# 2018 ANNUAL REPORT

Sagicor

REAL ESTATE X FUND

# Contents

# About Sagicor Real Estate X Fund

**We continue to be a leading private sector investor in the Jamaican and regional tourism real estate markets, through direct and indirect ownership of real estate assets.**

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

We continue to be a leading private sector investor in the tourism real estate market and expanded our geographical reach in 2018. In June 2018, we engaged in a significant transaction with Playa Hotels & Resorts N.V. ("Playa") whereby we repositioned much of our investments within the hospitality sector while simultaneously taking a significant equity stake in Playa. This transaction not only allowed us to maintain our focus on tourism, but also further diversify our underlying portfolio of assets across the Caribbean and Latin America.

Additionally, we maintained our direct ownership of the DoubleTree by Hilton at the Entrance to Universal Orlando ("DTO") in Florida and a stake in Jewel Grande Montego Bay ("Jewel Grande") through our wholly owned subsidiary companies, X Fund Properties LLC and X Fund Properties Limited.

We significantly reduced our investment in the Sigma Real Estate Portfolio, which provides exposure to commercial real estate in Jamaica.

In the 4th quarter of 2018, Sagicor Group Jamaica Limited (SJ) took effective control of the Group and is now consolidating its results in the Sagicor Group Financial Statements.

# Chairman's Statement

On behalf of the Board of Directors, I am pleased to report on the activities and performance of Sagicor Real Estate X Fund Limited for the year ended December 31, 2018.

The assets of Sagicor Real Estate X Fund stood at $48.8 billion at the end of 2018, up 2% from 2017. The company generated revenues totalling $8.8 billion, with net profit attributable to shareholders of $154 million.

Stockholders' equity at December 2018 increased from $22.7 billion to $25.1 billion, an increase of approximately 10%. Net profit was down considerably due mainly to a re-organisation of our business model and a number of one time events which should not recur in 2019.

**During 2018 Sagicor Real Estate X Fund completed a significant transaction that diversified the geographical concentration of the investments of the company within the tourism sector. The main aim of that transaction was to de-risk our investments and strengthen the professional 'all-inclusive' management through Playa.**

In February 2018, Sagicor Real Estate X Fund Limited and the Sagicor Group Jamaica Limited, through its affiliated entities, entered into an agreement with Playa Hotels & Resorts N.V. (Playa). Playa is a leading owner, operator and developer of all-inclusive resorts across the Caribbean, with properties in Jamaica,

**"Sagicor Real Estate X Fund will continue to actively seek viable investments in the Caribbean region and North America."**

Mexico and the Dominican Republic. Playa operates several brands including Hyatt, Hilton and now the recently added Jewel brand.

This transaction was completed during the year, whereby Sagicor combined much of its assets within the hospitality sector with those of Playa, and taking in exchange a significant ownership stake in Playa. This ownership makes us the second largest shareholder in Playa.

With this investment, Sagicor Real Estate X Fund attained representation on the Board of Playa by way of two (2) director seats, which gives us a say in policy and a clear view of operational performance.

The other direct holdings of the Company continue to perform. DoubleTree by Hilton in Orlando generated strong yields in 2018, with high occupancy levels and improved average daily room rates. We are also seeing a turnaround in Jewel Grande's performance since management was assumed by Playa in June 2018.

## Outlook

Sagicor Real Estate X Fund will continue to actively seek viable investments in the Caribbean and North America. Our partnership with Playa signals our intention to remain invested in the tourism market and continue to provide growth for our shareholders.

During Q4 2019, Playa is expected to complete renovations and/or construction of a total of five brand-affiliated flagship resorts in Mexico and the Dominican Republic. These will attract new and repeat lower-cost-of-acquisition guests through brand loyalty programmes, while diversifying cash flow streams and thereby drive returns in 2020 and beyond.

Jewel Grande Montego Bay will have its first full year of operations under Playa in 2019, where there is a strong focus on efficiency and effectiveness of operations and marketing. We have begun to see the results of these initiatives, as performance has improved and this is expected to continue through the rest of the year and beyond.

The planned expansion of conference facilities at the DoubleTree will allow us to meet the increased demand for group bookings, which is a strong revenue source within the Orlando market. Group accommodations attract higher room rates and also bring other sources of 'non-package' revenues associated with conferences.

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

**Richard O. Byles**
Chairman

Our partnership with Playa signals our intention to remain invested in the tourism market and continue to provide growth for our shareholders.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT THE SIXTH ANNUAL GENERAL MEETING of the Company will be held at DoubleTree by Hilton at the Entrance to Universal Orlando, 5780 Major Boulevard, Orlando, Florida 32819 USA on Wednesday, July 10, 2019 at 11:00 a.m. to consider, and if thought fit, pass the following Resolutions:**

1. **To receive the Audited Accounts and Reports of the Directors and Auditors for the year ended December 31, 2018.**

   **Resolution No. 1**
   "THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2018 be and are hereby adopted."

2. **To elect Directors:**

   **Resolution No. 2**
   "That the election of directors be made en bloc."

   **Resolution No.3**
   "THAT Directors, Dr. the Hon. R. Danny Williams, Michael Fraser and Stephen McNamara who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc."

   **Resolution No. 4**
   "THAT by virtue of Article 98, Directors Colin Steele and Bruce James, who were appointed by the Directors of the Board since the last Annual General Meeting as additions to the Board, and who retire and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc."

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

   **Resolution No. 5**
   "THAT the amount of $18,912,449.00 included in the Audited Accounts of the Company for the year ended December 31, 2018 as remuneration for their services as Directors be and is hereby approved."

4. **On February 20, 2019, the Auditors of the Company, PricewaterhouseCoopers (St. Lucia) resigned and the auditing firm Grant Thornton St. Lucia were appointed in their stead with effect from February 21, 2019.**

   **Resolution No. 6**
   "THAT in accordance with Article 147 of the Amended and Restated Articles of Association, the firm of auditors Grant Thornton be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

Dated the 3rd day of June, 2019

BY THE ORDER OF THE BOARD

MCSI Inc.
Corporate Secretary

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

A Form of Proxy is enclosed for your convenience.

# Directors' Report

**The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2018. The Financial Statements reflect the results of Sagicor Real Estate X Fund Limited (X Fund).**

| | 2018 J$000's | 2017 J$000's |
|---|---|---|
| **Operating Results:** | | |
| Group (Loss)/Profit before tax | (100,737) | 3,010,260 |
| Taxation | (163,584) | (268,234) |
| Net (Loss)/Profit after tax | (15) | 2,742,026 |
| Attributable to Stockholders of the Company | 154,349 | 2,742,026 |
| Attributable to Non-Controlling Interest | (154,364) | - |
| **Stockholders' Equity:** | | |
| Stockholders' equity brought forward | 22,689,726 | 19,900,063 |
| Share Capital, opening | 12,642,512 | 12,642,512 |
| Shares issued | - | - |
| Share Capital, ending | 12,642,512 | 12,642,512 |
| Retained earnings, opening | 6,724,751 | 4,296,746 |
| Net profit | 154,349 | 2,742,026 |
| Dividends paid | - | (314,021) |
| Transfer between reserves | 2,005,144 | - |
| Retained earnings, ending | 8,884,244 | 6,724,751 |
| Currency translation, opening | 245,340 | 402,735 |
| Currency reserve | (197,740) | (157,395) |
| Currency translation, ending | 47,600 | 245,340 |
| Fair value reserves, opening | 3,077,123 | 2,558,070 |
| Unrealised gains on revaluation of owner-occupied properties | 2,407,385 | 519,053 |
| Transfer between reserves | (2,005,144) | - |
| Fair value reserves, closing | 3,479,364 | 3,077,123 |
| Stockholders' Equity Attributable to Stockholders of the Company | 25,053,720 | 22,689,726 |
| Non-Controlling Interest | 10,893,492 | - |

## Directors

Article 102 provides that one-third of the directors shall retire from office at each Annual General Meeting. Directors Dr. the Hon. R. Danny Williams, Michael Fraser and Stephen McNamara retire under this Article and being eligible, offer themselves for re-election.

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

## Auditors

On February 20, 2019, the Auditors PricewaterhouseCoopers resigned, and the auditing firm Grant Thornton accepted an appointment effective February 21, 2019. A resolution authorizing the Directors to appoint and fix the remuneration of the Auditors will be presented at the Annual General Meeting.

Chairman
3 June, 2019

# Board of Directors

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

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

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

**Christopher Zacca** B.SC., M.B.A., CD, JP

Mr. Christopher Zacca is the President & CEO of Sagicor Group Jamaica Limited and a Director of all Sagicor Group Jamaica member companies. He is an astute businessman with a wealth of business and management experience in both the public and private sectors, spanning over three decades. He is highly respected in the private sector where he has held senior management positions at Desnoes and Geddes, ATL Group, Air Jamaica Ltd. and served as President of the Private Sector Organisation of Jamaica.

His track record in public sector service is equally impressive having served as special advisor to the Prime Minister from 2009 to 2011. He is a former Chairman of the Development Bank of Jamaica and the National Health Fund. Mr. Zacca holds an M.B.A from the University of Florida and a B.Sc. in Engineering from the Massachusetts Institute of Technology.

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

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

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

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

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

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

**Michael Fraser** J.P. CLU

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

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

**Stephen McNamara** Barrister-at-law

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

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

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

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

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

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

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

**Bruce R.V. James** BSc., M.B.A.

Mr. James has over 15 years of experience in banking and has held many senior positions at Citibank N.A. Jamaica Branch including Vice President in charge of Corporate Banking and Relationship Management. His expertise includes Risk Management and Analysis, Marketing of Credit products, Relationship Management and Leadership. He is the President and co-founder of the MVP Track Club and President of the Shelly-Ann Fraser Pryce Pocket Rocket Foundation. Mr. James is a professional track and field analyst across various media, including television and radio. He is also an international motivational speaker.

