



Sagicor Real Estate X Fund

## Audited Financial Statements

# Sagicor Real Estate X Fund Limited

Index

31 December 2019

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# Grant Thornton

April 9, 2020

Grant Thornton  
Point Seraphine  
PO Box 195  
Castries, St. Lucia  
T 1 758 456 2600  
F 1 758 452 1061  
[www.GrantThornton.com](http://www.GrantThornton.com)

## Independent Auditor's Report

### To the Stockholders 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, 2019, 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, 2019, 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.

**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.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><b><i>Impairment assessment for the Group's shareholding in associated company</i></b>  <i>See notes 2 (b), 3, and 15 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p>At December 31, 2019, the market capitalisation for the Group's shareholdings in its associated company, Playa Hotels and Resorts, N.V., was below its carrying value of \$27.9 billion, as determined using equity accounting. This was considered to be an indicator of potential impairment, which required further consideration by management, as to whether a formal impairment assessment was required. Management concluded that an assessment was required and performed a value-in-use calculation to determine a value for the recoverable amount, as required by IAS 36, "Impairment of Assets". Based on the results of management's assessment, management has concluded that the investment is not impaired. We focused on this due to its subjectivity and the sensitivity to changes in inputs, as the performance of value in use calculation involves the use of estimates including earnings before interest, taxes, depreciation and amortisation (EBITDA), discount rates and terminal growth rates.</p>	<p>We examined management's assessment of the historical performance of its investment and compared underlying financial data used in the assessment to audited financial statements and other publicly available financial information. We also performed inquiries with key management of the Group and of the associated company regarding its forecast earnings, occupancy levels, leverage and cost of capital.</p> <p>We were assisted by our valuation expert to evaluate management's value-in-use calculation. We evaluated management's assumptions in relation to future earnings before interest, taxes, depreciation and amortisation (EBITDA), discount rates and terminal growth rates by forming our own independent expectation, referencing historical entity performance information, economic and statistical data.</p> <p>Based on the work performed, management's assumptions were not unreasonable.</p>

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

See notes 2 (l), 2 (m), 3, 16 and 17 of the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

Owner managed hotel properties included in the Property, Plant and Equipment are carried at fair value of \$12.8 billion at December 31, 2019 (see note 16, land and building), or 26% of total assets of the Group.

Investment property representing management share of interest in joint operated property Jewel Grande Resort and Spa are carried at fair value of J\$2.03 billion as at December 31, 2019 (see Note 17) or 4% of the total asset of the Group.

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

The Group uses independent qualified property appraisers to value its owner managed hotel property and investment property annually. The appraisals are performed using the market value approach and the income capitalization approach. The market value approach establishes the value of the property in comparison to historic sales involving similar properties, whilst the income capitalization approach is based on the principal that the value of the 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 is suitable for determining market value for the purpose of the financial statements in accordance with the financial reporting framework.

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

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

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

<p>The market value and income capitalization approaches take into consideration various assumptions and factors including:</p> <ul style="list-style-type: none"> <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 rat</li> <li>• Estimated future maintenance and capital expenditure</li> </ul> <p>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.</p>	<p>We engaged our own independent expert to assist us in assessing the appropriateness of the Group's valuation methodology and we confirmed that it is suitable for determining market value for the purpose of the financial statements in accordance with the financial reporting framework.</p> <p>We obtained the valuation performed by management's third-party experts and, with the assistance of our expert, assessed the appropriateness of the valuers' scope of work and assess the experience, competence and objectivity of the valuers. We found them to be appropriately qualified and independence, confirming there was no affiliation to the Group.</p> <p>Our expert evaluated the valuation provided by management's experts and performed an independent assessment of the underlying data and key assumptions, including the contrary evidence, that underpin the valuation confirming that the methodology used by management's third-party experts was appropriate and the work performed was consistent with accepted professional practices.</p>
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**Responsibilities of Management and those charged with Governance for the Consolidated and Stand-alone Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and stand-alone financial statements in accordance with 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.

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

**Page 6****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.

**Chartered Accountants**

# Sagicor Real Estate X Fund Limited

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Revenue:</b>			
Net investment income	8	23,723	26,843
Net capital gains on financial assets and liabilities	8	221,572	246,512
Hotel revenue	8	5,906,238	5,546,543
Other income		146,858	-
Total revenue		<u>6,298,391</u>	<u>5,819,898</u>
<b>Expenses:</b>			
Direct expenses	9(a)	(2,465,074)	(2,153,034)
Administrative and other operating expenses	9(b)	(2,820,829)	(2,796,349)
Net impairment losses on financial assets	9(b)	(9,623)	(109,888)
<b>Operating expenses</b>		<u>(5,295,526)</u>	<u>(5,059,271)</u>
Finance costs	11	(646,050)	(1,146,645)
<b>Operating profit/(loss)</b>		356,815	(386,018)
Share of loss from associate accounted for using the equity method	15	(98,662)	(393,887)
<b>Profit/(loss) before taxation</b>		258,153	(779,905)
Taxation	12	(335,129)	537,626
<b>Net loss from continuing operations</b>		(76,976)	(242,279)
<b>Discontinued operations</b>			
Profit from discontinued operations, net of taxes (attributable to equity holders of the company)	35	-	242,264
<b>Net loss</b>		(76,976)	(15)
<b>Other comprehensive income -</b>			
<i>Items that may be subsequently reclassified to profit or loss -</i>			
Re-translation of foreign operation		1,336,059	(408,721)
<i>Items that will not be subsequently reclassified to profit or loss -</i>			
Revaluation of land and buildings		(294,191)	2,715,601
Share of other comprehensive income of associated company		(426,734)	-
<b>Other comprehensive income for the period, net of taxes</b>		<u>615,134</u>	<u>2,306,880</u>
<b>Total comprehensive income for the period</b>		<u>538,158</u>	<u>2,306,865</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic and fully diluted	13	<u>(\$0.02)</u>	<u>\$0.07</u>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

Consolidated Statement of Comprehensive Income (Continued)

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Net (loss)/profit attributable to:</b>			
Stockholders of the company		(38,310)	154,349
Non-controlling interests	34	<u>(38,666)</u>	<u>(154,364)</u>
		<u>(76,976)</u>	<u>(15)</u>
<b>Total comprehensive income is attributable to:</b>			
Stockholders of the company		487,246	2,363,994
Non-controlling interests	34	<u>50,912</u>	<u>(57,129)</u>
		<u>538,158</u>	<u>2,306,865</u>
<b>Total comprehensive income for the period attributable to stockholders of the company arises from:</b>			
Continuing operations		487,246	1,765,527
Discontinued operations	35	<u>-</u>	<u>598,467</u>
		<u>487,246</u>	<u>2,363,994</u>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

## Consolidated Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Non-Current Assets</b>			
Investment in associate	15	27,926,492	27,796,598
Property, plant and equipment	16	14,858,281	14,766,405
Investment property	17	2,033,593	1,922,362
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	19	871,643	774,861
Financial assets at fair value through profit or loss	20	291,094	273,249
Goodwill	38	923	923
		<u>45,982,026</u>	<u>45,534,398</u>
<b>Current Assets</b>			
Inventories	21	35,285	41,563
Receivables	22	928,223	1,403,048
Securities purchased under agreement to resell	23	246,240	130,693
Cash resources	24	2,030,657	1,691,004
		3,240,405	3,266,308
<b>Current Liabilities</b>			
Bank overdraft	24	-	17,927
Payables	25(a)	994,962	1,030,877
Contract liabilities	25(b)	248,016	62,610
Borrowings	27	2,397,150	4,033,391
Taxation payable		31,731	429,969
		<u>3,671,859</u>	<u>5,574,774</u>
<b>Net Current Liabilities</b>		<u>(431,454)</u>	<u>(2,308,466)</u>
		<u>45,550,572</u>	<u>43,225,932</u>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements

# Sagicor Real Estate X Fund Limited

Consolidated Statement of Financial Position (Continued)

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Stockholders' Equity</b>			
Share capital	29	12,642,512	12,642,512
Currency translation reserve		989,864	47,600
Fair value and other reserves	31	3,062,656	3,479,364
Retained earnings	32	8,845,934	8,884,244
		25,540,966	25,053,720
Non-controlling interests	34	10,944,404	10,893,492
<b>Total Equity</b>		<b>36,485,370</b>	<b>35,947,212</b>
<b>Non-Current Liabilities</b>			
Borrowings	27	7,734,503	6,170,569
Deferred income taxes	28	1,330,699	1,108,151
<b>Total Liabilities</b>		<b>9,065,202</b>	<b>7,278,720</b>
<b>Total Equity and Liabilities</b>		<b>45,550,572</b>	<b>43,225,932</b>

Approved for issue by the Board of Directors on 09 April 2020 and signed on its behalf by:



Christopher Zacca

Chairman



Bruce James

Director

The accompanying notes on pages 11 to 92 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

## Consolidated Statement of Changes in Stockholders' Equity

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Currency Translation Reserve	Fair Value and Other Reserves	Retained Earnings	Non-controlling Interests	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018		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	34	-	-	-	-	10,950,621	10,950,621
<b>Balance at 31 December 2018</b>		<b>12,642,512</b>	<b>47,600</b>	<b>3,479,364</b>	<b>8,884,244</b>	<b>10,893,492</b>	<b>35,947,212</b>
Net loss for the year		-	-	-	(38,310)	(38,666)	(76,976)
Unrealised gain on revaluation of property, plant and equipment	31	-	-	(157,210)	-	(136,981)	(294,191)
Re-translation of foreign operations		-	942,264	-	-	393,795	1,336,059
Change in reserves of associated company	31	-	-	(259,498)	-	(167,236)	(426,734)
Total comprehensive income		-	942,264	(416,708)	(38,310)	50,912	538,158
<b>Balance at 31 December 2019</b>		<b>12,642,512</b>	<b>989,864</b>	<b>3,062,656</b>	<b>8,845,934</b>	<b>10,944,404</b>	<b>36,485,370</b>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements

