreciation-					
At 1 January 2017	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	1,089,868	8,567	419,354	-	1,517,789
Charges for the year	363,629	16,556	477,957	-	858,142
Disposal	(695,280)	(9,748)	(276,534)	-	(981,562)
Translation adjustment	15,156	-	(744)	-	14,412
At 31 December 2018	773,373	15,375	620,033	-	1,408,781
Net Book Value -					
31 December 2017	22,737,672	61,265	3,280,438	197,250	26,276,625
31 December 2018	12,609,267	46,174	2,109,696	1,268	14,766,405

16. 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 valuators. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to $3,775,248,000 (2017 – $435,016,000), 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:

	The Group	
	2018	**2017**
	$'000	**$'000**
Cost	9,547,391	23,756,363
Accumulated depreciation	(713,372)	(1,453,707)
Net book value	8,834,019	22,302,656
Carrying value of revalued assets	12,609,267	22,737,672

17. Investment Property

	The Group	
	2018	**2017**
	$'000	**$'000**
Opening balance	2,043,581	1,165,473
Fair valuation	8,772	253,565
Additions	209,521	624,543
Disposals	(339,512)	-
	1,922,362	2,043,581

Investment property represent the Group's interest in the joint acquisition of real property, Jewel Grande Montego Bay Resort and Spa (formerly Palmyra Resort and Spa).

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17. Investment Property (Continued)

Summarised Financial Information of Joint Operation (continued)
Set out below are the summarized financial information of Jewel Grande Montego Bay Resort and Spa, which is accounted for as a joint operation.

Summarised Statement of Financial Position

	The Group	
	2018	**2017**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	170,503	47,066
Other current assets	149,371	75,150
	319,874	122,216
Non-current assets		
Other non-current asset	810,425	947,914
Total Assets	1,130,299	1,070,130
Current liabilities		
Due to related companies	(576,413)	(1,826,141)
Other liabilities	(229,563)	(72,604)
	(805,976)	(1,898,745)
Net liabilities	(324,323)	(828,615)

Summarised statement of comprehensive income

	The Group	
	2018	**2017**
	$'000	**$'000**
Room revenue	1,029,159	213,777
Other hotel revenue	96,459	27,800
Other income	42,238	2,983
	1,167,856	244,560
Operating expenses	(1,197,318)	(735,597)
Staff costs	(1,274,560)	(228,623)
	(2,471,878)	(964,220)
Net loss and total comprehensive income	(1,304,022)	(719,660)

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18. Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio

The units in the fund and values thereof are:

	The Group		The Company	
	Sigma Real Estate Portfolio	Sigma Real Estate Portfolio	Sigma Real Estate Portfolio	Sigma Real Estate Portfolio
	2018	2017	2018	2017
UNITS	Units	Units	Units	Units
Opening balance	7,173,236,694	8,464,110,461	6,771,316,896	6,834,385,384
Redemptions	(6,771,316,896)	(1,290,873,767)	(6,771,316,896)	(63,068,488)
Closing balance	401,919,798	7,173,236,694	-	6,771,316,896

	The Group		The Company	
	Sigma Real Estate Portfolio		Sigma Real Estate Portfolio	
	2018	2017	2018	2017
VALUE	$'000	$'000	$'000	$'000
Opening balance	15,204,393	15,408,913	14,352,483	12,441,999
Redemptions	(14,490,618)	(2,303,964)	(14,490,618)	(68,745)
Changes in market value of investments	61,086	2,099,444	138,135	1,979,229
Closing balance	774,861	15,204,393	-	14,352,483
Value Per Unit	1.93	2.12	-	2.12

19. Financial Assets at Fair Value Through Profit or Loss

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Government of Jamaica Bonds	265,504	235,467	85,299	88,185
Interest receivable	7,745	7,757	2,766	2,717
	273,249	243,224	88,065	90,902

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20. Inventories

	The Group	
	2018	**2017**
	$'000	**$'000**
Beverage	3,678	21,738
Food	37,885	64,960
Gift shop	-	10,724
Guest supplies	-	38,412
Spa supplies	-	545
Goods in transit	-	164,074
Other	-	38,975
	41,563	339,428