**Colin Steele** B.B.A, C.P.A., M.B.A.

Mr. Steele is an entrepreneur in the retail business and a housing developer who began his career as a Certified Public Accountant. He is experienced in lending, capital markets and investment banking. Mr. Steele has served as a Director of several Government companies, including the Port Authority of Jamaica and the University Hospital of the West Indies. He also served as Chairman of the Economic Policy Committee of the Private Sector Organisation of Jamaica.

# Corporate Data

## DIRECTORS:

**Richard O. Byles**
Chairman

**Christopher Zacca**

**Dr. Dodridge Miller**

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

**Michael Fraser**

**Stephen McNamara**

**Vinay Walia**

**Peter Pearson**

**Colin Steele**

**Bruce James**

## EXECUTIVE:

**Brenda-Lee Martin**
Chief Executive Officer

## Corporate Secretary:

**McNamara Corporate Services Inc.**
20 Micoud Street,
Castries, Saint Lucia

## Auditors:

**Grant Thornton**
Point Seraphine
PO Box 195
Castries
St. Lucia

## Bankers:

**Sagicor Bank Jamaica Limited**
17 Dominica Drive
Kingston 5

## Attorneys

**Patterson Mair Hamilton**
Attorneys-at-Law
Temple Court
85 Hope Road
Kingston 6

## Registered Office:

20 Micoud Street
Castries
St. Lucia

## Territories of Operation

### St. Lucia

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

### Jamaica

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

**Jamziv Mobay Jamaica Portfolio Limited** (subsidiary)
28 – 48 Barbados Avenue
Kingston 5
Jamaica

### USA

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

**Our objective is to deliver attractive shareholder returns through the execution of our strategy.**


PLAYA
HOTELS & RESORTS®

In 2018, Sagicor Real Estate X Fund Limited engaged in a significant transaction whereby we reorganised our investments in the hospitality sector from being direct owners and operators, to a new structure which involves partnering with Playa Hotels & Resorts N.V. (Playa), along with ownership of 15.328% of Playa's Nasdaq-listed shares.

**This reorganisation is a focused strategy to diversify our investments within the hospitality sector and minimise risk by:**

- Participating in a larger number of resorts;
- Broadening the geographical markets to which we are exposed;
- Becoming a part of a specialised Owner/Manager Group with more resort management expertise.

Playa's commitment to expansion through brand affiliations and strategic alliances, such as Hilton and Hyatt, as well as property acquisitions and developments is expected to produce strong growth over the medium to long term.

## EXECUTIVES:

**Chairman and CEO**
*Bruce Wardinski*

**Chief Operating Officer**
*Alex Stadlin*

**Executive Vice President and Chief Financial Officer**
*Ryan Hymel*

**Executive Vice President and Chief Marketing Officer**
*Kevin Froemming*

**Executive Vice President and Chief Development Officer**
*Fernando Mulet*

**Executive Vice President and General Counsel**
*Matthew S. Cohen*

## BOARD OF DIRECTORS:

*Bruce Wardinski*

*Richard Byles*

*Chuck Floyd*

*Richard (Rocky) Fried*

*Gloria Guevara*

*Daniel J. Hirsch*

*Hal Stanley Jones*

*Tom Klein*

*Elizabeth Lieberman*

*Karl Peterson*

*Arturo Sarukhan*

*Christopher Zacca*

# We Are Playa Hotels & Resorts

## OUR BRANDS

PLAYA
HOTELS & RESORTS

HYATT ZILARA
HYATT ZIVA
ALL INCLUSIVE RESORTS

Panama Jack RESORTS

Sanctuary
ALL-INCLUSIVE ADULT RESORT
CAP CANA

Hilton
Hilton Hotels & Resorts

JEWEL RESORTS
JAMAICA

## GRAND OPENINGS AND MILESTONES

- DEC 2013 — Hyatt Ziva Los Cabos & Hyatt Zilara Cancun
- DEC 2014 — Hyatt Zilara & Hyatt Ziva Rose Hall
- JAN 2015 — Hyatt Ziva Puerto Vallarta
- JUL 2015 — Reposition The Grans & The Royal
- NOV 2015 — Hyatt Ziva Cancun
- MAR 2017 — Playa Goes Public

## OUR STORY

Today, Playa is a leading owner, operator and developer of all-inclusive resorts in prime beach front locations in popular vacation destinations in Mexico and the Caribbean. Playa owns and/or manages a total portfolio consisting of 21 resorts in Mexico, Jamaica and the Dominican Republic.

## OUR TEAM — BY THE NUMBERS

### 12,000 Total Employees Worldwide*

ON PROPERTY

| | | |
|---|---|---|
| Hilton Rose Hall | STAFF: 720 | ROOMS: 495 |
| Hyatt Ziva Cancun | STAFF: 937 | ROOMS: 547 |
| Hyatt Zilara Cancun | STAFF: 565 | ROOMS: 307 |
| Hyatt Ziva Los Cabos | STAFF: 905 | ROOMS: 591 |
| Hyatt Ziva Puerto Vallarta | STAFF: 495 | ROOMS: 335 |
| Hyatt Zilara and Hyatt Ziva Rose Hall | STAFF: 1,104 | ROOMS: 709 |
| Jewel Dunn's River | STAFF: 390 | ROOMS: 250 |
| Jewel Grande | STAFF: 266 | ROOMS: 129 |
| Jewel Paradise Cove | STAFF: 340 | ROOMS: 225 |
| Jewel Runaway Bay | STAFF: 372 | ROOMS: 268 |
| Panama Jack Resorts Cancun | STAFF: 644 | ROOMS: 458 |
| Panama Jack Resorts Playa del Carmen | STAFF: 347 | ROOMS: 287 |
| Hilton Playa del Carmen | STAFF: 857 | ROOMS: 513 |
| Sanctuary Cap Cana | STAFF: 477 | ROOMS: 323 |

*The total number includes additional properties that are owned by Playa Hotels & Resorts.

**As of today, we have offices and properties in:**

- UNITED STATES
- MEXICO
- JAMAICA
- DOMINICAN REPUBLIC
- THE NETHERLANDS

- OCT 2017 — Management of Sanctuary Cap Cana
- JAN 2018 — Panama Jack Resorts Grand Opening
- JUN 2018 — Sagicor Transaction Complete
- SEP 2018 — Hilton Alliance Announced
- NOV 2018 — Hilton Playa del Carmen; Hilton La Romana
- 2019 — Hyatt Zilara & Hyatt Ziva Cap Cana

## OUR RESORTS

### HYATT ZILARA CANCUN

307 Rooms | Adults-Only
Cancun, Mexico

### HYATT ZIVA CANCUN

547 Rooms | All-Ages
Cancun, Mexico

### HYATT ZILARA ROSE HALL

344 Rooms | Adults-Only
Montego Bay, Jamaica

### HYATT ZIVA ROSE HALL

277 Rooms | All-Ages
Montego Bay, Jamaica

### HYATT ZIVA LOS CABOS

591 Rooms | All-Ages
Los Cabos, Mexico

### HYATT ZIVA PUERTO VALLARTA

335 Rooms | All-Ages
Puerto Vallarta, Mexico

### HYATT ZILARA CAP CANA *OPENING NOVEMBER 2019*

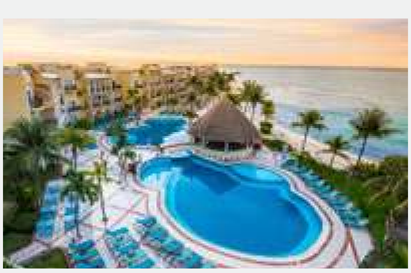
375 Rooms | Adults-Only
Cap Cana, Dominican Republic

### HYATT ZIVA CAP CANA *OPENING NOVEMBER 2019*

375 Rooms | All-Ages
Cap Cana, Dominican Republic

### PANAMA JACK RESORTS CANCUN

458 Rooms | All-Ages
Cancun, Mexico



### PANAMA JACK RESORTS PLAYA DEL CARMEN

287 Rooms | All-Ages
Playa Del Carmen, Mexico

### SANCTUARY CAP CANA

323 Rooms | Adults-Only
Cap Cana, Dominican Republic

### JEWEL GRANDE MONTEGO BAY RESORT & SPA

217 Rooms | All-Ages
Montego Bay, Jamaica

SANCTUARY CAP CANA

## OUR RESORTS (continued)

### JEWEL RUNAWAY BAY BEACH & GOLF RESORT

268 Rooms | All-Ages
Runaway Bay, Jamaica

### JEWEL DUNN'S RIVER BEACH RESORT & SPA

250 Rooms | Adults-Only
Ocho Rios, Jamaica

### JEWEL PARADISE COVE BEACH RESORT & SPA

217 Rooms | Adults-Only
Runaway Bay, Jamaica

### HILTON PLAYA DEL CARMEN

513 Rooms | Adults-Only
Playa Del Carmen, Mexico

### HILTON ROSE HALL RESORT & SPA

495 Rooms | All-Ages
Montego Bay, Jamaica

### HILTON LA ROMANA

350 Rooms | Adults-Only
412 Rooms | All-Ages
La Romana, Dominican Republic

PLAYA pulse

# In The News


Island Flavors

Local chefs are spicing up the Caribbean culinary landscape

### THE REAL HOUSEWIVES OF ORANGE COUNTY AT JEWEL GRANDE

In April 2018, the cast of the American reality show, "The Real Housewives of Orange County" filmed three episodes at Jewel Grande in Montego Bay, Jamaica. The episodes, which aired in October, showcased the celebrities on a 4-day, 3-night vacation. To read more about the Real Housewives experience in Montego Bay, visit: http://bit.ly/RHOC13JG

### JTB MEDIA BREAKFAST

Jewel Grande was the home to the Jamaica Tourist Board (JTB) Media Breakfast that was recently held in conjunction with the Jamaica Product Exchange (JAPEX). Eighteen (18) members of trade media outlets spanning Jamaica, US, Canada, LatAM and the greater Caribbean were in attendance.