# Sagicor Real Estate X Fund Limited

## Consolidated Statement of Cash Flows

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
Net cash provided by operating activities	36	1,617,686	1,045,639
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	16	(287,315)	(569,808)
Purchase to complete property, plant and equipment projects in relation to sale of discontinued operations		-	(335,530)
Purchase of investment property	17	-	(209,521)
Purchase of investments		(2,437)	-
Proceeds from sale of property, plant and equipment		-	5,603
Proceeds from sale of discontinued operations	35	-	12,700,770
Proceeds from sale of investments		-	14,506,122
Investment in associate		-	(14,490,618)
Restricted cash		(189,906)	8,287
Interest received		23,642	28,686
Net cash (used in)/provided by investing activities		<u>(456,016)</u>	<u>11,643,991</u>
<b>Cash Flows from Financing Activities</b>			
Borrowings		(316,683)	(11,251,881)
Interest paid		(612,609)	(1,267,717)
Net cash used in financing activities		<u>(929,292)</u>	<u>(12,519,598)</u>
Increase in cash and cash equivalents		232,378	170,032
Effect of exchange gains on cash and cash equivalents		43,397	51,448
Cash and cash equivalents at beginning of year		<u>1,480,252</u>	<u>1,258,772</u>
<b>Cash and Cash Equivalents at year end</b>	24	<u><u>1,756,027</u></u>	<u><u>1,480,252</u></u>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements

# Sagicor Real Estate X Fund Limited

Company Statement of Comprehensive Income

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

<b>Revenue</b>	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Net investment income	8	6,115	5,940
Net capital gains on financial assets and liabilities	8	9,139	55,360
Other income		3,250	-
		<u>18,504</u>	<u>61,300</u>
Administrative and other operating expenses	9	(83,775)	(49,016)
Finance costs	11	(139,341)	(270,168)
<b>Loss before tax</b>		(204,612)	(257,884)
<b>Taxation</b>	12	(1,663)	68,453
<b>Net loss, being total comprehensive income for the period</b>		<u>(206,275)</u>	<u>(189,431)</u>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements

# Sagicor Real Estate X Fund Limited

Company Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Non-Current Assets</b>			
Investment in subsidiaries	14	24,008,822	24,008,822
Financial assets at fair value through profit or loss	20	96,825	88,065
Deferred income taxes	28	744	2,407
		<u>24,106,391</u>	<u>24,099,294</u>
<b>Current Assets</b>			
Receivables		1,323	-
Securities purchased under agreement to resell	23	1,332	16
Cash resources	24	3,910	360
		<u>6,565</u>	<u>376</u>
<b>Current Liabilities</b>			
Bank overdraft	24	-	122
Payables	25	3,796,397	3,494,623
Borrowings	27	2,880,786	2,962,877
		<u>6,677,183</u>	<u>6,457,622</u>
<b>Net Current Liabilities</b>		<u>(6,670,618)</u>	<u>(6,457,246)</u>
		<u>17,435,773</u>	<u>17,642,048</u>
<b>Stockholders' Equity</b>			
Share capital	29	12,642,512	12,642,512
Retained earnings	32	4,793,261	4,999,536
		<u>17,435,773</u>	<u>17,642,048</u>

Approved for issue by the Board of Directors on 09 April 2020 and signed on its behalf by:



Christopher Zacca

Chairman



Bruce James

Director

The accompanying notes on pages 11 to 92 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

Company Statement of Changes in Stockholders' Equity

**Year ended 31 December 2019**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Retained Earnings	Total
		\$'000	\$'000	\$'000
Balance at 31 January 2018		12,642,512	5,188,967	17,831,479
Net loss, being total comprehensive income for the year		-	(189,431)	(189,431)
<b>Balance at 31 December 2018</b>		<b>12,642,512</b>	<b>4,999,536</b>	<b>17,642,048</b>
Net loss, being total comprehensive income for the year		-	(206,275)	(206,275)
<b>Balance at 31 December 2019</b>		<b>12,642,512</b>	<b>4,793,261</b>	<b>17,435,773</b>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

## Company Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
Net loss for the year		(206,275)	(189,431)
Items not affecting cash:			
Interest income		(6,115)	(5,940)
Finance costs	11	139,341	270,168
Income tax expense	12	1,663	(68,453)
Effect of exchange (gains)/ losses on foreign currency		(3,467)	78,587
Fair value gain on units held in Sagicor Sigma Global		-	(138,135)
Fair value (gains)/losses on other financial investments		(5,672)	4,188
		<u>(80,525)</u>	<u>(49,016)</u>
Change in operating assets and liabilities:			
Receivables		(1,323)	-
Payables		(3,463,140)	2,893,745
Related parties		3,764,914	-
Cash provided by operating activities		<u>219,926</u>	<u>2,844,729</u>
Taxation paid		-	(154)
Net cash provided by operating activities		<u>219,926</u>	<u>2,844,575</u>
<b>Cash Flows from Investing Activities</b>			
Investment in subsidiary	14	-	(14,490,618)
Proceeds from sale of investment		-	14,490,618
Interest received		6,021	5,886
Net cash provided by investing activities		<u>6,021</u>	<u>5,886</u>
<b>Cash Flows from Financing Activities</b>			
Interest paid		(18,145)	(91,660)
Borrowings		(203,284)	(2,762,243)
Promissory note		-	-
Net cash used in financing activities		<u>(221,429)</u>	<u>(2,853,903)</u>
Increase/(decrease) in cash and cash equivalents		<u>4,518</u>	<u>(3,442)</u>
Effect of exchange gains on cash and cash equivalents		470	8
Cash and cash equivalents at beginning of year		254	3,688
<b>Cash and Cash Equivalents at year end</b>	24	<u>5,242</u>	<u>254</u>

The accompanying notes on pages 11 to 92 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

**31 December 2019**

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 51.46% owned by the Sagicor Pooled Investments Funds Limited, which is administered by Sagicor Life Jamaica Limited (SLJL). Its ultimate parent company, Sagicor Group Jamaica Limited (SGJL) owns 29.2%. 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 certain hotel activities at Jewel Grande Montego Bay Resort and Spa. Prior to June 2018 the main business activity was 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 has now been 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 15.49% (2018 -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 15.49% (2018 -15.33%) of the 129,121,576 (June 2018 -130,478,993 and December 2018 -130,440,126) shares outstanding 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 35).

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

31 December 2019

(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:

<b>Subsidiaries, Joint Operation and Associate</b>	<b>Incorporation in</b>	<b>Principal Activities</b>	<b>Holdings held by Company %</b>	<b>Holdings held by the Group %</b>	<b>Holdings held by non-controlling interests %</b>
		Hospitality and real estate investment			
X Fund Properties Limited	Jamaica	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	-	15.49%	-

- (g) Jewel Grande Montego Bay Resort and Spa

During 2016, the Group acquired 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 and Sagicor Pooled Investment Fund (Note 18). A portion of Jewel Grande Montego Bay Resort and Spa was included in the definitive agreement with Playa (Note 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 operating performance of the joint operation is allocated X Fund Properties Limited holding approximately 24.73% (2018 - 25.81%), Sagicor Sigma Global Funds 34.85% (2018 - 34.84%) and Sagicor Pooled Investment Fund 40.41% (2018 - 39.35%). See Note 18 for summary financial performance of the joint operation.

- (h) Management agreements

- Sagicor Life Jamaica Limited
- Playa Management USA, LLC
- Ambridge Hospitality 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 2019 the Group recognized property management fees of \$113,792,000 (2018 - \$168,302,000). The Group reimburses Ambridge for expenses incurred relating to hotel operations. For the year ended 31 December 2019, the Group incurred reimbursable expenses of \$284,587,000 (2018 - \$311,741,000).

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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## 1. Identification and Principal Activities (Continued)

- (i) 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.
- (j) 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 2019 the Group recognized its share of the property management fees of \$2,604,000 (2018- \$5,492,000).
- (k) Simultaneously, with the Management Agreement, an International Sales & Marketing Services Agreement was signed between the Group and Playa Resorts Management, LLC. This Agreement provides that for each Accounting Period, the Marketing Services Provider shall receive, by a distribution made by the Operator out of the Operating Account at the end of each Accounting Period in respect of its management services, a services marketing fee in an amount equal to three percent (3%) of Gross Revenues in respect of any applicable period.

The initial operating term is 10 years unless earlier terminated with a termination fee on the occurrence of an event of default. The Initial Term shall automatically be extended for two (2) successive five (5) year periods. For the year ended 31 December 2019 the Group recognized its share of the cost for sales and marketing service of \$20,510,000 (2018- \$ 5,305,000).

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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## 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 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. No significant impact to the financial statements has been determined from the adoption of this standard.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

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

- **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. No significant impact to the financial statements has been determined from the adoption of this standard.
- **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. No significant impact to the financial statements has been determined from the adoption of this standard.
- **Annual improvement 2015-2017**, (effective for annual periods beginning on or after 1 January 2019). This amendment includes minor changes to:
  - (i) IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - (ii) 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.
  - (iii) IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

### ***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:

- **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.
- **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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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## 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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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## 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.

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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### 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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (e) Revenue recognition

Revenue recognition

Revenues from service contracts with customers consist primarily of hotel revenue from guests reservations, management fees and rental income. 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.

#### (i) 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.

#### (ii) 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.

#### (iii) Unrealised gains

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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## 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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (i) Financial assets

#### (i) Classification of financial assets

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

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

#### Financial assets measured at amortized cost

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

#### Financial assets measured at fair value through profit and loss

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

#### Business model assessment

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

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

#### Solely repayments of principle and interest (“SPPI”)

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

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (i) Financial assets (continued)

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

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

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

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

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

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

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

If such unlikelihood 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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (i) Financial assets (continued)

- (v) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

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

#### Measurement

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

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

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

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

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

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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

### (i) Financial assets (continued)

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

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

#### Forward looking information

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

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

#### Forward looking information

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

# Sagicor Real Estate X Fund Limited

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## 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 within 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 within 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 receive 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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 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.

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Notes to the Financial Statements

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## 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 recognised when guests prepay for reservation.

### (q) Leases

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.