21. Receivables

	The Group	
	2018	**2017**
	$'000	**$'000**
Trade receivables	208,204	469,802
Less: Loss allowance	(10,237)	(5,681)
	197,967	464,121
Prepayments	35,248	242,629
Due from related parties (Note 25)	665,659	558,399
General Consumption Taxes and other taxes	401,815	431,637
Other receivables	102,359	250,658
	1,403,048	1,947,444

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22. Securities Purchased under Agreements to Resell

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Securities purchased under agreements to resell	130,359	634,724	16	3,263
Interest receivable	334	2,170	-	1
	130,693	636,894	16	3,264

	The Group		The Company	
Securities purchased under agreements to resell	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Jamaican dollar	99,161	102,623	16	1,191
United States dollar	31,532	534,271	-	2,073
	130,693	636,894	16	3,264

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**
Jamaican dollar	2	4	2	4
United States dollar	1	2	-	2

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23. Cash and Cash Equivalents

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash in hand	6,171	11,159	-	-
Cash at bank	1,684,833	987,344	360	424
Cash resources	1,691,004	998,503	360	424
Securities purchased under agreements to resell (with contractual maturity of 90 days)	16,057	505,364	16	3,264
Bank overdraft	(17,927)	(32,317)	(122)	-
Restricted cash	(208,882)	(212,778)	-	-
Cash and cash equivalents	1,480,252	1,258,772	254	3,688

Restricted cash represents cash held by a subsidiary for renovation of the Doubletree Universal Hotel under the Franchise Agreement with Hilton Worldwide 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
	2018	2018	2017	2017
	$'000	$'000	$'000	$'000
Cash and cash equivalents	1,482,122	360	785,725	424
Liquid Investments	16,057	16	505,364	3,264
Borrowings – repayable within one year (including overdraft)	(4,051,318)	(2,962,999)	(1,855,717)	(2,518,796)
Borrowings – repayable after one year	(6,170,569)	-	(19,634,744)	(3,030,059)
Net Debt	(8,723,708)	(2,962,623)	(20,199,372)	(5,545,167)
Cash and liquid investments	1,498,179	376	1,291,089	3,688
Gross debt – fixed interest rates	(10,221,887)	(2,962,999)	(21,490,461)	(5,548,855)
Net Debt	(8,723,708)	(2,962,623)	(20,199,372)	(5,545,167)

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23. Cash and Cash Equivalents (Continued)

Net Debt Reconciliation (continued)

	The Group			
	Cash and liquid Investments	Borrowings due within 1 year	Borrowings due after 1 year	Total
	$'000	$'000	$'000	$'000
Net debt as at 1 January 2017	658,987	(2,722,515)	(18,925,035)	(20,988,563)
Cash flows	626,019	2,521,795	(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)
Net debt as at 31 December 2017	1,291,089	(1,855,717)	(19,634,744)	(20,199,372)
Cash flows	155,642	2,616,495	9,917,493	12,689,630
Foreign exchange adjustments	51,448	(155,400)	-	(103,952)
Other non-cash movements	-	(4,656,696)	3,546,682	(1,110,014)
Net debt as at 31 December 2018	1,498,179	(4,051,318)	(6,170,569)	(8,723,708)

	The Company			
	Cash and liquid Investments	Borrowings due within 1 year	Borrowings due after 1 year	Total
	$'000	$'000	$'000	$'000
Net debt as at 1 January 2017	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)
Net debt as at 31 December 2017	3,688	(2,518,796)	(3,030,059)	(5,545,167)
Cash flows	(3,320)	105,443	2,748,337	2,850,460
Foreign exchange adjustments	8	(65,228)	-	(65,220)
Other non-cash movements	-	(484,418)	281,722	(202,696)
Net debt as at 31 December 2018	376	(2,962,999)	-	(2,962,623)

Liquid investments comprise securities purchased under agreements to resell with contractual maturity of 90 days.