### USA TODAY

Jewel Grande along with Hyatt Zilara and Hyatt Ziva Rose Hall garnered top tier media coverage through an article in USA Today featuring authentic breakfasts around the world.

### NEW YORK TIMES

As a result of hosting NFL players, including Brandon Marshall, Hyatt Zilara and Hyatt Ziva Rose Hall received recognition in the New York Times for their Granville 404 Project - an effort that supports a local school within the parish of St. James.

### DYLAN'S CANDY BAR

Hyatt Ziva Rose Hall was the star of the recent promotion hosted by the world's largest confectionary emporium and life-style brand, Dylan's Candy Bar. Through a partnership with the JTB, the widespread exposure was generated through print, digital and product placements in affluent key markets across the US. The impressions for the project have exceeded well over 20 million as a result!

### FORBES

Hyatt Ziva Rose Hall was featured in an article on Forbes.com showcasing the resort's Fourth of July holiday activities, providing potential guests with a multitude of reasons to book an upcoming stay.

# PLAYA RECOGNISED WITH NEW TRAVEL AND TOURISM ACCOLADES

PLAYA PROUD

Playa Hotels & Resorts has become one of the most awarded hospitality companies within the all-inclusive sector this past year.

This past quarter was a significant one for the travel industry, as the winners for the Magellan Awards, The World Travel Awards and Conde Nast Traveler Readers' Choice Awards were announced.
In addition to Playa becoming one of the most awarded companies in the all-inclusive space, these awards are the first for some properties, including Jewel Grande Resort and Spa.

### 2018 CONDÉ NAST TRAVELER READERS' CHOICE AWARDS:

Sanctuary Cap Cana

The Royal Playa del Carmen

Hyatt Ziva Rose Hall

### 2018 WORLD TRAVEL AWARDS:

Jewel Grande Resort and Spa:
*Caribbean's Leading New Resort*

Panama Jack Resorts Cancun:
*Mexico & Central America's Leading New Hotel*

Panama Jack Resorts Cancun:
*Mexico's Leading Family Resort*

Hyatt Ziva Cancun: *Mexico's Leading Resort*

### 2018 MAGELLAN AWARDS:

Jewel Grande Resort and Spa: *Spa Design* – ***Gold***

Jewel Grande Resort and Spa: *Room Design* – ***Silver***

Jewel Grande Resort and Spa: *Hospitality Marketing* – ***Silver***

Sanctuary Cap Cana: *Restaurant Design* – ***Gold***

Panama Jack Resorts Cancun:
*Overall-Eco-Friendly "Green" Resort* – ***Gold***

Panama Jack Resorts Cancun: *Standard Room Design* – ***Silver***

Panama Jack Resorts Cancun:
*Overall – Family Resort/Hotel* – ***Silver***

Panama Jack Resorts Cancun:
*Lobby/Common Space Design* – ***Silver***

Hyatt Ziva Puerto Vallarta: *Standard Room Design* – ***Gold***

Hyatt Zilara Cancun: *Spa Design* - ***Gold***

### 2019 TRAVVY AWARDS:

Best All-Inclusive Luxury Resort – *Caribbean/Bahamas:*
*Jewel Grande Montego Bay Resort & Spa* – ***Silver***

Best All-Inclusive Resort – *Honeymoons:*
*Hyatt Zilara Rose Hall* – ***Silver***

Best Luxury Hotel/Resort-Caribbean/Bahamas:
*Sanctuary Cap Cana* – ***Gold***

Best Spa & Wellness Hotel/Resort – Caribbean/Bahamas:
*Sanctuary Cap Cana* – ***Gold***

Best All-Inclusive Adult/Couples Resort – *Caribbean/Bahamas:*
*Sanctuary Cap Cana* – ***Silver***

Best Hotel Chain - *All-Inclusive:*
*Hyatt Zilara & Hyatt Ziva* – ***Gold***

Best Spa & Wellness Hotel/Resort – *Mexico:*
*Hyatt Zilara Cancun* – ***Silver***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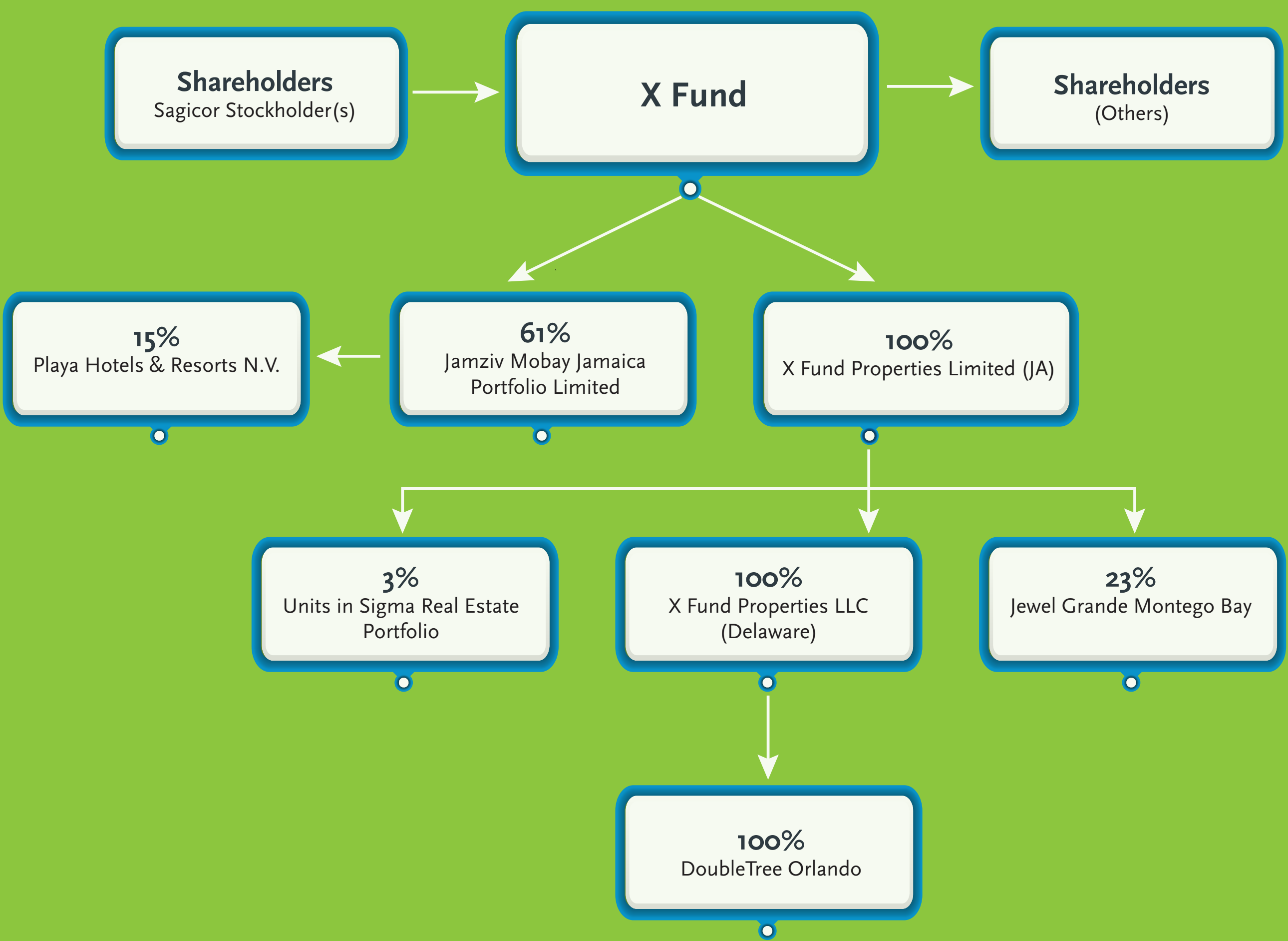
## Sagicor Real Estate X Fund Limited

# Corporate Structure



# JEWEL GRANDE

## The Jewel Grande Montego Bay Resort & Spa is located in one of Jamaica's premier tourist locations, Montego Bay, and is situated only 10 minutes from the Sangster International Airport.

Personal butler service, a world-class full-service spa, two sparkling swimming pools, a state-of-the-art fitness facility and private beachside cabanas are only some of the dazzling array of amenities the brand Jewel Grande Montego Bay Resort and Spa offers. Enjoy luxury and paradise at the local championship golf course, embark on an aquatic adventure, experience first-class shopping at the nearby Shoppes of Rose Hall, or indulge in the authentic flavours of the Caribbean with great dining options. The Jewel Grande Montego Bay offers an elevated authentic Caribbean island experience. With our attentive service, extravagant amenities, and tranquil atmosphere, we are the perfect Jamaican island resort for a dream vacation, unforgettable honeymoon, or corporate retreat.

## AWARDS & ACCOLADES

- **2019 Travvy for "Best All-Inclusive Luxury Resort – Caribbean/Bahamas-Silver"**
- **2018 Magellan for "Spa Design-Gold"**
- **2018 Magellan for "Room Design-Silver"**
- **2018 Magellan for "Hospitality Marketing-Silver"**
- **2018 AAA Four Diamond Award**
- **2018 World Travel Awards for "Caribbean's Leading New Resort"**
- **2018 The World Spa Awards for "Jamaica's Best Wellness Retreat"**

# RESORT & SPA

# HILTON DOUBLETREE HOTEL

## It’s more than a renovation, it’s a re-invention!

### The DoubleTree by Hilton at the Entrance to Universal Orlando is setting the gold standard for Orlando’s conference and leisure hospitality markets.