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

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

#### (r) Financial Liabilities

##### (i) Classification of financial liabilities

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

##### (ii) Re-classified balances

Financial liabilities balances which were accounted for at amortised cost under IAS 39 continue to be so accounted for under IFRS 9 and financial liabilities balances which were accounted for at fair value through income under IAS 39 are now accounted at FVTPL on the adoption of IFRS 9. Consequently, no financial liability balances have been restated as of January 1, 2019.

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.

#### (u) Fair Value and Other Reserves

Carried in the fair value reserve and other reserves are the increase/decrease in the carrying value arising from the revaluations of property plant and equipment; and the Group's share of change in reserve of associated company.

The other reserve includes movements on interest rate swap and retirement benefit obligation. The associated company, Playa Hotels & Resorts N.V. as of March 2019, had elected to adopt hedge accounting and designate its existing interest rate swaps as cash flow hedges. Changes in the fair value of our interest rate swaps that qualifies as effective cash flow hedges is recorded through other comprehensive loss ("OCI"). Unrealized gains and losses in accumulated other comprehensive loss are reclassified to interest expense as interest payments are made Note 31.

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## 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 15.49% (2018 - 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.

# Sagicor Real Estate X Fund Limited

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## 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. The changes in fair value for owner managed hotels are recognized in fair value reserve' through other comprehensive income and to the income statement for investment property. 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 38.

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## 4. Financial Risk Management

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

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

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

### (a) Credit risk

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

#### Credit review process

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

### (i) Investments

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

Debt securities by rating category	2019	2018
B	291,094	273,249
	<u>291,094</u>	<u>273,249</u>

# Sagicor Real Estate X Fund Limited

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## 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.

#### *Maximum exposure to credit risk*

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

	Group		Company	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Trade receivables	196,862	197,967	-	-
Other receivable	913	102,359	-	-
Due from related parties	217,034	665,659	-	-
Financial assets at fair value through profit or loss	291,094	273,249	96,825	88,065
Securities purchased under agreement to resell	246,240	130,693	1,332	16
Cash and cash equivalent (excluding cash on hand)	2,023,697	1,666,906	3,910	238
	<u>2,975,840</u>	<u>3,036,833</u>	<u>102,067</u>	<u>88,319</u>

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

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### 4. Financial Risk Management (Continued)

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

##### Impairment of financial assets

The Group has financial assets that are subject to the expected credit loss model:

- i. trade receivables for the provision of services, and
- ii. Other receivables

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

##### i. Trade Receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 and 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables. The group has identified the inflation and foreign exchange rate of the country in which it sells services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

		More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>31 December 2019</b>	<b>Current</b>				
	0.87%	5.88%	97.97%	94.02%	
Gross carrying amount \$'000	185,792	12,584	3,355	13,020	214,751
Loss allowance provision \$'000	1,621	739	3,287	12,242	17,889
		More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>31 December 2018</b>	<b>Current</b>				
	0%	6.84%	100%	100%	
Gross carrying amount '000	168,795	31,314	1,150	6,945	208,204
Loss allowance provision \$'000	-	2,142	1,150	6,945	10,237

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 \$2,541,000 (2018 - \$107,563,000).

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## 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.

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:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Travel agents	159,902	163,485
Other	<u>54,849</u>	<u>44,719</u>
	214,751	208,204
Less: Impairment loss	<u>(17,889)</u>	<u>(10,237)</u>
	<u><u>196,862</u></u>	<u><u>197,967</u></u>

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## 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 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	2019 \$'000	2018 \$'000
Opening loss allowance at 1 January	10,237	5,681
Impairment losses:		
Increase in loss allowance	7,652	8,349
Receivables written off as uncollected	-	1,503
Unused amounts reversed	-	(5,296)
At 31 December 2019	<u>17,889</u>	<u>10,237</u>

\* No restatement was required on 1 January 2018 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:

	2019 \$'000	2018 \$'000
Movement in loss allowance for trade receivables	7,652	9,851
Impairment loss on other financial assets	2,541	107,563
Adjustment to joint operation	(570)	-
Reversal of previous impairment losses	-	(5,296)
	<u>9,623</u>	<u>112,118</u>

#### ***i. Financial assets at fair value through profit or loss***

The Group 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 \$1,162,737,000 (2018- \$1,048,110,000).

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## 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

# Sagicor Real Estate X Fund Limited

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## 4. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

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

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

		<b>The Group</b>				
		<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
31 December 2019						
	Payables	868,215	-	-	-	868,215
	Borrowings	204,894	2,450,098	2,742,854	8,165,203	13,563,049
		<u>1,073,109</u>	<u>2,450,098</u>	<u>2,742,854</u>	<u>8,165,203</u>	<u>14,431,264</u>
		<b>The Company</b>				
		<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
31 December 2019						
	Payables	3,796,397	-	-	-	3,796,397
	Borrowings	27,496	2,615,001	295,032	-	2,937,529
		<u>3,823,893</u>	<u>2,615,001</u>	<u>295,032</u>	<u>-</u>	<u>6,733,926</u>
		<b>The Group</b>				
		<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
31 December 2018						
	Bank overdraft	17,927	-	-	-	17,927
	Payables	904,880	-	-	-	904,880
	Borrowings	153,381	753,990	4,909,312	8,340,422	14,157,105
		<u>1,076,188</u>	<u>753,990</u>	<u>4,909,312</u>	<u>8,340,422</u>	<u>15,079,912</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

	The Company				Total
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
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

### (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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (Continued)

#### Concentration of currency risk

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

	<b>The Group</b>		
	<b>2019</b>		
	<b>J\$ J\$'000</b>	<b>US\$ J\$'000</b>	<b>Total J\$'000</b>
<b>Financial Assets</b>			
Financial assets at fair value through profit and loss and securities purchased under agreement to resell	342,290	195,044	537,334
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	871,643	-	871,643
Cash resources	13,350	2,017,307	2,030,657
Receivables	217,445	197,364	414,809
Total financial assets	<u>1,444,728</u>	<u>2,409,715</u>	<u>3,854,443</u>
<b>Financial Liabilities</b>			
Payables	599,474	268,741	868,215
Borrowings	3,162,755	6,968,899	10,131,654
Total financial liabilities	<u>3,762,229</u>	<u>7,237,640</u>	<u>10,999,869</u>
<b>Net financial position</b>	<u>(2,317,501)</u>	<u>(4,827,925)</u>	<u>(7,145,426)</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(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		
	2019		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Financial assets at fair value through profit and loss and securities purchased under agreement to resell	205	97,952	98,157
Cash resources	85	3,825	3,910
Total assets	290	101,777	102,067
<b>Financial Liabilities</b>			
Payables	3,796,397	-	3,796,397
Borrowings	2,589,636	291,150	2,880,786
Total financial liabilities	6,386,033	291,150	6,677,183
<b>Net financial position</b>	<b>(6,385,743)</b>	<b>(189,373)</b>	<b>(6,575,116)</b>
	The Group		
	2018		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
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
<b>Financial Liabilities</b>			
Bank overdraft	269	17,658	17,927
Payables	686,065	344,812	1,030,877
Borrowings	2,862,887	7,341,073	10,203,960
Total financial liabilities	3,549,221	7,703,543	11,252,764
<b>Net financial position</b>	<b>(1,387,980)</b>	<b>(5,591,929)</b>	<b>(6,979,909)</b>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(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\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
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
<b>Financial Liabilities</b>			
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
<b>Net financial position</b>	<b>(5,982,951)</b>	<b>(386,230)</b>	<b>(6,369,181)</b>

#### **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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(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			
	Change in Currency Rate	Effect on Pre- tax Profit	Change in Currency Rate	Effect on Pre- tax Profit
	2019 %	2019 \$'000	2018 %	2018 \$'000
Currency:				
USD				
Revaluation	4	193,117	1	56,545
Devaluation	6	(289,676)	10	(565,454)

	The Company			
	Change in Currency Rate	Effect on Pre- tax Profit	Change in Currency Rate	Effect on Pre- tax Profit
	2019 %	2019 \$'000	2018 %	2018 \$'000
Currency:				
USD				
Revaluation	4	(4,071)	1	3,862
Devaluation	6	6,107	10	(38,623)

#### (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:

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(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:

31 December 2019	The Group					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>Assets</b>						
Financial investments and securities purchased under agreement to resell	155,456	90,466	-	283,224	8,188	537,334
Investment in Sagicor Sigma Global Funds –Sigma Real Estate Portfolio	-	-	-	-	871,643	871,643
Receivables	-	-	-	-	928,223	928,223
Cash resources	2,023,697	-	-	-	6,960	2,030,657
<b>Non-financial assets:</b>						
Investment in associate	-	-	-	-	27,926,492	27,926,492
Property, plant and equipment	-	-	-	-	14,858,281	14,858,281
Investment property	-	-	-	-	2,033,593	2,033,593
Goodwill	-	-	-	-	923	923
Inventories	-	-	-	-	35,286	35,286
<b>Total assets</b>	<b>2,179,153</b>	<b>90,466</b>	<b>-</b>	<b>283,224</b>	<b>46,669,589</b>	<b>49,222,432</b>
<b>Liabilities</b>						
Payables	-	-	-	-	994,962	994,962
Borrowings	29,233	2,026,778	1,133,773	6,802,545	139,324	10,131,653
<b>Non-financial liabilities:</b>						
Contract liabilities	-	-	-	-	248,016	248,016
Taxation payable	-	-	-	-	31,731	31,731
Deferred income taxes	-	-	-	-	1,330,699	1,330,699
	29,233	2,026,778	1,133,773	6,802,545	2,744,732	12,737,061
<b>Total interest repricing gap</b>	<b>2,149,920</b>	<b>(1,936,312)</b>	<b>(1,133,773)</b>	<b>(6,519,321)</b>	<b>43,924,857</b>	<b>36,485,371</b>
<b>Cumulative repricing gap</b>	<b>2,149,920</b>	<b>213,608</b>	<b>(920,165)</b>	<b>(7,439,486)</b>	<b>36,485,371</b>	

# Sagicor Real Estate X Fund Limited

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(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