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24. Payables and Contract Liabilities

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(a) Payables				
Trade	94,590	392,357	-	-
Accruals	294,254	345,577	13,036	9,670
Related parties (Note 25)	572,732	131,350	3,479,475	509,073
Withholding and other taxes	63,388	55,723	-	-
Other	5,913	674,244	2,112	-
	1,030,877	1,599,251	3,494,623	518,743
(b) Contract liabilities	62,610	483,362	-	-
	1,093,487	2,082,613	3,494,623	518,743

25. 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue -				
Interest income -				
Affiliated company- Sagicor Investment Jamaica Limited	5,950	20,768	32	40
Affiliated company- Sagicor Bank Jamaica Limited	957	31	13	28
	6,907	20,799	45	68
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio:				
Unrealised	42,281	2,099,444	-	1,979,229
Realised	138,135	280,350	138,135	35,882
	180,416	2,379,794	138,135	2,015,111
Other operating income -				
Management fees	7,553	14,916	-	-

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25. Related Party Transactions and Balances (Continued)

(a) Related party transactions (continued)

The following transactions were carried out with related parties:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
(ii) Administration expenses and interest expense				
Administration and other operating expenses -				
Insurance expense -				
Sagicor Re Insurance Ltd.	30,494	76,209	-	-
Payroll and laundry expense -				
Jewel Grande Montego Bay Resort and Spa	13,759	-	-	-
Sagicor Sigma Global Funds	20,059	119,609	-	-
	64,312	195,818	-	-
Interest expense -				
Sagicor Life Jamaica Limited	66,207	5,863	-	5,863
Sagicor Life of the Cayman Islands Ltd.	14,261	-	-	-
Sagicor Sigma Global Funds	139,514	384,678		49,886
Sagicor Pooled Pension Funds	13,277	472,440	1,259	62,661
X Fund Properties Limited	-	-	118,019	9,835
	233,259	862,981	119,278	128,245
	297,571	1,058,799	119,278	128,245

(b) Key management compensation

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Salaries	235,635	185,596	-	-
Payroll taxes – employer's portion	39,054	16,207	-	-
Other	3,328	18,853	-	-
	278,017	220,656	-	-
Directors' emoluments –				
Fees	19,836	13,160	19,836	13,160
Management remuneration	-	9,049	-	9,049

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25. 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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
(i) Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	774,861	15,204,393	-	14,352,483
(ii) Investment in real property – Jewel Grande Montego Bay Resort and Spa	1,922,362	2,043,581	-	-
(iii) Cash and cash equivalents - Sagicor Bank Jamaica Limited	(4,732)	66,980	238	424
(iv) Securities purchased under agreement to resell - Affiliated company - Sagicor Investment Jamaica Limited	130,693	636,894	16	3,264
(v) Receivable from related parties -				
Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	381,069	47,964	-	-
Sagicor Pooled Pension Funds	131,233	-	-	-
Jewel Grande Montego Bay Resort and Spa	-	473,248		
Proprietor Strata Plan#2446	153,357	37,187	-	-
	665,659	558,399	-	-
(vi) Payable to related parties -				
Sagicor Bank Jamaica Limited	-	34,552	-	-
Sagicor Life Jamaica Limited	1,177	51,352	8,276	15,476
Sagicor Sigma Global Funds - Sigma Real Estate Portfolio	22,442	32,398	-	32,398
Jewel Grande Montego Bay Resort and Spa	549,113	13,048	-	-
X Fund Properties Limited	-	-	3,471,199	461,199
	572,732	131,350	3,479,475	509,073
(vii) Borrowings from related parties				
X Fund Properties Limited	-	-	2,488,225	2,370,206
Sagicor Life Jamaica Limited	-	112,543	-	112,543
Sagicor Sigma Global Funds	-	4,712,084	-	1,025,396
Sagicor Pooled Pension Funds	497,905	5,648,152	-	1,287,997
	497,905	10,472,779	2,488,225	4,796,142