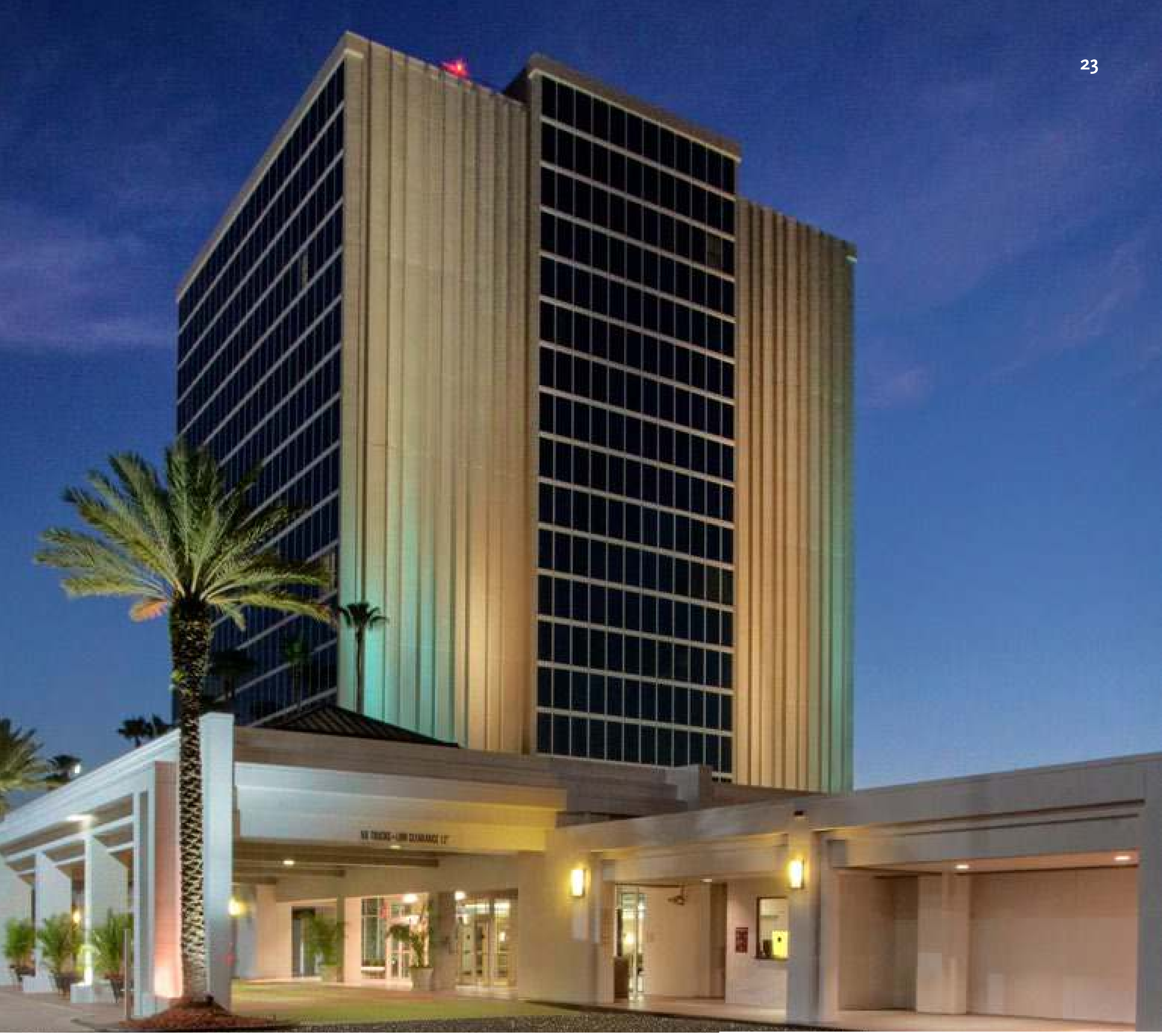
The acquisition of DoubleTree by Hilton in September 2015 represented our first non-Caribbean property holding, and an expansion of the geographical diversification of the Group’s assets.

Full renovation completed on the two hotel towers in 2017 enhanced revenue growth, through increased occupancy levels and also the ability to charge higher daily room rates.

The hotel offers 742 guest rooms and 19 suites with spectacular panoramic views of Universal Orlando and beyond, as well as common areas and other amenities. There are also large conference room facilities, a variety of restaurants and dining options, banquet halls and other leisure services geared towards attracting both small and large client groups.

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

| Total Revenue increase of | Average Daily rate increase of | Food & Beverage increase of | Since completion of renovation, Brand Service ranking has moved up |
|---|---|---|---|
| 13% | 5% | 22% | 134spots |



## HOTEL AMENITIES/SERVICES

- Junior Olympic Outdoor Pool and Jacuzzi, kids splash zone and Jacuzzi
- Fitness Centre with Precor Equipment
- 63,000 square feet of flexible indoor/outdoor meeting space, including over 19,500 square feet of exhibit space
- Four on-site food & beverage outlets
- Game Room featuring the newest Arcade Games
- In-room dining
- Complimentary Internet in guest rooms and common areas
- Smoke-free and pet-free (except for service animals)
- Official Universal Desk for attraction tickets and information to Universal Orlando® and SeaWorld Orlando®
- Complimentary scheduled shuttle service to Universal Orlando Resort and SeaWorld. Paid shuttle service available to Walt Disney World Resort®
- Connectivity zone with free high-speed WiFi and business services
- Avis Car Rental on site
- Same day valet dry cleaning and laundry

# WHAT'S COMING

## The re-invention continues!

| PROJECT | PROJECTED COMPLETION |
|---|---|
| Renovation of Sunshine Café | 2019 |
| Gelato Shop in Lobby | 2019 |
| Additional 20,000 square feet of meeting space | 2021 |

# Management's Discussion & Analysis

## COMPANY OVERVIEW

Sagicor Real Estate X Fund Limited is the largest publicly traded real estate investment company in Jamaica on the Jamaica Stock Exchange (JSE). We continue to be a leading private sector investor in the Jamaican and regional tourism real estate markets, through direct and indirect ownership of real estate assets. We maintain an ownership stake in the Jewel Grande Montego Bay, Jamaica and full ownership of DoubleTree by Hilton at the Entrance to Universal Orlando (DoubleTree) in Florida, USA. These are owned through wholly owned subsidiary companies, X Fund Properties Limited and X Fund Properties LLC. Exposure to the local and regional tourism markets is through indirect ownership of shares in Playa Hotels & Resorts N.V. (Playa), a Nasdaq-listed entity. These shares are held in Jamziv Mobay Jamaica Portfolio Limited, a subsidiary of the Group. The consolidated net profit attributable to stockholders for the year ended 31 December 2018 was $154 million.

**The year over year earnings performance was highlighted by:**

- DoubleTree by Hilton at the Entrance to Universal Orlando, Florida (DoubleTree) net income increasing by $174 million, as they enjoyed higher year-over-year occupancy levels and average daily rates increasing by 4.3% and 5.4%, respectively.
- Interest expense was lower by $128 million, as cash proceeds from the sale of the hotels was used to paydown borrowings and other obligations.
- A gain on disposal of discontinued hotel operations of $264 million. On June 2, 2018, Sagicor Real Estate X Fund and Sagicor Group Jamaica through its affiliated entities, sold the Hilton Rose Hall Resort and Spa (Hilton Rose Hall), three (3) of the Jewel hotels as well as lands that were owned by the Sigma Real Estate Portfolio (Sigma Portfolio), and a part of the Jewel Grande Montego Bay to Playa Hotels and Resort N.V. (Playa) in exchange for 20,000,000 Playa shares and US$100 million in cash.
- Reduction of $2.45 billion in gains from the investments in the Sigma Real Estate Fund year over year. This was due to a reduction in the number of units held, down from 7.17 billion in 2017, to 402 million as at 31 December 2018, and lower performance from Sigma Real Estate Fund during 2018. Effective 1 July 2018, the Group liquidated 94% of its units in the Sigma Real Estate Fund, in exchange for 51.86% ownership of Jamziv Mobay Jamaica Portfolio Limited (Jamziv), which holds the Playa shares.
- A $203 million increase in our share of the net operating losses of Jewel Grande Montego Bay (formerly Palmyra). The performance is consistent with start-ups in the hotel industry, however there has been an improvement in line with the benefits expected from the management of the property by Playa.
- Lower revaluation gain on Investment Property for Jewel Grande Montego Bay

## PERFORMANCE HIGHLIGHTS

| | December 2018 YTD Audited | December 2017 YTD Audited | % Change |
|---|---|---|---|
| Total revenue - J$ million | 8,807.51 | 13,013.51 | -32% |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) J$ million | 2,168.36 | 5,098.46 | -57% |
| Net profit attributable to stockholders – J$ million | 154.35 | 2,742.03 | -94% |
| Earnings per stock unit –J$ (restated for rights issue) | 0.07 | 1.22 | -94% |
| Annualized return on average stockholders' equity (ROE) | 0.65% | 12.88% | -95% |
| Total Assets – J$ billions | 48.80 | 47.69 | 2% |
| Stockholders' Equity J$ billions | 25.05 | 22.69 | 10% |
| JSE X Fund share price – J$ | 14.07 | 15.00 | -6% |
| Market capitalization – J$ billions | 31.56 | 33.65 | -6% |

of $9 million, compared to $254 million recorded in previous year.

## GLOBAL ECONOMY

Global expansion weakened in 2018 with the forecast for growth in 2019 and 2020 also revised downwards, due to the following factors:

- Adverse impact of tariff increases enacted in the United States and China;
- Reduced activity in trade and manufacturing;
- Goods trade growth stagnating;
- Industrial production growth declining to a 26-month low of 1.8%.