	The Company					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>31 December 2019</b>						
<b>Assets</b>						
Financial investments and securities purchased under agreement to resell	1,332	-	-	93,965	2,860	98,157
Receivables	-	-	-	-	1,323	1,323
Cash resources	3,910	-	-	-	-	3,910
<b>Non-financial assets:</b>						
Deferred income taxes	-	-	-	-	744	744
Investment in subsidiaries	-	-	-	-	24,008,822	24,008,822
<b>Total assets</b>	<b>5,242</b>	<b>-</b>	<b>-</b>	<b>93,965</b>	<b>24,013,749</b>	<b>24,112,956</b>
<b>Liabilities</b>						
Payables	-	-	-	-	3,796,397	3,796,397
Borrowings	-	2,360,371	290,901	-	230,884	2,882,156
<b>Total liabilities</b>	<b>-</b>	<b>2,360,371</b>	<b>290,901</b>	<b>-</b>	<b>4,027,281</b>	<b>6,678,553</b>
<b>Total interest repricing gap</b>	<b>5,242</b>	<b>(2,360,371)</b>	<b>(290,901)</b>	<b>93,965</b>	<b>19,986,468</b>	<b>17,434,403</b>
<b>Cumulative repricing gap</b>	<b>5,242</b>	<b>(2,355,129)</b>	<b>(2,646,030)</b>	<b>(2,552,065)</b>	<b>17,434,403</b>	

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

31 December 2018	The Group					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
<b>Assets</b>						
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
<b>Non-financial assets:</b>						
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
<b>Total assets</b>	<b>1,514,590</b>	<b>89,184</b>	<b>-</b>	<b>265,503</b>	<b>46,931,429</b>	<b>48,800,706</b>
<b>Liabilities</b>						
Bank overdraft	17,927	-	-	-	-	17,927
Payables	-	-	-	-	1,030,877	1,030,877
Borrowings	-	645,769	2,199,872	7,148,007	210,312	10,203,960
<b>Non-financial liabilities:</b>						
Contract liabilities	-	-	-	-	62,610	62,610
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
<b>Total interest repricing gap</b>	<b>1,496,663</b>	<b>(556,585)</b>	<b>(2,199,872)</b>	<b>(6,882,504)</b>	<b>44,089,510</b>	<b>35,947,212</b>
<b>Cumulative repricing gap</b>	<b>1,496,663</b>	<b>940,078</b>	<b>(1,259,794)</b>	<b>(8,142,298)</b>	<b>35,947,212</b>	

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

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

#### **Interest rate sensitivity**

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Company earns interest on its investments in debt securities and pays interest on its borrowings (Notes 19, 20, 23, 24 & 27). Accordingly, the Group does not have significant exposure to interest rate risk.

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

31 December 2019

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### 5. Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital and ensure that the Group is not in breach of its loan covenants.

### 6. Fair Value of Financial Instruments

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

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

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

- (i) Investments in unit trusts are based on prices quoted by the Fund managers.
- (ii) The fair values of financial investments are measured by reference to quoted market prices or dealer quotes when available.
- (iii) The fair value of current assets and liabilities approximate their carrying value due to the short term nature of these instruments.

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2019, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Sagicor Real Estate X Fund Limited

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

	The Group			
	2019			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Investments in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	871,643	871,643
Financial assets at fair value through profit or loss	-	291,094	-	291,094
	-	291,094	871,643	1,162,737
<b>Non-Financial Assets</b>				
Property Plant and Equipment	-	-	14,858,281	14,858,281
Investment Property	-	-	2,033,593	2,033,593
	-	291,094	17,763,517	18,054,611

	The Group			
	2018			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
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
<b>Non- Financial Assets</b>				
Property Plant and Equipment	-	-	14,766,405	14,766,405
Investment Property	-	-	1,922,362	1,922,362
	-	273,249	17,463,628	17,736,877

	The Company			
	2019			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	-	96,825	-	96,825
	-	96,825	-	96,825

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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

Reconciliation of level 3 items –

	The Group		The Company	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at beginning of year	774,861	15,204,393	-	14,352,483
Redemptions	-	(14,490,618)	-	(14,490,618)
Total gains statement of comprehensive income	96,782	61,086	-	138,135
Balance at end of period	871,643	774,861	-	-

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

	The Group			
	Property, Plant and Equipment 2019 \$'000	Investment Property 2019 \$'000	Property, Plant and Equipment 2018 \$'000	Investment Property 2018 \$'000
Balance at beginning of year	14,766,405	1,922,362	26,276,625	2,043,581
Additions net of disposals	275,215	-	(13,881,026)	(129,991)
Total gain – income or expenditure	(763,476)	111,231	123,420	8,772
Total gain – other comprehensive income	70,050	-	1,991,054	-
Translation adjustment	510,087	-	256,332	-
Balance at end of year	14,858,281	2,033,593	14,766,405	1,922,362

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
	2019 \$'000	2018 \$'000		2019	2018	
<b>The Group:</b>						
Investment in Sigma Real Estate Portfolio	871,643	774,861	Computed unit prices	10%	10%	If the estimated fair values were higher / lower by 10% the value would increase by \$87,164 (2018 - \$77,486)
Property, plant and equipment	14,858,281	14,766,405	Income capitalisation	5%	5%	Increase in comparable sale process will have a direct correlation to fair value.
Investment Property	2,033,593	1,922,362	Income capitalisation	5%	5%	Increase in comparable sale process will have a direct correlation to fair value.

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

31 December 2019

(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:

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

There was no transaction between the operating segments during 2019 or 2018.

	<b>The Group</b>				
	<b>2019</b>				
	<b>Hotel Operations</b>	<b>Indirect Hotel and Commercial Operations</b>	<b>Other</b>	<b>Eliminations</b>	<b>Group</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
External revenues	5,906,238	-	23,723	-	5,929,961
Net capital gains on financial assets and liabilities	259,259	96,782	12,389	-	368,430
Total revenue	6,165,497	96,782	36,112	-	6,298,391
Operating expenses	(4,436,323)	(83,777)	-	-	(4,520,100)
Depreciation	(775,426)	-	-	-	(775,426)
Finance costs	(608,121)	(37,929)	-	-	(646,050)
Operating loss	345,627	(24,924)	36,112	-	356,815
Share of loss from associates	-	(98,662)	-	-	(98,662)
Profit/(loss) before taxation	345,627	(123,586)	36,112	-	258,153
Taxation	(101,458)	(22,979)	(210,692)	-	(335,129)
Net profit/(loss)	244,169	(146,565)	(174,580)	-	(76,976)
Segment assets	26,668,350	28,799,058	102,067	(6,347,044)	49,222,431
Segment liabilities	12,407,664	6,638,195	38,246	(6,347,044)	12,737,061

The Group's geographic information:

	<b>Jamaica</b>	<b>United States of America</b>	<b>Total</b>
	<b>2019</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	1,024,107	5,274,284	6,298,391
Total assets	4,514,514	44,707,917	49,222,431

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 7. Segmental Financial Information (Continued)

	The Group -Continued 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 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	4,476,671	44,324,035	48,800,706

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 7. Segmental Financial Information (Continued)

	The Group – Discontinuing 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.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Revenue

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Net Investment Income</b>				
<b>Interest Income:</b>				
Securities purchased under Agreement to resell	3,603	6,481	40	32
Bank deposits	50	467	5	13
Financial assets	20,070	19,895	6,070	5,895
	<u>23,723</u>	<u>26,843</u>	<u>6,115</u>	<u>5,940</u>
<b>Net capital gains on financial assets and liabilities:</b>				
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio:				
Unrealised	96,782	(77,049)	-	-
Realised	-	138,135	-	138,135
Net capital losses gains/(losses) on other investment securities	14,726	36,909	5,672	(4,188)
Net capital gains on other investment property	111,231	8,772	-	-
Net foreign exchange gains/(losses)	(1,167)	139,745	3,467	(78,587)
	<u>221,572</u>	<u>246,512</u>	<u>9,139</u>	<u>55,360</u>
<b>Hotel Revenue:</b>				
Service contract revenue				
Rooms	4,340,026	3,982,245	-	-
Food and beverage	1,140,682	1,226,075	-	-
Rental income	36,244	30,184	-	-
Gift shop	-	94	-	-
Health club	-	3,423	-	-
Other departments	333,613	293,313	-	-
Gain on disposal of property, plant and equipment	-	3,655	-	-
Other	55,673	11,209	-	-
	<u>5,906,238</u>	<u>5,546,543</u>	<u>-</u>	<u>-</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

**31 December 2019**

(expressed in Jamaican dollars unless otherwise indicated)

## 9. Expenses by Nature

Total direct, administration and other operating expenses recognised were:

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Direct Expenses -</b>		
Rooms	392,107	308,192
Food and beverage	445,542	510,459
Gift Shop	-	1,597
Health club	-	117
Other operated departments	162,134	253,096
Staff costs (Included in Note 10)	1,465,291	1,079,573
	<u>2,465,074</u>	<u>2,153,034</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 9. Expenses by Nature (Continued)

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

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Advertising and promotion	289,261	316,876	2,245	4,583
Audit fees	70,830	46,282	24,805	9,611
Bank charges	4,583	3,787	59	216
Commission expense (travel agents and others)	145,253	113,469	-	-
Credit card commissions	119,506	113,140	-	-
Depreciation	775,426	678,175	-	-
Director fees	19,330	19,836	19,330	19,836
Donations	2	-	-	-
Guest transportation	981	621	-	-
Insurance	51,025	36,133	1,336	-
License and permits	795	3,257	-	-
Management fees to operator of hotel properties	143,121	121,262	-	-
Management fees to strata	44,642	97,451	-	-
Other taxes	166,968	163,224	-	-
Professional and legal fees	75,445	43,659	32,633	11,392
Rent	5,479	2,373	-	-
Repairs and maintenance	151,695	168,454	-	-
Security	1,753	1,899	-	-
Staff costs (Included in Note 10)	195,045	507,116	-	-
Trade name fees	205,310	196,863	-	-
Utilities	273,980	157,785	-	-
Other	80,399	4,687	3,367	3,378
	<u>2,820,829</u>	<u>2,796,349</u>	<u>83,775</u>	<u>49,016</u>
<b>Net impairment loss on financial assets (Note 4(a))</b>	<b>9,623</b>	<b>109,888</b>	<b>-</b>	<b>-</b>
<b>Total operating expenses</b>	<b><u>5,295,526</u></b>	<b><u>5,059,271</u></b>	<b><u>83,775</u></b>	<b><u>49,016</u></b>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Staff Costs – Direct and Indirect