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26. Borrowings

	The Group			The Company		
	Total	Related party portion (Note 25)	Third party Portion	Total	Related party portion (Note 25)	Third party Portion
	$'000	$'000	$'000	$'000	$'000	$'000
			2018			
(a) Structured Products						
Note 1 – USD (i)						
Principal loan balance	472,982	-	472,982	472,982	-	472,982
Unamortised upfront fees on	(919)	-	(919)	(919)	-	(919)
Interest payable	2,589	-	2,589	2,589	-	2,589
	474,652	-	474,652	474,652	-	474,652
Less current portion	(474,652)	-	(474,652)	(474,652)	-	(474,652)
	-	-	-	-	-	-
(b) Mortgage Notes						
Note 2 (Tranche B) (ii)	548,178	-	548,178	-	-	-
Note 2 (Tranche C) (iii)	500,000	500,000	-	-	-	-
Note 3 (Tranche A-E) (iv)	1,372,000	-	1,372,000	-	-	-
Note 4 (Tranche A-D) (v)	1,004,900	-	1,004,900	-	-	-
Wells Fargo/Goldman Sacs Loan (vi)	6,158,244	-	6,158,244	-	-	-
Principal loan balance	9,583,322	500,000	9,083,322	-	-	-
Unamortised upfront fees on Loan	(91,337)	(9,985)	(81,352)	-	-	-
Interest payable	37,605	7,890	29,715	-	-	-
	9,529,590	497,905	9,031,685	-	-	-
Less current portion	(3,530,208)	(497,905)	(3,032,303)	-	-	-
	5,999,382	-	5,999,382	-	-	-
(c) Other Loan						
Promissory Note (viii)	-	-	-	2,360,371	2,360,371	-
Interest payable	-	-	-	127,854	127,854	
Development Loan (vii)	199,718	-	199,718	-	-	-
Less current portion	(28,531)	-	(28,531)	(2,488,225)	(2,488,225)	-
	171,187	-	171,187	-	-	-
Total Long term borrowings	6,170,569	-	6170,569	-	-	-
Total Current portion of borrowings	4,033,391	497,905	3,535,486	2,962,877	2,488,225	474,652

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26. Borrowings (Continued)

	The Group			The Company		
	Total	Related party portion (Note 25)	Third party Portion	Total	Related party portion (Note 25)	Third party Portion
	$'000	$'000	$'000	$'000	$'000	$'000
			2017			
(a) Structured Products						
Note 1 – USD (i)	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
(b) Mortgage Notes						
Note 2 (Tranche B) (ii)	1,560,016	1,560,016	-	-	-	-
Note 2 (Tranche C) (iii)	3,927,145	3,927,145	-	-	-	-
Note 3 (Tranche A-E) (iv)	3,746,800	2,227,000	1,519,800	-	-	-
Note 4 (Tranche A-D) (v)	2,552,856	57,926	2,494,930	-	-	-
Wells Fargo/Goldman Sachs Loan (vi)	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	-	-	-
(c) Other Loan						
Promissory Note (viii)	-	-	-	2,360,371	2,360,371	-
Interest payable	-	-	-	9,835	9,835	-
Development Loan (vii)	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	134,154

26. Borrowings (Continued)

i) *Note 1 – 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 dates May 2018, May 2019 and May 2021 respectively, with option for further extension. The loan is secured by a debenture over units in the Sigma Real Estate Portfolio. This was substituted for shares in Jamziv which holds Playa shares.

The company failed to meet its debt covenant for total debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach.

ii) *Note 2 (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.

iii) *Note 2 (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 (ii) and (iii) above are secured as follows:
- A registered legal mortgage over the Hilton Rose Hall Resort and Spa. This security interest over the hotel was discharged and substituted for a charge over Jamziv (which holds Playa shares) allocated to X Fund Properties Limited. A non-recourse New York Pledge shares was executed.
- 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.

The subsidiary failed to meet its debt covenant for total debt to equity ratio. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach.

iv) *Note 3 (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. This security interest over the hotel was discharged and substituted for a charge over Jamziv (which holds Playa shares) allocated to X Fund Properties Limited. A non-recourse New York Pledge shares was executed.