These factors, combined with the prospect of softening global growth, have weighed on investor sentiment and contributed to declines in global equity prices.

Despite the decelerated growth in advanced economies, the 2018 growth of 2.2% was in line with previous forecasts. The US recorded growth of 2.9% compared with 2.2% in 2017.

The near-term outlook for the global economy remains clouded by trade tensions. The economic arrangements between the United Kingdom and the rest of the European Union are at risk for a disorderly disengagement. An escalation of these trade tensions could undermine business and financial market sentiment, adversely affecting investment and trade.

## JAMAICAN ECONOMY

The Jamaican economy is estimated to have recorded real GDP growth of 1.8% in 2018, representing the sixth consecutive year of growth. This occurred within the context of increased external demand, mainly for Mining & Quarrying and Tourism; increased domestic demand underpinned by record levels of employment; and improved macroeconomic stability.

- The resumption of production at the Jiuquan Iron and Steel Company (JISCO) Alpart refinery in the last quarter of 2017 has positively impacted production of alumina.
- An increase in total visitor arrivals accompanied by higher visitor expenditure has supported growth in economic activities. For the calendar year 2018, stop-over arrivals were 2.5 million, which represents an increase of 5.1% over 2017.
- Major infrastructure works including the construction and renovation of hotels as well as an intensification of road construction and rehabilitation activities have driven down unemployment to single-digit levels and contributed to economic growth.

There was a low inflationary environment in 2018, with the calendar year inflation rate of 2.4% falling below the target range of

4.0% to 6.0% set by the Central Bank. In response, the Central Bank continued to relax its monetary stance through policy rate reductions. This rate was reduced by 150 basis points to close the year at 1.75%.

A major change in the domestic landscape was the shift in central government operations, where there has been much fiscal consolidation. Fiscal discipline has been essential to reduce public debt and secure macroeconomic stability. Consequently, the Fiscal Responsibility Law was enacted to support this. The Government of Jamaica (GOJ) is expected to maintain its tight fiscal policy and continue a new normal of primary surpluses, based on government projections that administrative improvements in tax collection and compliance will produce higher revenues. Consistent with the continued developments towards achieving macroeconomic stability and reducing external debt, the credit ratings on long- and short-term foreign and local currency sovereign improved.

It was another strong year for the domestic equity market, with the Jamaica Stock Exchange (JSE) Main Index increasing by 31.8% in 2018, relative to an increase of 50.0% in 2017. This performance was positively influenced by strong domestic liquidity conditions and the impact of the macroeconomic environment that existed throughout the year.

The growth outlook for 2019 remains positive within the context of continued expansion in net external demand, supported by marginal increases in consumer spending. Fiscal consolidation however should continue to restrain domestic demand, while the outlook for monetary conditions is viewed as being accommodative.

**JSE Main Index 2018 Performance** +31.8%

It was another strong year for the domestic equity market and the growth outlook for 2019 remains positive

## Office/Retail Business

**R. Danny Williams Building**

| | |
|---|---|
| **Property Value** | 2,740,000,000 |
| **ARR (PSF)** | $ 1,277 |
| **Occupancy** | 100% |

**Sagicor Sigma Building**

| | |
|---|---|
| **Property Value** | 1,500,000,000 |
| **ARR (PSF)** | $ 1,044 |
| **Occupancy** | 98% |

**Sagicor Montego Bay Commercial Centre**

| | |
|---|---|
| **Property Value** | 450,000,000 |
| **ARR (PSF)** | $ 1,189 |
| **Occupancy** | 91% |

**Spanish Town Shopping Centre Strata Lots**

| | |
|---|---|
| **Property Value** | 69,000,000 |
| **ARR (PSF)** | $ 782 |
| **Occupancy** | 100% |

## Industrial/Warehouse

**Sagicor Industrial Park - Norman Road**

| | |
|---|---|
| **Property Value** | 1,590,000,000 |
| **ARR (PSF)** | $ 586 |
| **Occupancy** | 93% |

**Sagicor Industrial Park - Freeport, Montego Bay**

| | |
|---|---|
| **Property Value** | 1,240,000,000 |
| **ARR (PSF)** | $ 592 |
| **Occupancy** | 100% |

**Sagicor Industrial Park - Marcus Garvey Drive**

| | |
|---|---|
| **Property Value** | 575,000,000 |
| **ARR (PSF)** | $ 535 |
| **Occupancy** | 93% |

## Land for Development

**23-25 Seymour Avenue**

| | |
|---|---|
| **Property Value** | 455,000,000 |

The 1.4 billion mark for tourist arrivals has been reached two years ahead of United Nation World Travel Organization's (UNWTO) long-term forecast that was issued in 2010.

# TOURISM SECTOR REVIEW

## 1. Global Environment

International tourist arrivals (overnight visitors) worldwide increased by 5.6% to 1.4 billion in 2018. This represents significant growth of international arrivals in recent years, as outturn has exceeded projections. The 1.4 billion mark for tourist arrivals has been reached two years ahead of the United Nations World Travel Organization's (UNWTO) long-term forecast that was issued in 2010. Specifically, the growth in 2018 consolidates the very strong results of 2017 (up 7%) and is the second strongest year of growth since 2010. The positive results were driven by a favourable economic environment as well as strong outbound demand from major source markets. Other factors supporting growth included enhanced connectivity and increased visa facilitation. Arrivals to the Middle East (11.6%) and Africa (7.3%) led growth in 2018, this was followed by Asia and the Pacific and Europe both of which increased in line with the world average. The Americas saw growth of 3%. Among the world's top ten spenders, the Russian Federation (up 16%), France (up 10%) and Australia (up 9%) reported the strongest increases in outbound expenditure in the first nine to eleven months of 2018. The United States (up 7%) and the Republic of Korea (up 6%) also recorded solid spending figures, all of them fuelling inbound growth in their respective regions and beyond.

## 2. Orlando Environment

Orlando remains one of the major tourist destinations globally and is the home of Universal Orlando Resort, SeaWorld and the world-renowned Walt Disney World amusement park. These attractions form the backbone of Orlando's tourism industry, making the city the most visited city in the U.S. In addition to tourism, Orlando is also home to technology and entertainment-driven industries such as film, television, and electronic gaming. Orlando's economy is expected to continue on its growth path, with tourism anticipated to continue as the driving force behind its growth. Visitors to Florida during 2018 increased by 6.2% to 126.1 million. This was largely due to higher estimates for domestic visitors while overseas visitors (excluding Canada) declined

**Stop-over Arrivals** 2.5m

An increase in total visitor arrivals accompanied by higher visitor expenditure has supported growth in economic activities.

by 1.0%. This outturn reflected, in part, marketing programmes that highlighted the diversity of the state.

## 3. Jamaican Environment

The increased global tourist travel partly resulted in a higher number of visitors to the island relative to the previous year. This was favourably impacted by continued policy initiatives that facilitated increased investments and visitor arrivals.

Total visitor arrivals increased by 1.0% to 4.3 million, representing a slowing in the rate of growth. This was due to increased visitors from the US and European markets, an increase in hotel room capacity, and increased airlifts.

### 3.1. Stopover Arrivals

Total stopover arrivals grew by 5.1% to 2.5 million persons. This largely reflected increased arrivals from two of the three major source markets for Jamaica. Stopover arrivals from the United States market recorded a 7.8% increase, with 1,628,402 visitors compared to the 1,509,963 visitors during 2017. Arrivals from the European market grew by 0.8% to 328,369 visitors; this was 2,627 more visitors than in 2017. However, arrivals from Canada (the second largest source market) recorded a decline of 1.3% to 399,969 visitors.

The average length of stay of Foreign National arrivals in all types of accommodations was 8.1 nights, a slight decline compared to 8.4 nights in 2017. However, for the Non-Resident Jamaican arrivals the average length of stay increased to 17.5 nights, the same level as in 2017. Despite a fall in the average length of stay, total visitor expenditure increased during 2018. Provisional visitor expenditure was US$3.2 billion, 7.9% higher than in 2017.

### 3.2. Cruise Passenger Arrivals

A total of 1,845,873 cruise passengers embarked at Jamaica's three major ports in 2018. This reflected a decline in arrivals at Falmouth (down 11.9%) and Montego Bay (down 2.8%), while arrivals at Ocho Rios increased (up 7.9%). The overall reduction was due to the normalization of cruise passenger arrivals as the island benefited from several diversions of cruise ships from other Caribbean destinations in the last quarter of 2017. Jamaica's ports received inaugural calls from the following cruise lines: Murella Cruise, Carnival Horizon, and MS Sirena.

## 4. Economic Impact

The Hotels & Restaurants industry grew by an estimated 1.7% for 2018 relative to 2017, which was mainly attributed to an improvement of stopover arrivals. However, a further increase in Real Value Added was stymied by a decrease in the average length of stay of Foreign Nationals. This has been attributed to an increasing share of visitors from North America who generally stay for shorter periods, relative to visitors from Europe. Notwithstanding, the sector continues to be the leading earner of foreign exchange for Jamaica. The Jamaica Tourist Board (JTB) continued its marketing activities to maintain and reinforce a positive image of Jamaica in the various target markets. Several initiatives were used to promote the island and showcase the authentic natural experiences and the numerous enjoyable, refreshing and relaxing encounters. These initiatives included digital ad campaigns in main source markets and the use of social media influencers to promote under-the-radar experiences in Jamaica.

### 4.1. Employment

The average annual employment in the Hotels and Restaurants industry increased to 102,325 persons from 99,300 persons in 2017. This represented approximately 8.4% of total employment, a small increase from the 8.3% recorded in 2017.

### 4.2. Loans & Advances

At the end of 2018, the stock of Loans & Advances to the industry by commercial banks was $52.2 billion compared with $52.6 billion at the end of 2017. The Tourism sector remains one of the main drivers of domestic currency loans. The higher loan stock at commercial banks and FIA institutions emanated from increased financing, partly associated with construction activity within the industry.