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salaries	1,277,648	1,306,825	-	-
Payroll taxes – employer's portion	89,744	238,714	-	-
Pension	14,130	13,314	-	-
Allowances and benefits	257,388	15,427	-	-
Other	21,426	12,409	-	-
	<u>1,660,336</u>	<u>1,586,689</u>	<u>-</u>	<u>-</u>

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

	The Group	
	2019	2018
Full time	5	194
Part time	350	145
	<u>355</u>	<u>339</u>

## 11. Finance Costs

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest expense -				
Amortisation of upfront fees on loan	18,866	10,738	468	11,198
Mortgage notes	562,423	907,345	-	120,580
Structured loans	16,690	73,162	118,102	73,162
Foreign exchange losses	48,071	155,400	20,771	65,228
	<u>646,050</u>	<u>1,146,645</u>	<u>139,341</u>	<u>270,168</u>

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

31 December 2019

(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 2019 and 2018:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current year tax	190,187	501,931	-	-
Adjustment to prior year tax estimate	(27,135)	-	-	154
Total current tax expense	163,052	501,931	-	154
Deferred income tax (Note 28)	172,077	(338,347)	1,663	(68,607)
	<u>335,129</u>	<u>163,584</u>	<u>1,663</u>	<u>(68,453)</u>
Taxation is attributable to:				
Profit/(loss) from continuing operations	335,129	(537,626)	1,663	(68,453)
Profit from discontinued operations	-	701,210	-	-
	<u>335,129</u>	<u>163,584</u>	<u>1,663</u>	<u>(68,453)</u>

Reconciliation of applicable tax charge to effective tax charge:

	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) before taxation from continuing operations	258,153	(779,905)	(204,612)	(257,884)
Profit before taxation from discontinuing operations	-	679,168	-	-
	<u>258,153</u>	<u>(100,737)</u>	<u>(204,612)</u>	<u>(257,884)</u>
Tax calculated at 1%	(2,046)	(2,579)	(2,046)	(2,579)
Tax calculated at 25%	322,689	(236,785)	-	-
Tax calculated at 21%	89,221	132,069	-	-
Adjusted for the effects of:				
Adjustment to prior year tax provision	(27,136)	-	-	-
Prior year deferred tax adjustment	(2,262)	(54,265)	-	(67,510)
Income not subject to tax	(63,022)	(59)	-	(59)
Irrecoverable foreign exchange losses recognised on loans used for capital projects	(85,138)	-	-	-
Expenses not deductible for taxation purposes	40,507	268,481	-	-
Net effect of other charges and Allowances	62,316	56,722	3,709	1,695
Taxation expense	<u>335,129</u>	<u>163,584</u>	<u>1,663</u>	<u>(68,453)</u>

Tax losses available to the Company at 31 December 2019 for set-off against future taxable profits amount to approximately \$91,621,000 (2018 - \$269,104,000) 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 \$159,068,000 (2018 - \$215,591,000) that begin to expire in 2035.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 13. Earnings per Share

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
From continuing operations attributable to the ordinary equity holders of the company	(0.02)	(0.04)
From discontinued operations	-	0.11
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	<u>(\$0.02)</u>	<u>\$0.07</u>
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	(38,310)	(87,915)
From discontinued operations	-	242,264
	<u>(38,310)</u>	<u>154,349</u>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<u>2,243,005</u>	<u>2,243,005</u>

## 14. Investment in Subsidiaries

	<b>The Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares in:		
X Fund Properties Limited	9,518,204	9,518,204
Jamziv (i)	<u>14,490,618</u>	<u>14,490,618</u>
	<u>24,008,822</u>	<u>24,008,822</u>

(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 38 for details.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 15. Investment in Associated Company

On June 2, 2018, Sagicor Real Estate X Fund Limited, X Fund Properties Limited and Sagicor Sigma Global Funds, referred to thereafter as the “Sagicor Entities” entered a definitive agreement for a business combination with Playa. In exchange, Sagicor Entities received 20 million shares of Playa common stock and US\$100 million in cash. X Fund Group controls 15.49% (2018-15.33%) of the 129,121,576 (June 2018-130,478,993 and December 2018-130,440,126) shares outstanding 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:

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$’000</b>	<b>\$’000</b>
Opening net assets at 1 July/Investment, at cost:		
Fair value of associate (i)	27,796,598	27,942,386
Carrying value 1 January		
Share of income statement:		
Income before taxation	(448,860)	(276,238)
Income taxes	350,198	(117,649)
Loss for the period	(98,662)	(393,887)
Other comprehensive income	(776,264)	786,466
Effects of exchange rate changes	1,004,820	(538,367)
Total Comprehensive income	129,894	(145,788)
Investment, end of year	<u>27,926,492</u>	<u>27,796,598</u>

(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”).

# Sagicor Real Estate X Fund Limited

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## 15. Investment in Associated Company (Continued)

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, 2019 and 2018 are as follows:

	Carrying Value	NASDAQ Indicative Value	Carrying Value	NASDAQ Indicative Value
	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Playa Hotels & Resorts N.V.	27,926,492	22,037,719	27,796,598	18,234,545

- (i) At 31 December 2019 the Group with the assistance of external valuation specialists tested the investment in Playa Hotels & Resorts for impairment using fair value less costs to sell. This exercise resulted in a value of the Group's share of Playa of US\$236.9 million which did not result in an impairment at the year-end.

### (b) Summarised Financial Information of Associated Company

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, 2019 and 2018.

*Summary Statement of Financial Position:*

	The Group	
	2019	2018
	\$'000	\$'000
<b>Current assets:</b>		
Cash resources	2,745,616	14,754,131
Other current assets	17,978,880	15,116,032
	<u>20,724,496</u>	<u>29,870,163</u>
<b>Non-current assets:</b>		
Property, plant and equipment, net	254,108,161	231,793,892
Other non-current asset	14,306,358	11,562,832
	<u>268,414,519</u>	<u>243,356,724</u>
<b>Total Assets</b>	<u>289,139,015</u>	<u>273,226,887</u>
<b>Current liabilities:</b>		
Loan payable	8,436,018	1,582,018
Other liabilities	29,140,523	21,026,662
	<u>37,576,541</u>	<u>22,608,680</u>
<b>Non-current liabilities:</b>		
Loan payable	128,074,173	125,459,120
Other liabilities	17,036,471	16,184,743
<b>Total Liabilities</b>	<u>182,687,185</u>	<u>164,252,543</u>
<b>Net Assets</b>	<u>106,451,830</u>	<u>108,974,344</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

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## 15. Investment in Associated Company (Continued)

(b) Summarised Financial Information of Associated Company (continued)

*Summarised statement of comprehensive income for the period 1 January to 31 December 2019 and 1 July to 31 December 2018:*

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	84,444,644	37,862,311
Direct and selling, general and administrative expenses:	(81,099,256)	(35,749,531)
<b>Operating Profit</b>	<b>3,345,388</b>	<b>2,112,780</b>
Other operating (expense)/ income	(424,549)	548,539
Interest Expense	(5,849,212)	(4,463,500)
<b>Loss before taxation</b>	<b>(2,928,373)</b>	<b>(1,802,181)</b>
Taxation	2,284,703	(767,544)
<b>Net Loss after tax</b>	<b>(643,670)</b>	<b>(2,569,725)</b>
Other comprehensive (loss)/income	(4,059,533)	786,466
<b>Total comprehensive loss</b>	<b>(4,703,203)</b>	<b>(1,783,259)</b>

(c) Reconciliation of the Group's 15.49% (2018 - 15.328%) interest:

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Share of net assets	16,833,481	16,703,587
Intangible assets including goodwill	11,093,011	11,093,011
Carrying value	<u>27,926,492</u>	<u>27,796,598</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 16. Property, Plant and Equipment

	The Group				Total \$'000
	Land & Buildings	Computer Equipment	Furniture, Fixtures & equipment	Capital Work in Progress	
	\$'000	\$'000	\$'000	\$'000	
Cost or Valuation -					
At 1 January 2018	23,827,540	69,832	3,699,792	197,251	27,794,415
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	1,269	16,175,187
Additions	19,501	82	152,872	114,860	287,315
Transfers	-	-	161	(1,312)	(1,151)
Adjustment to joint operation		(2,575)	(8,374)	-	(10,949)
Revaluation gain	70,050	-	-	-	70,050
Translation adjustment	461,409	-	87,212	44	548,665
At 31 December 2019	13,933,600	59,056	2,961,600	114,861	17,069,117
Accumulated Depreciation-					
At 1 January 2018	1,089,868	8,567	419,355	-	1,517,790
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	620,034	-	1,408,782
Charges for the year	332,932	14,562	427,932	-	775,426
Adjustment to joint operation	-	(3,428)	(8,522)	-	(11,950)
Translation adjustment	17,439	-	21,139	-	38,578
At 31 December 2019	1,123,744	26,509	1,060,583	-	2,210,836
<b>Net Book Value -</b>					
31 December 2018	12,609,267	46,174	2,109,695	1,269	14,766,405
31 December 2019	12,809,856	32,547	1,901,017	114,861	14,858,281

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

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## 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 valuers. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to \$1,829,401,000 (2018 – \$3,775,248,000), 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:

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost	13,031,190	9,547,391
Accumulated depreciation	(2,050,735)	(713,372)
Net book value	<u>10,980,455</u>	<u>8,834,019</u>
Carrying value of revalued assets	<u>12,809,856</u>	<u>12,609,267</u>

## 17. Investment Property

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	1,922,362	2,043,581
Fair valuation	111,231	8,772
Additions	-	209,521
Disposals	-	(339,512)
	<u>2,033,593</u>	<u>1,922,362</u>

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).