The subsidiary failed to meet its debt covenant for total debt to equity ratio. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach.

v) *Note 4 (Tranche A – D) (Subsidiary)*
This Note has the following Tranches:
Tranche A issued in United States Dollar at interest rate of 4.25% matured 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 matured 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. This security interest over the hotel was discharged and substituted for a charge over Jamziv (which holds Playa shares) allocated to X Fund Properties Limited. A non-recourse New York Pledge shares was executed.

The subsidiary failed to meet its debt covenant for total debt to equity ratio. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach.

Sagicor Real Estate X Fund Limited

26. Borrowings (Continued)

vi) Wells Fargo/Goldman Sachs (Subsidiary)
The mortgage 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. The loan was sold to Wells Fargo under the same terms and condition.

The mortgage note contains a debt service coverage ratio test and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. As at December 31, 2018, the X Fund Properties LLC was compliant with the debt service coverage ratio.

vii) This Note is interest free with annual forgiveness of debt over ten years, if certain conditions are met. The loan commenced in November 2015.

viii) This promissory note is with X Fund Properties Limited and attracts interest at 5% per annum and the maturity date was extended to May 2019.

27. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate for years 2018 and 2017 of 1% for Sagicor Real Estate X Fund Limited, 25% for X Fund Properties Limited and 21% for X Fund Properties LLC.

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Deferred income taxes	(1,108,151)	(1,376,662)	2,407	(66,200)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Balance at start of year	(1,376,662)	(1,118,644)	(66,200)	(44,193)
Charged to the statement of comprehensive income – (Note 12)	338,347	(217,604)	68,607	(22,007)
Revaluation of properties	(418,122)	(60,054)	-	-
Effect of exchange rate translation	(7,917)	19,640	-	-
Net effects of discontinued operations (Note 33)	356,203	-	-	-
Balance at end of year	(1,108,151)	(1,376,662)	2,407	(66,200)

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27. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Deferred tax assets -				
Interest payable	3,953	71,789	-	-
Tax losses unused	2,541	256,213	2,541	1,473
Unrealised foreign currency losses/(gains)	11,679	8,563	(53)	(68)
Accrued vacation	-	13,083	-	-
Deferred tax liabilities -				
Property plant and equipment	(1,085,566)	(1,618,326)	-	-
Interest receivable	(1,328)	(1,802)	-	-
Unrealised revaluation gains on investments	(39,430)	(105,182)	(81)	(67,605)
Net deferred tax liabilities	(1,108,151)	(1,375,662)	2,407	(66,200)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	14,220	264,776	2,488	1,405
Deferred tax liabilities to be recovered after more than 12 months	(1,124,998)	(1,723,508)	(81)	(67,605)

28. Share Capital

	2018	**2017**
	$'000	**$'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
	US$5,000,001	US$5,000,001

	2018	**2017**
	$'000	**$'000**
Issued and fully paid -		
2,243,005,125 (2017 - 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
	12,642,512	12,642,512

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29. Dividend

Dividend of $Nil (2017 – $314,021,000) or $Nil (2017 – $0.14) per share was paid during the year.

30. Fair Value Reserves

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

31. Net (Loss)/Profit and Retained Earnings

	2018 $'000	2017 $'000
(i) Net (loss)/profit dealt with in the financial statements of:		
The company	(189,431)	1,874,870
The subsidiaries	189,416	867,156
	(15)	2,742,026
(ii) Retained earnings reflected in the financial statements of:		
The company	4,999,536	5,188,967
The subsidiaries	3,884,708	1,535,784
	8,884,244	6,724,751

32. Non-Controlling Interests

Summarised financial information on subsidiaries with material non-controlling interests

During the year the Group acquired a 60.81% controlling interest of Jamziv effective July 1, 2018. The non-controlling interests represent the share of net assets and net profit not attributed to the Group.