## 5. Outlook

Based on current trends, economic prospects and the UNWTO Confidence Index, UNWTO forecasts a growth of 3% to 4% in international tourist arrivals worldwide in 2019, more in line with the historical growth trends. This outlook is predicated on fuel prices remaining stable; better air connectivity and strong outbound from emerging markets. However, downside risks that could negatively impact the growth arrivals include economic slowdown; geopolitical and trade tensions; as well as a "wait and see" attitude from investors and travellers.

Domestically, Real Value Added for the Hotels & Restaurants industry is expected to continue to grow in 2019, reflecting continued increases in higher stopover arrivals. With additional airline seats negotiated for the 2018/19 winter tourist season, growth in stopover arrivals will be boosted by increased flight frequency and introduction of additional flights. Cruise passenger arrivals are also expected to increase in 2019. This owing to the introduction of new cruise vessels, implementation of projects aimed at improving cruise passenger experience at the ports and increased marketing activities. Also supporting increased arrivals is a reciprocal agreement signed between Jamaica and Russia which waives visa requirements for nationals entering both countries. The agreement allows Jamaicans and Russians to spend up to 90 days per year for tourism, cultural exchange or business.

Despite the decline in the average length of stay for Foreign Nationals, employment in the industry is expected to continue its upward growth, owing largely to the continued expansion and build-out of new hotels.

## RISK MANAGEMENT

In addition to other information set forth in this Annual Report, investors should be mindful of the risks described. These risks are not the only ones facing shareholders. Additional risks not presently known to the Directors or that the Directors may presently consider being immaterial may also impair X Fund's operations. X Fund's actual results could differ materially from those anticipated as a result of certain factors, including the following risks faced by X Fund.

### Ordinary Stock Price Fluctuations

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

- Announcements of developments related to X Fund's business;
- The issue of additional shares by X Fund from time to time;
- Announcements concerning Playa Hotels & Resorts N.V.;

**Cruise Passenger Arrivals** 1.85m

This reflected a decline in arrivals at Falmouth and Montego Bay, while arrivals at Ocho Rios increased.

The average annual employment in the Hotels and Restaurants industry increased to 102,325 persons from 99,300 persons in 2017.

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

- General conditions in the economy and the real estate market;
- Changes in the law regarding several matters including but not limited to taxation, rights of landlords and tenants, planning and the environment.

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

## Changes in Government Policies

The Government of Jamaica may from time to time affect macroeconomic conditions through fiscal and monetary policies, which may have an adverse impact on the real estate market, the stock market and the performance of X Fund. Risk relating to marketability of the shares The X Fund's shares, listed on the Jamaica Stock Exchange, may not be readily saleable and shareholders who may want to "cash out" may not be able to do so or may only be able to do so at a discount.

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

Material events affecting the properties across the portfolio could also impact X Fund's performance and operating results. These properties are susceptible to loss or damage by fire, hurricane, earthquake, flood and other perils. Although the properties intend to maintain insurance against such perils, there are numerous factors which could expose the portfolio to loss as a result of a fire, hurricane or other such peril. For instance:

- The insurers could delay settlement or deny liability in respect of a claim for varied reasons and even if property portfolio were to ultimately prevail, such delay could prevent the repair or reinstatement of the property with consequential loss of rental income and exposure to increased costs of repairs or reinstatement;

- An insurer or reinsurer could become insolvent or otherwise be unable to respond to a loss under the policy of insurance;
- Loss of rent is not covered under the insurance policy;
- After a loss, the sitting tenant may elect to relocate to other premises or to close operations in the leased premises, and property portfolio may be unable to promptly find a suitable replacement tenant.

## Taxation Risks

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

## Foreign Currency Risk

Leases are payable in both United States and Jamaican dollars for the properties. Certain costs such as insurance and refurbishing costs in respect to imported materials such as carpets and elevators may be increased as a result of the devaluation of the Jamaican dollar relative to the United States dollar and other foreign currencies. Accordingly, the property portfolio is exposed to the risk that the value of the future cash flows from rental income may fluctuate because of changes in foreign exchange rates. The property portfolio does not, at this point, hedge its foreign exchange risks and it has no current plans to do so.

Sagicor Jamaica is also providing investment management services to the Sigma Real Estate Portfolio and, along with the Sagicor Pooled Investment Funds, are substantial investors in X Fund.

## Operational Risks

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

- Employee errors - such as failure to renew insurance or to insure for the proper value;
- Accounting errors, data entry errors; and
- Fraud (internal and external) or other criminal activity.

Under the Property Management Agreement between Sagicor Property Services Limited ("Sagicor Property") and Sagicor Jamaica (in its capacity as managing agent for Sigma Real Estate Portfolio), Sagicor Property is required to indemnify Sigma Real Estate Portfolio against loss or damage caused by the gross negligence, or wilful default or fraud of Sagicor Property or any of its employees or agents in the performance of their duties or functions. Sagicor Property seeks to eliminate such risks by maintaining a comprehensive system of internal controls and administrative checks and balances to monitor transactions supported by a robust internal auditing capability. It also maintains an off-site data repository which will enable it to continue operations in the event of catastrophe affecting its operating location.

## Lessees' Risks

Although Sagicor Property has taken care to select reputable tenants for the rental properties in the Sigma Real Estate Portfolio, nevertheless changes in the business fortune of a tenant could affect its creditworthiness and business practices. Rental income to Sigma Real Estate Portfolio could therefore be affected by counter-party risk under the relevant leases – that is to say the risk that a tenant may be unable or unwilling to pay its rent on the due date. That risk has been ameliorated somewhat, but not substantially, by requiring tenants to place a security deposit with Sigma Real Estate Portfolio – typically one month's rent and in a few cases, two months' rent.

## Thin market in Company's Shares

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

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

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

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

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

## Fluctuation Property Value

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

### Affecting Unit Trusts

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

### Lack of Diversification

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

### Related Party & Potential Conflict of Interest

X Fund is managed by Sagicor Jamaica. Sagicor Jamaica is also providing investment management services to the Sigma Real Estate Portfolio and, along with the Sagicor Pooled Investment Funds, are substantial investors in X Fund. In spite of the multiple roles which Sagicor Jamaica will play, the interests of the various parties are generally aligned. Notwithstanding that the parties all share common interest in the success of X Fund, it is possible that conflicts of interest would arise in the day-to-day operations of X Fund. The Group has a robust Corporate Governance Committee which includes non-executive directors. That Committee is charged with the duty of ensuring adherence to best practice standards of corporate governance and ethics within the Group. This Board Committee, among other things, reviews related party transactions and monitors conflict of interest situations to ensure that all such transactions are carried out on an arm's length basis with the utmost integrity. In addition, X Fund has appointed independent directors, to chair its Investment and Audit Committees. The Audit Committee also monitors and reviews related party transactions and other potential conflict of interest scenarios to ensure strict compliance with best practice benchmarks. X Fund's goal in risk management is to ensure that it understands, measures, and monitors the various risks that arise and that it adheres strictly to the policies and procedures which are established to address these potential risks.

## STRATEGIC OUTLOOK

The Group's main strategic priorities will continue to focus on actively seeking viable real-estate investments within the Caribbean region and North America. Our main aim is to enhance value for shareholders by continuously improving the yields on our real estate-linked investments.

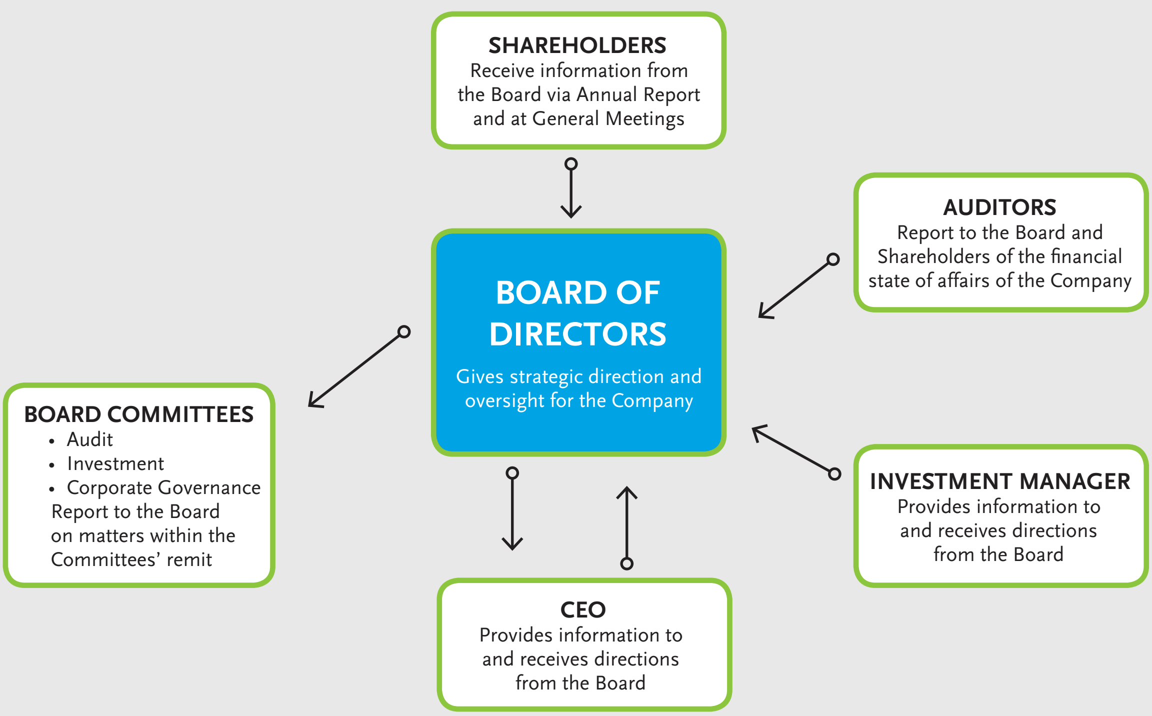
The Group has a robust Corporate Governance Committee which is charged with the duty of ensuring adherence to best practice standards of corporate governance and ethics within the Group.