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 18. Joint Operation

The below represents the company's share of revenue and expenses from joint operations, Jewel Grande Montego Bay Resorts and Spa.

	<u>The Group</u>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Hotel revenue</b>	631,949	332,337
<b>Expenses:</b>		
Direct expenses	228,139	324,562
Administrative and other operating expense	390,142	266,441
Net impairment loss	3,904	95,934
Total Operating expenses	<u>622,185</u>	<u>686,937</u>
Net profit/(loss)	<u>9,764</u>	<u>(354,600)</u>

The below represents the Group's share 24.73% and 25.81% (Note 1(g)) of the pooled assets and liabilities of the joint operations, Jewel Grande Montego Bay Resorts and Spa for financial periods 2019 and 2018 respectively.

	<u>The Group</u>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-Current assets</b>		
Property, plant and equipment	166,468	209,202
<b>Current Assets</b>		
Inventories	10,086	-
Receivables	48,388	37,737
Cash and cash equivalents	175,247	44,013
	<u>233,721</u>	<u>81,750</u>
<b>Total Assets</b>	<u>400,189</u>	<u>290,952</u>
<b>Current liabilities</b>		
Payables	73,206	53,954
Contract liabilities	60,664	10,890
Related parties	266,319	226,108
<b>Total Liabilities</b>	<u>400,189</u>	<u>290,952</u>

# Sagicor Real Estate X Fund Limited

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## 18. Joint Operation (Continued)

### *Summarised Financial Information of Joint Operation (continued)*

#### *Summarised Statement of Financial Position*

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

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets		
Cash and cash equivalents	708,521	170,503
Other current assets	236,406	149,371
	<u>944,927</u>	<u>319,874</u>
Non-current assets		
Other non-current asset	673,028	810,425
Total Assets	<u>1,617,955</u>	<u>1,130,299</u>
Current liabilities		
Due to related companies	(650,282)	(576,413)
Other liabilities	(541,234)	(229,563)
	<u>(1,191,516)</u>	<u>(805,976)</u>
Net asset	<u>426,439</u>	<u>324,323</u>

### *Summarised statement of comprehensive income*

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Room revenue	2,973,114	1,029,159
Other hotel revenue	251,496	96,459
Other income	72,457	42,238
	<u>3,297,067</u>	<u>1,167,856</u>
Operating expenses	(2,445,126)	(1,197,318)
Staff costs	(818,431)	(1,274,560)
	<u>(3,263,557)</u>	<u>(2,471,878)</u>
Net profit/(loss) and total comprehensive income	<u>33,510</u>	<u>(1,304,022)</u>

# Sagicor Real Estate X Fund Limited

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## 19. 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			
	2019	2018	2019	2018
UNITS	Units	Units	Units	Units
Opening balance	401,919,798	7,173,236,694	-	6,771,316,896
Redemptions	-	(6,771,316,896)	-	(6,771,316,896)
Closing balance	401,919,798	401,919,798	-	-

	The Group		The Company	
	Sigma Real Estate Portfolio		Sigma Real Estate Portfolio	
	2019	2018	2019	2018
VALUE	\$'000	\$'000	\$'000	\$'000
Opening balance	774,861	15,204,393	-	14,352,483
Redemptions	-	(14,490,618)	-	(14,490,618)
Changes in market value of investments	96,782	61,086	-	138,135
Closing balance	871,643	774,861	-	-
Value Per Unit	2.17	1.93	-	-

## 20. Financial Assets at Fair Value Through Profit or Loss

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica Bonds	283,224	265,504	93,965	85,299
Interest receivable	7,870	7,745	2,860	2,766
	291,094	273,249	96,825	88,065

# Sagicor Real Estate X Fund Limited

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## 20. Financial Assets at Fair Value Through Profit or Loss (Continued)

Included in the above is pledged debt securities comprising Government of Jamaica 2024 bond with nominal value of \$25,000,000 pledged with Jamaica Public Service as free of payment in 2017 for Jewel Grande Montego Bay resorts and Spa (unpledged at December 2018), and Government of Jamaica 2046 bond with nominal value of \$100,000,000 (2018 - \$100,000,000) pledged with Sagicor Investments Jamaica Limited to cover the loan interest payments under the conditions of the loan.

## 21. Inventories

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Beverage	5,046	3,678
Food	22,797	37,885
Other	7,442	-
	<u>35,285</u>	<u>41,563</u>

## 22. Receivables

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	214,751	208,204
Less: Loss allowance	<u>(17,889)</u>	<u>(10,237)</u>
	196,862	197,967
Deposits	33,971	-
Prepayments	42,966	35,248
Due from related parties (Note 26)	217,034	665,659
General Consumption Tax recoverable	348,240	401,815
Withholding tax recoverable	85,201	-
Other receivables	<u>3,949</u>	<u>102,359</u>
	<u>928,223</u>	<u>1,403,048</u>

# Sagicor Real Estate X Fund Limited

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## 23. Securities Purchased under Agreements to Resell

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Securities purchased under agreements to resell	245,922	130,359	1,332	16
Interest receivable	318	334	-	-
	<u>246,240</u>	<u>130,693</u>	<u>1,332</u>	<u>16</u>

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Securities purchased under agreements to resell				
Jamaican dollar	148,021	99,161	205	16
United States dollar	98,219	31,532	1,127	-
	<u>246,240</u>	<u>130,693</u>	<u>1,332</u>	<u>16</u>

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

	The Group		The Company	
	2019 %	2018 %	2019 %	2018 %
Jamaican dollar	1	2	1	2
United States dollar	2	1	2	-

# Sagicor Real Estate X Fund Limited

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## 24. Cash and Cash Equivalents

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash in hand	6,960	6,171	-	-
Cash at bank	2,023,697	1,684,833	3,910	360
Cash resources	2,030,657	1,691,004	3,910	360
Securities purchased under agreements to resell (with contractual maturity of 90 days)	129,216	16,057	1,332	16
Bank overdraft	-	(17,927)	-	(122)
Restricted cash	(403,846)	(208,882)	-	-
Cash and cash equivalents	<u>1,756,027</u>	<u>1,480,252</u>	<u>5,242</u>	<u>254</u>

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
	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Cash and cash equivalents	1,626,811	3,910	1,482,122	360
Liquid Investments	129,216	1,332	16,057	16
Borrowings – repayable within one year (including overdraft)	(2,397,150)	(2,880,786)	(4,051,318)	(2,962,999)
Borrowings – repayable after one year	(7,734,503)	-	(6,170,569)	-
Net Debt	<u>(8,375,626)</u>	<u>(2,875,544)</u>	<u>(8,723,708)</u>	<u>(2,962,623)</u>
Cash and liquid investments	1,756,027	5,242	1,498,179	376
Gross debt – fixed interest rates	(10,131,653)	(2,880,786)	(10,221,887)	(2,962,999)
Net Debt	<u>(8,375,626)</u>	<u>(2,875,544)</u>	<u>(8,723,708)</u>	<u>(2,962,623)</u>

# Sagicor Real Estate X Fund Limited

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## 24. Cash and Cash Equivalents (Continued)

### Net Debt Reconciliation (continued)

	The Group			Total \$'000
	Cash and liquid Investments	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	
Net debt as at 1 January 2018	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)
Cash flows	153,444	816,909	113,399	1,083,752
Foreign exchange adjustments	(5,515)	(48,071)	-	(53,586)
Other non-cash movements	109,919	885,330	(1,677,333)	(682,084)
Net debt as at 31 December 2019	1,756,027	(2,397,150)	(7,734,503)	(8,375,626)

	The Company			Total \$'000
	Cash and liquid Investments	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	
Net debt as at 1 January 2018	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)
Cash flows	4,396	221,430	-	225,826
Foreign exchange adjustments	470	(20,771)	-	(20,301)
Other non-cash movements	-	(118,446)	-	(118,446)
Net debt as at 31 December 2019	5,242	(2,880,786)	-	(2,875,544)

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

# Sagicor Real Estate X Fund Limited

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## 25. Payables and Contract Liabilities

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Payables				
Trade	65,133	94,590	-	-
Accruals	309,667	294,254	31,483	13,036
Related parties (Note 26)	470,668	572,732	3,764,914	3,479,475
Withholding and other taxes	126,747	63,388	-	-
Other	22,747	5,913	-	2,112
	<u>994,962</u>	<u>1,030,877</u>	<u>3,796,397</u>	<u>3,494,623</u>
(b) Contract liabilities	<u>248,016</u>	<u>62,610</u>	<u>-</u>	<u>-</u>
	<u>1,242,978</u>	<u>1,093,487</u>	<u>3,796,397</u>	<u>3,494,623</u>

## 26. 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.

# Sagicor Real Estate X Fund Limited

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

### (a) Related party transactions

The following transactions were carried out with related parties:

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

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue -				
Hotel and other income-				
Sagicor Investments Jamaica Limited	396	-	-	-
Sagicor Life Jamaica Limited	4,134	-	-	-
Sagicor Employer Benefits Administrator Limited	229	-	-	-
	<u>4,759</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest income -				
Affiliated company- Sagicor Investment Jamaica Limited	3,603	5,950	40	32
Affiliated company- Sagicor Bank Jamaica Limited	50	957	5	13
	<u>3,653</u>	<u>6,907</u>	<u>45</u>	<u>45</u>
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio:				
Unrealised	96,782	(77,049)	-	-
Realised	-	138,135	-	138,135
	<u>96,782</u>	<u>61,086</u>	<u>-</u>	<u>138,135</u>
Other operating income - Management fees	-	7,553	-	-