Set out below is the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet as at December 31, 2018:

	The Group
	2018
	$'000
Current	
Assets	13
Total current net assets	13
Non-current	
Assets	27,796,598
Total non-current net assets	27,796,598
Net assets	27,796,611
	39.19%
Non-controlling interests	10,893,492

Summarised income statement for the period July to December 2018:

	Jamziv Mobay Jamaica Portfolio Limited
	2018
	$'000
Net loss for the period	(393,887)
Share relating to entity other than the Group	39.19%
Non-controlling interests	(154,364)

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33. Discontinued Operations

(a) Description

The Group's subsidiary X Fund Properties Limited disposed of its hotel operation the Hilton Rose Hall Resort and Spa and a part of Jewel Grande Montego Bay Resort and Spa to Playa Hotels & Resorts N.V. effective 1 June 2018. In exchange, the subsidiary received 8.95% of 20 million shares of Playa common stock and US$100 million in cash (Note 1(e)).

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the five months ended 1 June 2018 (2018 column) and the year ended 31 December 2017.

	Note	2018 $'000	2017 $'000
Hotel revenue	(i)	2,723,307	5,602,427
Direct expenses	(ii)	(973,566)	(2,118,983)
Administrative and other expenses	(iii)	(1,068,343)	(2,395,104)
Net impairment losses on financial assets	(iii)	(2,230)	(9,630)
Profit before taxation		679,168	1,078,710
Taxation (Note 12)		(701,210)	(220,236)
Profit after taxation of discontinued operations		(22,042)	858,474
Gain on sale of the hotel operations	(iv)	264,306	-
Profit from discontinued operations		**242,264**	**858,474**
Property, plant and equipment revaluation		356,203	(538,916)
Other comprehensive income from discontinued operations		**598,467**	**319,558**

	2018 $'000	2017 $'000
(i) Hotel Revenue -		
Service contract revenue (i)		
Rooms	2,440,397	5,046,549
Food and beverage	116,438	230,976
Management fees	7,553	14,916
Rental income	8,302	10,928
Gift shop	54,820	130,848
Health club	55,891	111,924
Other departments	7,697	17,294
Gain on disposal of property, plant and equipment	-	1,247
Other	32,209	37,745
	2,723,307	5,602,427

(i) Service contract revenue are presented separately in 2018 to conform with IFRS 15. The prior period amount is in accordance with under IAS 18.

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33. Discontinued Operations (Continued)

(b) Financial performance and cash flow information (continued)

	2018 $'000	2017 $'000
(ii) Direct Expenses -		
Rooms	49,897	133,973
Food and beverage	450,087	980,467
Gift shop	22,078	52,405
Health club	5,639	12,470
Other operated departments	21,958	56,018
Staff costs	423,907	883,650
	973,566	2,118,983

	2018 $'000	2017 $'000
(iii) Administration and other operating expenses -		
Advertising and promotion	52,316	120,021
Bank charges	14,129	30,144
Commission expense (travel agents and others)	29,743	79,491
Credit card commissions	40,622	79,485
Depreciation	179,967	359,690
Donations	131	213
Guest transportation	568	832
Insurance	37,949	88,044
Irrecoverable general consumption taxes	114	633
License and permits	279	939
Management fees to operator of hotel properties	54,074	111,238
Other taxes	3,367	5,873
Professional and legal fees	2,724	7,880
Rent	30,921	71,830
Repairs and maintenance	81,529	180,751
Security	10,905	30,783
Staff costs	191,991	476,911
Trade name fees	98,161	211,027
Utilities	209,313	464,703
Other	29,540	74,616
	1,068,343	2,395,104
Net impairment loss on financial assets (Note 4(a))	2,230	9,630
Total operating expenses	2,044,139	4,523,717

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33. Discontinued Operations (Continued)

(b) Financial performance and cash flow information (continued)

Net cash inflow (outflow) from operating activities:

	2018 $'000	2017 $'000
Operating cash flows	868,142	1,081,965
Investing cash flows	(314,464)	(934,056)
Net increase in cash generated by hotels	553,678	147,909