# Corporate Governance

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

The Policy is influenced by applicable laws and regulations, internally accepted corporate governance best practices and recent trends in governance. This Policy is available on the Sagicor website at:
https://www.sagicorjamaica.com/Forms/Investments/XFund-CorporateGovernancePolicy2018.pdf

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




**X Fund recognises the need to continuously upgrade its standards of corporate governance through a review process and therefore intends to adopt new standards as they evolve."**

**The Board of Directors of X Fund has established a tradition of best practices in corporate governance as a foundation for long-term success, while committing to internationally accepted standards and procedures.**

## Board of Directors

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

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

## Board Responsibilities:

The Board of Directors is responsible for (i) the strategic direction of X Fund (and its subsidiaries) which involves setting business objectives and the plans for achieving them; (ii) execution of the approved business objectives through adequate management, leadership and resources; (iii) monitoring the performance of direct and indirect tourism exposure with a view to achieving the strategic objectives and ensuring compliance with all

applicable legal and regulatory regimes; and (iv) due and proper accounting to all stakeholders of X Fund, including in particular, the stockholders.

## Board Composition and Structure:

As at December 31, 2018, the Board consisted of ten (10) directors, chaired by Mr. Richard Byles. All directors are non-executive directors and five (5) are independent.

## Director Independence:

In accordance with the Corporate Governance Policy, the Board has maintained a structure which includes five (5) independent directors to add to the objectivity and transparency of the Board.

## Directors' Expertise:

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

**The table below illustrates the skillset of the directors:**

| | GEN MGT | INT'L BUS | FINANCE | STRAT MGT | CORP LAW | BANKING | CORP FIN M&A | ASSET MGT | INSURANCE | HR MGT | PROPERTY |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dr. Dodridge Miller | ● | ● | ● | ● | ● | ● | ● | ● | ● | | |
| Christopher Zacca | ● | ● | ● | ● | | | ● | | | | |
| Stephen McNamara | ● | ● | | | ● | | | | | | ● |
| Vinay Walia | ● | ● | ● | ● | | | ● | ● | | | ● |
| Peter Pearson | ● | ● | ● | ● | | ● | ● | | | | |
| Michael Fraser | ● | | ● | ● | | | | | ● | | |
| Hon. R.D. Williams | ● | | | ● | | | | | ● | | |
| Richard Byles | ● | | ● | ● | | | ● | ● | ● | | |
| Colin Steele | | | ● | | | ● | | | | | ● |
| Bruce James | | | | | | ● | | | | ● | |

The Board and Committees are structured to ensure there is an appropriate mix of both knowledge, skill and experience relevant to the business of X Fund.

## Board Operations

The Board is scheduled to meet quarterly. In addition, ad hoc meetings are held to deal with urgent matters. The critical agenda items which were covered at Board Meetings in 2018 include:

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

## Board Appointment, Term, Election & Retirement

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

## Board Committees and Attendance Records

**During 2018, a total of eleven (11) Board and Committee Meetings were held.**

The Committee Members are appointed by the Board of Directors and hold office until otherwise determined by the Board of Directors or until they cease to be directors. Representatives of the Investment Manager attend meetings as invitees and participate in the meetings through presentations of discussion documents and development of strategies.

**The table below shows the composition of the Board/Committee and directors' attendance at meetings as at December** 31, 2018:

| DIRECTORS | BOARD | AUDIT COMMITTEE | INVESTMENT COMMITTEE | CORP. GOVERNANCE COMMITTEE |
|---|---|---|---|---|
| **NUMBER OF MEETINGS** (TOTAL 11) | **HELD : 4** | **HELD : 3** | **HELD : 3** | **HELD : 1** |
| Dodridge Miller | 2 of 4 | | | |
| Christopher Zacca | 4 of 4 | | 2 of 3 | |
| Hon. R.D. Williams | 4 of 4 | | 3 of 3 | |
| Richard Byles | 4 of 4 | | 3 of 3 | 1 of 1 |
| Michael Fraser | 2 of 4 | 1 of 3 | | |
| Stephen McNamara | 4 of 4 | | | |
| Peter Pearson | 4 of 4 | 3 of 3 | | 1 of 1 |
| Vinay Walia | 4 of 4 | 3 of 3 | 3 of 3 | 1 of 1 |
| *Dr. Patricia Downes-Grant | 1 of 4 | | | |
| **Colin Steele | 1 of 4 | | | |
| **Bruce James | 1 of 4 | | | |

* resigned September 5, 2018

** Appointed September 23, 2018

## Directors' Remuneration

The Board determines the level and structure of fees paid to non-executive directors annually. Executive directors do not receive fees in respect of their office as directors of the Company or any of the companies within the Sagicor Group. Fees are paid quarterly based on an annual retainer. A total of $18,912,448.64 was paid as directors' fees in 2018. Having regard to the prevailing market conditions and referencing directors' fees with that of the peer group (i.e. other listed companies, there was a 5% increase in directors' fees effective April 27, 2018).

## Audit Committee/Investment Committee/ Corporate Governance Committee

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

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

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

**Corporate Governance Committee** – This Committee is chaired by the Board Chairman, Mr. Richard Byles with 2 independent directors, Messrs. Peter Pearson and Mr. Vinay Walia forming the rest of the Committee.

## Board Evaluation

The Board evaluates its performance and that of its individual directors on an annual basis in order to determine the effectiveness of the directors, the Board and its Committees. All directors were invited to participate in a self-evaluation survey and 360 degrees feedback [Peer Review] for the year 2018. The outcome of the surveys was discussed by the Corporate Governance Committee and the Board at its meeting on May 13, 2019.

## Dividend Policy

At its meeting in May 2015, the Board determined a Dividend Policy which would allow for dividend payments of between 15% and 25% of annual net profits. No dividend was paid in 2018.

## Shareholder Rights and Responsibilities

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

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

# FINANCIAL STATEMENTS

Year Ended December 31, 2018



Grant Thornton

May 27, 2019

Grant Thornton
Point Seraphine
P.O. Box 195
Castries, St. Lucia
West Indies

T + 1 758 456 2600
F + 1 758 452 1061
www.grantthornton.lc

## 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.

Grant Thornton

**Page 2**

**Independent Auditor's Report** *....continued*

**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)***<br>*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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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. |

Grant Thornton

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**Independent Auditor's Report** *....continued*

<table>
<tr>
<td>
The market value and income capitalisation approaches take into consideration various assumptions and factors including:
<ul>
<li>location of properties</li>
<li>number of rooms for sale to the market</li>
<li>price per guest room</li>
<li>current and future occupancy</li>
<li>foreign currency earnings</li>
<li>the rate of inflation of direct expenses</li>
<li>an appropriate discount/capitalization rate</li>
<li>quality of the facilities at the property</li>
<li>estimated future maintenance and capital expenditure</li>
</ul>
Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of the owner managed hotel properties or the investment property.
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Discontinued Operations - Hilton Rose Hall Resort and Spa formerly operated by X Fund Properties Limited (Group)<br>
See note 2 (b), 33 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.<br><br>
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.<br><br>
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.<br><br>
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.<br><br>
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.
</td>
<td>
We read and reviewed the executed agreements to evaluate and determine appropriate treatment of the transaction in accordance with the requirements of IFRS 5.<br><br>
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;<br><br>
We performed procedures to verify completeness and accuracy of the assets and liabilities presented as discontinued operations, including measurement in accordance with IFRS 5.<br><br>
Reconciling the reclassified assets and liabilities and results to the business unit reporting available in the entity's financial reporting system.<br><br>
Additional procedures include but are not restricted to:
<ul>
<li>Validating the cash proceeds received and inspecting the shareholding certificate.</li>
<li>Validating the expenses related to discontinued operations.</li>
<li>Validating the gain or loss recognised on discontinued operation.</li>
<li>Auditing the six months results of the statement of comprehensive income.</li>
</ul>
</td>
</tr>
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Grant Thornton

**Page 4**

**Independent Auditor's Report** *....continued*

| | |
|---|---|
| **Business Combinations – Investment in Subsidiary and Associate (Group)**<br>*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'.<br><br>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.<br><br>Management applied significant judgement regarding whether or not it could evidence the existence of significant influence. These include:<br><br>• representation on the board of directors or equivalent governing body of the investee,<br>• participation in the policy-making process, and;<br>• whether or not shareholdings are considered to be substantial when compared to other owners.<br><br>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.<br><br>We verified the following:<br><br>• The Group representation on board and sub-committees and examined the corporate governance structure to determine the importance of these committees.<br><br>• The Group shareholdings as the second largest in Playa.<br><br>We tested the Group's ownership of shares in Playa.<br><br>Based on the procedures performed, we concluded that management's conclusions were reasonable. |

Grant Thornton

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**Independent Auditor's Report** *....continued*

**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.

Grant Thornton

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**Independent Auditor's Report** *....continued*

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**

# 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 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# 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 27 May 2019 and signed on its behalf by:**

Richard Byles — Director

Christopher Zacca — Director

The accompanying notes on pages 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# Company Statement of Financial Position

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Non-Current Assets** | | **$'000** | **$'000** |
| 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 27 May 2019 and signed on its behalf by:**

Richard Byles — Director

Christopher Zacca — Director

The accompanying notes on pages 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# 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 60 to 136 form an integral part of these financial statements.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 1. Identification and Principal Activities

(a) Sagicor Real Estate X Fund Limited (The Company"), was incorporated on May 31, 2011 with the name Sagicor X Funds SPC Ltd, as an international business company under the International Business Companies Act, Cap. 12.14 of the Revised Laws of Saint Lucia. On February 28, 2013, the Company changed its name to Sagicor Real Estate X Fund Limited ("X Fund").