# Sagicor Real Estate X Fund Limited

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

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

The following transactions were carried out with related parties:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>(ii) Administration expenses, Management fees and interest expense</i>				
Administration and other operating expenses -				
Insurance expense -				
Sagicor Re Insurance Ltd.	897	30,494	897	-
Payroll and laundry expense -				
Jewel Grande Montego Bay Resort and Spa	-	13,759	-	-
Sagicor Sigma Global Funds	-	20,059	-	-
	897	64,312	897	-
Interest expense -				
Sagicor Life Jamaica Limited	-	66,207	-	-
Sagicor Life of the Cayman Islands Ltd.	-	14,261	-	-
Sagicor Sigma Global Funds	-	139,514	-	-
Sagicor Pooled Pension Funds	45,336	13,277	-	1,259
X Fund Properties Limited	-	-	101,412	118,019
	45,336	233,259	101,412	119,278
Management Fees -				
Playa Hotels & Resorts N.V.	2,604	-	-	-
Sales and Marketing Fees-				
Playa Hotels & Resorts N.V.	20,510	5,305	-	-
	69,347	302,876	102,309	119,278

### (b) Key management compensation

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salaries	122,649	235,635	-	-
Payroll taxes – employer's portion	10,351	39,054	-	-
Other	28,359	3,328	-	-
	161,359	278,017	-	-
Directors' emoluments –				
Fees	19,339	19,836	19,339	19,836
Management remuneration	-	-	-	-

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 26. 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(i) Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	871,643	774,861	-	-
(ii) Investment in real property – Jewel Grande Montego Bay Resort and Spa	2,033,593	1,922,362	-	-
(iii) Cash and cash equivalents - Sagicor Bank Jamaica Limited	19,012	(4,732)	3,910	238
(iv) Securities purchased under agreement to resell - Affiliated company - Sagicor Investment Jamaica Limited	246,240	130,693	1,332	16
(v) Receivable from related parties - Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	67,970	381,069	-	-
Sagicor Pooled Pension Funds	-	131,233	-	-
Proprietor Strata Plan#2446	149,064	153,357	-	-
	217,034	665,659	-	-
(vi) Payable to related parties - Sagicor Bank Jamaica Limited	-	-	-	-
Sagicor Life Jamaica Limited	7,507	1,177	7,507	8,276
Sagicor Sigma Global Funds - Sigma Real Estate Portfolio	-	22,442	-	-
Jewel Grande Montego Bay Resort and Spa	463,161	549,113	-	-
X Fund Properties Limited	-	-	3,757,407	3,471,199
	470,668	572,732	3,764,914	3,479,475
(vii) Borrowings from related parties X Fund Properties Limited	-	-	2,589,636	2,488,225
Sagicor Pooled Pension Funds	498,240	497,905	-	-
	498,240	497,905	2,589,636	2,488,225

# Sagicor Real Estate X Fund Limited

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### 27. Borrowings

	The Group			The Company		
	Total	Related party portion (Note 26)	Third party Portion	Total	Related party portion (Note 26)	Third party Portion
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) <i>Structured Products</i>	<b>2019</b>					
Note 1 – USD (i)						
Principal loan balance	289,900	-	289,900	289,900	-	289,900
Unamortised upfront fees on	(450)	-	(450)	(450)	-	(450)
Interest payable	1700	-	1,700	1700	-	1,700
	291,150	-	291,150	291,150	-	291,150
Less current portion	(291,150)	-	(291,150)	(291,150)	-	(291,150)
	-	-	-	-	-	-
(b) <i>Mortgage Notes</i>						
Note 2 (Tranche B) (ii)	500,000	500,000	-	-	-	-
Note 3 (Tranche A-E) (iii)	1,004,900	-	1,004,900	-	-	-
Note 4 (Tranche B) (iv)	567,078	-	567,078	-	-	-
Note 4 (Tranche D) (iv)	1,372,000	-	1,372,000	-	-	-
Wells Fargo/Goldman Sacs Loan (v)	6,258,451	-	6,258,451	-	-	-
Principal loan balance	9,702,429	500,000	9,202,429	-	-	-
Unamortised upfront fees on Loan	(75,178)	(9,650)	(65,528)	-	-	-
Interest payable	36,163	7,890	28,273	-	-	-
	9,663,414	498,240	9,165,174	-	-	-
Less current portion	(2,075,609)	(7,555)	(2,068,054)	-	-	-
	7,587,805	490,685	7,097,120	-	-	-
(c) <i>Other Loan</i>						
Promissory Note (vii)	-	-	-	2,360,371	2,360,371	-
Interest payable	-	-	-	229,265	229,265	-
Development Loan (vi)	177,089	177,089	-	-	-	-
Less current portion	(30,391)	(30,391)	-	(2,589,636)	(2,589,636)	-
	146,698	146,698	-	-	-	-
Total Long term borrowings	7,734,503	637,383	7,097,120	-	-	-
Total Current portion of borrowings	2,397,150	37,946	2,359,204	2,880,786	2,589,636	291,150

# Sagicor Real Estate X Fund Limited

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### 27. Borrowings (Continued)

	The Group			The Company		
	Total	Related party portion (Note 26)	Third party Portion	Total	Related party portion (Note 26)	Third party Portion
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>						
<i>(a) Structured Products</i>						
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)
	-	-	-	-	-	-
<i>(b) Mortgage Notes</i>						
Note 2 (Tranche B) (ii)	500,000	500,000	-	-	-	-
Note 3 (Tranche A-E) (iii)	1,004,900	-	1,004,900	-	-	-
Note 4 (Tranche B) (iv)	548,178	-	548,178	-	-	-
Note 4 (Tranche D) (iv)	1,372,000	-	1,372,000	-	-	-
Wells Fargo/Goldman Sacs Loan (v)	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	-	-	-
<i>(c) Other Loan</i>						
Promissory Note (vii)	-	-	-	2,360,371	2,360,371	-
Interest payable	-	-	-	127,854	127,854	-
Development Loan (vi)	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	-	6,170,569	-	-	-
Total Current portion of borrowings	4,033,391	497,905	3,535,486	2,962,877	2,488,225	474,652

# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

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### 27. 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) – Jamaican Dollar (Subsidiary)*

This Note attracts interest at a rate of 9% per annum with maturity in October 2048. Interest is paid annually.

This note is 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 quarterly interest payments.

In 2018 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. There was no breach noted for 2019

iii) *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.

In 2018 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. There was no breach noted for 2019

iv) *Note 4 (Tranche B& D) (Subsidiary)*

This Note has the following Tranches:

Tranche B in United States Dollar at an interest rate of 5% and matures in September 2020.

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.

In 2018 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. There was no breach noted for 2019

# Sagicor Real Estate X Fund Limited

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### 27. Borrowings (Continued)

- v) 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, 2019, the X Fund Properties LLC was compliant with the debt service coverage ratio.

- vi) This Note is interest free with annual forgiveness of debt over ten years, if certain conditions are met. The loan commenced in November 2015.
- vii) This promissory note is with X Fund Properties Limited during the year the loan terms were amended. Interest is charged at 3.8% per annum and the maturity date has been extended to May 2020. Interest rate charged in prior year was 5% per annum with a maturity date of May 2019.

### 28. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate for years 2019 and 2018 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	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Deferred income taxes	(1,330,699)	(1,108,151)	744	2,407

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

	The Group		The Company	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Balance at start of year	(1,108,151)	(1,376,662)	2,407	(66,200)
Charged to the statement of comprehensive income – (Note 12)	(172,077)	338,347	(1,663)	68,607
Revaluation of properties	(14,711)	(418,122)	-	-
Effect of exchange rate translation	(35,760)	(7,917)	-	-
Net effects of discontinued operations (Note 35)	-	356,203	-	-
Balance at end of year	(1,330,699)	(1,108,151)	744	2,407

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 28. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Deferred tax assets -				
Interest payable	3,938	3,953	-	-
Tax losses unused	160,034	2,541	966	2,541
Unrealised foreign currency losses/(gains)	5,017	11,679	(112)	(53)
Accrued vacation	10,349	-	-	-
Provisions	1,417	-	-	-
Deferred tax liabilities -				
Property plant and equipment	(1,454,698)	(1,085,566)	-	-
Interest receivable	(1,332)	(1,328)	-	-
Unrealised revaluation gains on investments	(55,424)	(39,430)	(110)	(81)
Net deferred tax liabilities	<u>(1,330,699)</u>	<u>(1,108,151)</u>	<u>744</u>	<u>2,407</u>

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

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	164,491	14,220	744	2,488
Deferred tax liabilities to be recovered after more than 12 months	<u>(1,509,832)</u>	<u>(1,124,998)</u>	<u>-</u>	<u>(81)</u>

## 29. Share Capital

	2019	2018
	\$'000	\$'000
Authorised:		
5,000,000,000 ordinary shares	US\$5,000,000	US\$5,000,000
1 special rights redeemable preference share	US\$1	US\$1
	<u>US\$5,000,001</u>	<u>US\$5,000,001</u>
	2019	2018
	\$'000	\$'000
Issued and fully paid -		
2,243,005,125 (2018 - 2,243,005,125 ordinary shares of J\$1.00 par value)	12,642,412	12,642,412
1 special rights redeemable preference share	100	100
	<u>12,642,512</u>	<u>12,642,512</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 30. Dividend

No dividend payments during the year.