(c) Details of the sale of the hotel operation

	1 June 2018 $'000
Consideration received or receivable:	
Consideration received in cash	12,700,770
Consideration in Cash and cash equivalents	2,449,693
Total disposal consideration	15,150,463
Carrying value of Hilton Rose Hall Resort and Spa and Jewel Grande Montego Bay Resort and Spa	(14,350,021)
Net, Expenses and other adjustments	(536,136)
Gain on sale of hotel operations	264,306

The carrying value of assets and liabilities for Hilton Rose Hall Resort and Spa and Jewel Grand Montego Bay Resort and Spa of as at the date of sale 1 June 2018 were:

	1 June 2018 $'000
Property, plant and equipment	14,135,938
Inventories	214,083
Total assets	14,350,021
Net assets	14,350,021

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34. Consolidated Cash Flows from Operating Activities

Cash Flows from Operating Activities	Note	2018 $'000	2017 $'000
Net (loss)/profit		(15)	2,742,026
Adjustments for:			
Depreciation	16	858,142	813,216
Gain on disposal of investment		(138,135)	(280,350)
Gain/(loss) on disposal of property, plant and equipment		(3,655)	142,168
Gain on sale of discontinued operations	33(b)	(264,306)	-
Interest income	8	(26,843)	(59,891)
Fair value losses/(gains) on units held in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	8	77,049	(2,099,444)
Fair value gain on other financial investments	8	(36,908)	(30,012)
Fair value gain on investment property	17	(8,772)	(253,565)
Effect of exchange gains on foreign currency balances		(139,745)	(154,991)
Taxation expense	12	163,585	268,234
Amortisation of franchise fees		2,023	2,016
Finance costs	11	1,146,645	1,274,983
Share of loss from associate	15	393,887	-
		2,022,952	2,364,390
Changes in operating activities:			
Inventories		79,353	(201,451)
Receivables		415,143	(872,292)
Payables		(1,069,167)	(32,500)
Payments for net current assets in relation to discontinued operations		(402,428)	-
Cash provided by operating activities		1,045,853	1,258,147
Income tax paid		(214)	(60)
Net cash provided by operating activities		1,045,639	1,258,087

35. Commitments and Contingencies

(a) Franchise Agreement

The hotels DoubleTree by Hilton and Hilton Rose Hall Resort & Spa are operated under franchise agreement with Hilton Worldwide and its affiliates ("Hilton") and licensed as Doubletree and Hilton. In conjunction with the franchise agreement, 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 agreement was US$1,532,000 (2017 – US$3,052,000) for the year ended 31 December 2018 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 Group 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 (2017 - US$100,000), and monthly program fees of US$50,000 (2017 - US$50,000). The franchise agreement was scheduled for termination on January 21, 2033, however this terminated with upon sale of the hotel.

(b) 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.

(c) Other

In conjunction with the execution of a Loan Agreement on September 10, 2015, the Group 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.

(d) 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 $38,486,000 (2017 - $32,167,000). The lease agreements relating to Hilton Rose Hall Resort & Spa were transferred with the sale of the hotel.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

36. Business Combination

Effective July 1, 2018, the Group acquired 51.86% of the share capital of Jamziv. The purchased price has been allocated to the assets acquired using the estimated fair value at the date of acquisition.

This is in addition to the 8.95% of the share capital of Jamziv that was acquired by X Fund Properties Limited on June 2, 2017. The combined holdings of the X Fund Group is 60.81%. As required by IFRS 10 – Consolidation of Financial Statements, this event requires Jamziv to be accounted for as a subsidiary, and using Step-Acquisition for full consolidation.

Jamziv contributed post acquisition share of associate losses of $393,887,000 for the year ended 31 December 2018. The acquisition was recorded based on provisionally determined values.

Details of the net assets acquired and purchase consideration determined on a provisional basis, were as follows:

	Fair Values $'000
Net assets arising on the acquisition:	
Fair value of Jamziv at acquisition	27,942,386
	$'000
Purchase consideration – X Fund	14,490,618
Fair value of X Fund Properties 8.95% of Jamziv	2,502,070
	16,992,688
Fair value of X Fund Group net assets acquired	16,991,765
Goodwill	923