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

# 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).

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

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

***Standards, interpretations and amendments to published standards 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 hotel revenues, management fees and rental income, 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

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

***Standards, interpretations and amendments to published standards 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.

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

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

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

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

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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

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

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

- **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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# Notes to the Financial Statements

**31 December 2018**

*(expressed in Jamaican dollars unless otherwise indicated)*

## 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

# Notes to the Financial Statements

**31 December 2018**

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

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

**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.

# Notes to the Financial Statements

**31 December 2018**

*(expressed in Jamaican dollars unless otherwise indicated)*

## 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

Classification
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. 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.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets if expected to be settled with 12 months, otherwise they are classified as non-current. Loans and receivables are classified as receivables, cash at bank and securities purchased under agreement to resell and are included in current assets in the statement of financial position.

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.

Impairment
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

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

**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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

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

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

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

**(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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 4. Financial Risk Management

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

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

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

**(a) Credit risk**

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

**Credit review process**

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

**(i)** Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. 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 |

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

**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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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).

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

**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 |

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

**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).

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

**(b) Liquidity risk**

Liquidity risk is the risk that the Group may be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of 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

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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) |

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

**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) |

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

**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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

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

***(i) Currency risk (continued)***

**Concentration of currency risk (continued)**

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

| | The Company | | | |
|---|---|---|---|---|
| **Currency:** | **Change in Currency Rate 2018** | **Effect on Pre-tax Profit 2018** | **Change in Currency Rate 2017** | **Effect on Pre-tax Profit 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:

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

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

***(ii) Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. 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 | |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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 | |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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 | |

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

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.

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

### 5. Capital Management

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

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

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

Reconciliation of level 3 items –

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 $000 | 2017 $000 | 2018 $000 | 2017 $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) |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 7. Segmental Financial Information (Continued)

The Group's geographic information:

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

| | Hotel Operations | Indirect Hotel and Commercial Operations | Other | Eliminations | Group |
|---|---|---|---|---|---|
| | | | The Group – Discontinued Operations | | |
| | | | 2017 | | |
| | $'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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 8. Revenue

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Net Investment Income** | $'000 | $'000 | $'000 | $'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.

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

### 9. Expenses by Nature

Pursuant to an Arrangement dated April 25, 2014, all Initial Public Offering and administrative expenses accruing in respect of the operations of Sagicor Real Estate X 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 |

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

### 9. Expenses by Nature (Continued)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'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 |

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

### 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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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<br>$'000 | 2017<br>$'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<br>$'000 | 2017<br>$'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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 2018 $’000 | NASDAQ Indicative Value 2018 $’000 |
|---|---|---|
| Playa Hotels & Resorts N.V. | 27,796,598 | 18,234,545 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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) |

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

**15. Investment in Associated Company (Continued)**

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

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

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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).

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

### 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) |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 |

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

### 20. Inventories

| | The Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'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 $'000 | 2017 $'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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 22. Securities Purchased under Agreements to Resell

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'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 |

| Securities purchased under agreements to resell | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 23. Cash and Cash Equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'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 $'000 | 2018 $'000 | 2017 $'000 | 2017 $'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) |

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

### 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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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 | - | - |

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

**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 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'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 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'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 |

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

**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 |

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

### 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 |

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

### 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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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.

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

**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) |

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

**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<br>$'000 | 2017<br>$'000 | 2018<br>$'000 | 2017<br>$'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<br>$'000 | 2017<br>$'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<br>$'000 | 2017<br>$'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 |

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

**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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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<br>2018<br>$'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<br>2018<br>$'000 |
|---|---|
| Net loss for the period | (393,887) |
| Share relating to entity other than the Group | 39.19% |
| Non-controlling interests | (154,364) |

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

### 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.

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

### 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 |

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

**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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 34. Consolidated Cash Flows from Operating Activities

| Cash Flows from Operating Activities | Note | 2018 | 2017 |
|---|---|---|---|
| | | $'000 | $'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 |

# Notes to the Financial Statements

## 31 December 2018

*(expressed in Jamaican dollars unless otherwise indicated)*

### 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.

# 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 |

# Disclosure of Shareholding

AT DECEMBER 2018

## TOP TEN SHAREHOLDERS

| | SHAREHOLDERS | NO OF SHARES | PERCENTAGE |
|---|---|---|---|
| 1 | Sagicor Pooled Mortgage & Real Estate Fund | 490,260,812 | 21.86% |
| 2 | Sagicor Group Jamaica Limited | 473,414,000 | 21.11% |
| 3 | Sagicor Pooled Equity Fund | 392,297,890 | 17.49% |
| 4 | Sagicor Pooled Diversified Investment Fund | 271,639,654 | 12.11% |
| 5 | SLJ Trading A/C - Sagicor Real Estate Fund | 181,499,136 | 8.09% |
| 6 | Sagicor JPS Employees Pension Plan | 70,000,000 | 3.12% |
| 7 | JCSD Trustee Services Ltd. - Sigma Optima | 51,966,183 | 2.32% |
| 8 | First Ja/Nat'l Hsg Trust Pension Fund | 30,000,000 | 1.34% |
| 9 | Heart Trust / NTA Pension Scheme | 28,000,000 | 1.25% |
| 10 | Gracekennedy Limited Pension Fund | 20,000,000 | 0.89% |
| | **Total** | 2,009,077,675 | 89.57% |
| | **Other** | 233,927,450 | 10.43% |
| | **Total Issued Shares** | **2,243,005,125** | **100.00%** |

## SHAREHOLDINGS OF DIRECTORS

| | LIST OF DIRECTORS | HOLDINGS IN X FUND |
|---|---|---|
| 1 | Christopher W. Zacca | Nil |
| 2 | Richard Byles | Nil |
| | - connected - Bracknell Holdings Limited | 5,378,905 |
| | - connected - Pavel Byles | 20,581 |
| 3 | R. Danny Williams | Nil |
| 4 | Michael Fraser | Nil |
| 5 | Bruce James | Nil |
| 6 | Stephen McNamara | Nil |
| 7 | Dodridge Miller | Nil |
| 8 | Peter Pearson | 15,000 |
| 9 | Colin Steele | Nil |
| 10 | Vinay Walia | Nil |

# Disclosure of Shareholding (Continued)

AT DECEMBER 2018

## SHAREHOLDINGS OF EXECUTIVE MANAGEMENT

| | | HOLDINGS IN X FUNDS |
|---|---|---|
| 1 | Brenda-lee Martin | 29,981 |
| | - connected -Deborah Martin | |

## SHAREHOLDINGS OF DIRECTORS IN CONNECTED COMPANY

| | SHAREHOLDERS | HOLDINGS IN SAGICOR GROUP |
|---|---|---|
| 1 | Christopher W. Zacca | 194,334 |
| | - connected - Edward & Hope Zacca | 3,615 |
| 2 | Richard Byles | Nil |
| | - connected - Bracknell Holdings Limited | 20,967,377 |
| | - connected - Pavel Byles | 72,366 |
| 3 | R Danny Williams - Connected Ravers Limited | 12,332,825 |
| 4 | Michael Fraser | 1,434,405 |
| 5 | Bruce James | Nil |
| 6 | Stephen McNamara | Nil |
| 7 | Dodridge Miller | 25,389 |
| 8 | Peter Pearson | Nil |
| 9 | Colin Steele | Nil |
| 10 | Vinay Walia | Nil |
| | **Officers** | |
| | Brenda-lee Martin | 302,275 |
| | - connected -Deborah Martin | |

Sagicor

REAL ESTATE X FUND

# FORM OF PROXY

I, ............................................................................ of ..............................................................................

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

............................................................................ of ..............................................................................

or failing him ............................................................................ of ..............................................................................
as my proxy to vote for me on my behalf at the Annual General Meeting of the Corporation at DoubleTree by Hilton at the Entrance to Universal Orlando, 5780 Major Boulevard, Orlando, Florida 32819 USA on Wednesday, July 10, 2019 at 11:00 a.m. and at any adjournment thereof. The Proxy will vote on the undermentioned resolutions as indicated:

| | For | Against |
|---|---|---|
| **Resolution No. 1**<br>THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2018 be and are hereby adopted. | | |
| **Resolution No.2**<br>That the election of directors be made en bloc. | | |
| **Resolution No. 3**<br>THAT Directors, Dr. the Hon. R. Danny Williams, Michael Fraser and Stephen McNamara who retire by rotation and being eligible offers themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc. | | |
| **Resolution No. 4**<br>THAT by virtue of Article 98, Directors Colin Steele and Bruce James, who were appointed by the Directors of the Board since the last Annual General Meeting as additions to the Board, and who retire and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc. | | |
| **Resolution No. 5**<br>THAT the amount of $18,912,449.00 included in the Audited Accounts of the Company for the year ended December 31, 2018 as remuneration for their services as Directors be and is hereby approved. | | |
| **Resolution No. 6**<br>THAT in accordance with Article 147 of the Amended and Restated Articles of Association, the firm of auditors Grant Thornton be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company. | | |

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

As witness my hand this ................... day of ...............................2019

Signature:.............................................................................................

.............................................................................................

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

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

A proxy need not be a member of the Company.

# REGISTERED OFFICE:

20 Micoud Street
Castries
St. Lucia

## Territories of Operation

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

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

Jamziv Mobay Jamaica Portfolio Limited
(subsidiary)
28 – 48 Barbados Avenue
Kingston 5
Jamaica

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

Sagicor

REAL ESTATE X FUND