## 31. Fair Value and Other Reserves

These comprise:

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance as at start of the year	3,479,364	3,077,123
Fair value gains on property plant and equipment	(157,210)	2,407,385
Share of other comprehensive income of associated companies	(259,498)	-
Transfer between reserves	-	(2,005,144)
Balance at end of the year	<u>3,062,656</u>	<u>3,479,364</u>

Fair value gains for the group are shown net of deferred taxes of \$294,191,000 (2018 – \$2,715,601,000) with respect to revaluation adjustments to property, plant and equipment.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 32. Net (Loss)/Profit and Retained Earnings

	2019 \$'000	2018 \$'000
(i) Net (loss)/profit dealt with in the financial statements of:		
The company	(206,275)	(189,431)
The subsidiaries	<u>129,299</u>	<u>189,416</u>
	<u>(76,976)</u>	<u>(15)</u>
(ii) Retained earnings reflected in the financial statements of:		
The company	4,793,261	4,999,536
The subsidiaries	<u>4,052,673</u>	<u>3,884,708</u>
	<u>8,845,934</u>	<u>8,884,244</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 33. Financial Instruments

	The Group		The Company	
	2019	2018	2019	2018
<b>(a) Financial assets</b>				
Financial assets at fair value through profit and Loss	291,094	960,045	96,825	88,065
Financial assets at amortised cost -				
Receivables	197,775	249,789	-	-
Related parties	217,034	672,758	-	-
Securities purchased under agreements to resell	246,240	130,693	1,332	16
Cash resources	2,030,657	1,735,005	3,910	360
	<u>2,691,706</u>	<u>2,788,245</u>	<u>5,242</u>	<u>376</u>
	<u>2,982,800</u>	<u>3,748,290</u>	<u>102,067</u>	<u>88,441</u>
<b>(b) Financial liabilities</b>				
Financial liabilities at amortised cost -				
Bank overdraft	-	17,805	-	-
Payables	397,547	394,757	31,483	15,148
Borrowings	10,131,654	10,203,960	2,880,787	2,962,877
Related parties	470,668	572,732	3,764,914	3,479,475
	<u>10,999,869</u>	<u>11,189,254</u>	<u>6,677,184</u>	<u>6,457,500</u>

The Group's and Company's financial instruments resulted in the following income, expenses and gains and losses recognised in the statement of comprehensive income:

	The Group		The Company	
	2019	2018	2019	2018
Fair value through profit or loss:				
Interest income	20,070	19,895	6,070	5,895
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	96,782	61,087	-	138,135
Net capital gains/(losses) on other investment securities	14,726	28,735	5,672	(4,188)
Net foreign exchange gain/(loss)	3,180	(1,259)	3,180	(1,259)
	<u>134,758</u>	<u>108,458</u>	<u>14,922</u>	<u>138,583</u>
Amortised cost:				
Interest income	3,653	6,948	45	45
Net foreign exchange losses	(4,347)	(14,396)	(20,484)	(142,556)
Net impairment losses on financial assets	(9,623)	(112,118)	-	(113,621)
Finance costs	(646,050)	(1,146,645)	(139,341)	(270,168)
	<u>(656,367)</u>	<u>(1,266,211)</u>	<u>(159,780)</u>	<u>(526,300)</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

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## 34. Non-Controlling Interests

### Summarised financial information on subsidiaries with material non-controlling interests

During the prior 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 year end:

	<b>The Group</b>	
	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
<b>Current</b>		
Assets	13	13
Total current net assets	13	13
<b>Non-current</b>		
Assets	27,926,492	27,796,598
Total non-current net assets	27,926,492	27,796,598
Net assets	27,926,505	27,796,611
	39.19%	39.19%
Non-controlling interests	10,944,404	10,893,492

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 34. Non-Controlling Interests (Continued)

Summarised income statement for the period 1 January to 31 December 2019 and 1 July to December 2018:

	<b>Jamziv Mobay Jamaica Portfolio Limited</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Net loss for the period	(98,662)	(393,887)
<b>Other comprehensive income/(loss) -</b>		
Re-translation of foreign operation	1,004,820	(538,367)
Revaluation of land and buildings	(349,530)	786,466
Share of other comprehensive income of associated company	(426,734)	-
	<u>228,556</u>	<u>248,099</u>
<b>Total comprehensive income for the period</b>	<u>129,894</u>	<u>(145,788)</u>
Share relating to entity other than the Group	39.19%	39.19%
Non-controlling interests share of:		
Net loss for the period	(38,666)	(154,364)
Other comprehensive income	89,578	97,235
	<u>50,912</u>	<u>(57,129)</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 35. 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.

	<b>Note</b>	<b>2018 \$'000</b>
Hotel revenue	(i)	2,723,307
Direct expenses	(ii)	(973,566)
Administrative and other expenses	(iii)	(1,068,343)
Net impairment losses on financial assets	(iii)	<u>(2,230)</u>
Profit before taxation		679,168
Taxation (Note 12)		<u>(701,210)</u>
Profit after taxation of discontinued operations		(22,042)
Gain on sale of the hotel operations	(iv)	<u>264,306</u>
<b>Profit from discontinued operations</b>		<b><u>242,264</u></b>
Property, plant and equipment revaluation		<u>356,203</u>
<b>Other comprehensive income from discontinued operations</b>		<b><u>598,467</u></b>
		<b>2018 \$'000</b>
(i) Hotel Revenue -		
Service contract revenue		
Rooms		2,440,397
Food and beverage		116,438
Management fees		7,553
Rental income		8,302
Gift shop		54,820
Health club		55,891
Other departments		7,697
Gain on disposal of property, plant and equipment		-
Other		32,209
		<u>2,723,307</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 35. Discontinued Operations (Continued)

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

	<b>2018</b> <b>\$'000</b>
(ii) Direct Expenses -	
Rooms	49,897
Food and beverage	450,087
Gift shop	22,078
Health club	5,639
Other operated departments	21,958
Staff costs	423,907
	<u>973,566</u>
	<b>2018</b> <b>\$'000</b>
(iii) Administration and other operating expenses -	
Advertising and promotion	52,316
Bank charges	14,129
Commission expense (travel agents and others)	29,743
Credit card commissions	40,622
Depreciation	179,967
Donations	131
Guest transportation	568
Insurance	37,949
Irrecoverable general consumption taxes	114
License and permits	279
Management fees to operator of hotel properties	54,074
Other taxes	3,367
Professional and legal fees	2,724
Rent	30,921
Repairs and maintenance	81,529
Security	10,905
Staff costs	191,991
Trade name fees	98,161
Utilities	209,313
Other	29,540
	<u>1,068,343</u>
<b>Net impairment loss on financial assets (Note 4(a))</b>	<u>2,230</u>
Total operating expenses	<u><u>2,044,139</u></u>

# Sagicor Real Estate X Fund Limited

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## 35. Discontinued Operations (Continued)

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

#### Net cash inflow/(outflow) from operating activities:

	<b>2018</b> <b>\$'000</b>
Operating cash flows	868,142
Investing cash flows	<u>(314,464)</u>
Net increase in cash generated by hotels	<u><u>553,678</u></u>

### (c) Details of the sale of the hotel operation

	<b>1 June 2018</b> <b>\$'000</b>
Consideration received or receivable:	12,700,770
Consideration received in cash	<u>2,449,693</u>
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	<u>(536,136)</u>
Gain on sale of hotel operations	<u><u>264,306</u></u>

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:

	<b>1 June 2018</b> <b>\$'000</b>
Property, plant and equipment	14,135,938
Inventories	<u>214,083</u>
Total assets	<u>14,350,021</u>
Net assets	<u><u>14,350,021</u></u>

# Sagicor Real Estate X Fund Limited

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## 36. Consolidated Cash Flows from Operating Activities

Cash Flows from Operating Activities	Note	2019 \$'000	2018 \$'000
Net loss		(76,976)	(15)
Adjustments for:			
Depreciation	16	775,426	858,142
Gain on disposal of investment		-	(138,135)
Gain/(loss) on disposal of property, plant and equipment		-	(3,655)
Gain on sale of discontinued operations	35(b)	-	(264,306)
Interest income	8	(23,723)	(26,843)
Fair value losses/(gains) on units held in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	8	(96,782)	77,049
Fair value gains on other financial investments	8	(14,726)	(36,908)
Fair value gains on investment property	17	(111,231)	(8,772)
Effect of exchange gains on foreign currency balances		146	(139,745)
Taxation expense	12	335,129	163,585
Amortisation of franchise fees		2,089	2,023
Finance costs	11	646,050	1,146,645
Share of loss from associate	15	98,662	393,887
		<u>1,534,064</u>	<u>2,022,952</u>
Changes in operating activities:			
Inventories		7,915	79,353
Receivables		438,879	415,143
Payables		137,158	(1,069,167)
Payments for net current assets in relation to discontinued operations		-	(402,428)
Cash provided by operating activities		<u>2,118,017</u>	<u>1,045,853</u>
Income tax paid		<u>(500,331)</u>	<u>(214)</u>
Net cash provided by operating activities		<u><u>1,617,686</u></u>	<u><u>1,045,639</u></u>

# Sagicor Real Estate X Fund Limited

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## 37. 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 US\$1,532,000 (2018 – US\$1,532,000) for the year ended 31 December 2019 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\$Nil (2018 - US\$100,000), and monthly program fees of US\$Nil (2018 - 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.

# Sagicor Real Estate X Fund Limited

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## 37. Commitments and Contingencies (Continued)

### (d) Operating Leases

During the year the Group received tenant rental income from gift shop and car rental lease agreements. The tenant rental income is recognized on a straight-line basis over the lives of the respective leases. The Group recognized rental income of \$36,244,000 (2018 - \$38,486,000). The lease agreements relating to Hilton Rose Hall Resort & Spa were transferred with the sale of the hotel.

Although the Group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the property.

Minimum lease payments receivable on leases of property plant and equipment are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Within year		
2020	34,912	35,117
2021	31,616	45,092
2022	15,294	30,627
2023	1,287	14,815
Later than 5 years	-	1,247
Total Minimum lease payments	<u>83,109</u>	<u>126,898</u>
Less: Future finance charges	<u>(2,526)</u>	<u>(4,765)</u>
Present value of minimum lease payments	<u><u>80,583</u></u>	<u><u>122,133</u></u>

# Sagicor Real Estate X Fund Limited

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### 38. 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

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:

Financial Statements, this event requires Jamziv to be accounted for as a subsidiary and using Step-Acquisition for full consolidation.

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

### 39. Subsequent Events

Subsequent to the end of the financial year, the World Health Organisation declared the COVID-19 to be a pandemic. The pandemic has resulted in a significant downturn in commercial activity around the world. There is currently no cure, and the means most recommended to manage contagion is social distancing. This has resulted in several countries embarking on varying degrees of lock-down, closure of borders and travel bans. Global travel restrictions have been implemented, all of which will have negative global economic consequences.

The Group is exposed to the potential effects of the COVID-19 on the economic downturn that could lead to cancellation of vacations and conferences at the various properties operated by the Group resulting in lower revenues and depressed asset values. There has not been a sufficient passage of time for management to quantify the impact of the foregoing on its financial results at the time of reporting.



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