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REAL ESTATE X FUND

2022

Audited Financial Statements





Sagicor Real Estate X Fund Limited

Financial Statements
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

Sagicor Real Estate X Fund Limited

Index

31 December 2022

	Page
Independent Auditors' Report	
Financial Statements	
Consolidated statement of comprehensive income	1 – 2
Consolidated statement of financial position	3
Consolidated statement of changes in stockholders' equity	4
Consolidated statement of cash flows	5
Company statement of comprehensive income	6
Company statement of financial position	7
Company statement of changes in stockholders' equity	8
Company statement of cash flows	9
Notes to the financial statements	10 - 66



Independent auditors' report

To the Shareholders of Sagicor Real Estate X Fund Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Real Estate X Fund Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2022, and their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

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

- the consolidated statement of financial position as at 31 December 2022;
 - the consolidated statement of comprehensive income for the year then ended;
 - the consolidated statement of changes in stockholders' equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended;
 - the company statement of financial position as at 31 December 2022;
 - the company statement of comprehensive income for the year then ended;
 - the company statement of changes in stockholders' equity for the year then ended;
 - the company statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include significant accounting policies and other explanatory information.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

Audit scope

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

How we tailored our group audit scope

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

Group scoping was tailored based on the significance of each entity within the Group. All entities were considered individually financially significant with full scope audits being performed.

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. We have determined that there are no key audit matters, as it pertains to the stand-alone financial statements, in our report.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of owner-managed hotel property (Group)</i></p> <p><i>Refer to notes 2 (l), 3 (b) and 16 to the financial statements for disclosures of related accounting policies, judgements and estimates.</i></p>	
<p>Owner-managed hotel property represents \$16.8 billion or 58.5% of total assets for the Group as at the end of the reporting period.</p>	<p>Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others:</p>
<p>The determination of the fair value of the hotel property requires significant judgement and is inherently subjective due to, among other factors, the individual nature of the property, the location of the property and the expected future revenues from room as well as food and beverage sales.</p>	<ul style="list-style-type: none">• Evaluated the competence and objectivity of management's experts in order to determine whether they were appropriately qualified and whether there was any affiliation to the Group.• Obtained an understanding of the valuation methods used by management along with



Management, with the assistance of independent valuation experts, used the income capitalisation approach, which consists of a discounted cash flow forecast to value the owner-managed hotel property. The income capitalisation approach considers the following key assumptions:

- capitalisation rate;
- discount rate; and
- estimation of revenue from room and food and beverage sales.

We focused on this area because changes in key assumptions may have a significant impact on the carrying value of owner-managed hotel property.

significant developments within the industry. This included evaluating the appropriateness of the valuation methodology used and its suitability for determining market value in accordance with the financial reporting framework.

- Compared management's discount and capitalisation rates to those of comparable companies taking into account entity and industry risk factors as well as historical financial information. Evaluated the estimation of future room and food and beverage revenue with the assistance of our valuation expert.

Based on the procedures performed, management's assumptions and judgements relating to the valuation of owner-managed hotel property were not unreasonable.

Other information

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

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

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

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

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

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



In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement leader on the audit resulting in this independent auditors' report is Charissa Andrews.

PricewaterhouseCoopers

Castries, St Lucia
1 March 2023

Sagicor Real Estate X Fund Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

Revenues:	Note	2022 \$'000	2021 \$'000
Net investment income	8	280,390	147,554
Net capital (losses)/gains on financial assets and liabilities	8	(238,263)	1,193,844
Hotel revenue	8	7,071,966	4,432,018
Other income		4,561	19,871
Total revenue		<u>7,118,654</u>	<u>5,793,287</u>
Expenses:			
Direct expenses	9(a)	(2,485,385)	(1,588,142)
Administrative and other operating expenses	9(b)	(3,580,378)	(2,685,395)
Net impairment credits on financial assets	9(b)	-	299
Operating expenses		<u>(6,065,763)</u>	<u>(4,273,238)</u>
Finance costs	11	(321,875)	(529,449)
Operating profit		731,016	990,600
Loss on sale of interest in associate	15(a)	-	(233,089)
Profit before taxation		731,016	757,511
Taxation	12	(265,107)	(36,646)
Net profit		465,909	720,865
Other comprehensive income -			
<i>Items that may be subsequently reclassified to profit or loss -</i>			
Re-translation of foreign operation		(174,725)	658,987
Re-translation of foreign operation recycled to the Income Statement on sale of interest in associated company	15(a)	-	(2,534,160)
		<u>(174,725)</u>	<u>(1,875,173)</u>
Share of other interest rate swap of associated company recycled to the Income Statement on sale of interest in associated company	15(a)	-	526,436
<i>Items that will not be subsequently reclassified to profit or loss -</i>			
Revaluation of land and buildings		2,223,417	1,605,919
Other comprehensive income for the period, net of taxes		<u>2,048,692</u>	<u>257,182</u>
Total comprehensive income for the period		<u>2,514,601</u>	<u>978,047</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and fully diluted	13	<u>\$0.21</u>	<u>\$0.17</u>

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Comprehensive Income (Continued)

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Net profit attributable to:			
Stockholders of the Company		465,909	376,501
Non-controlling interests	32	-	344,364
		<u>465,909</u>	<u>720,865</u>
Total comprehensive income attributable to:			
Stockholders of the Company		2,514,601	1,420,443
Non-controlling interests	32	-	(442,396)
		<u>2,514,601</u>	<u>978,047</u>

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Financial Position

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Non-Current Assets			
Property, plant and equipment	16	16,773,390	14,964,537
Investment in Sagicor Sigma Global Funds - Sigma Real Estate Portfolio	17	1,295,131	868,146
Financial investments	18	3,203,377	268,060
Goodwill		-	923
		<u>21,271,898</u>	<u>16,101,666</u>
Current Assets			
Inventories	19	45,607	30,690
Receivables	20	841,809	1,303,678
Financial investments	18	-	8,845,860
Securities purchased under agreement to resell	21	2,971,544	2,888,764
Cash resources	22	3,523,560	2,144,347
		<u>7,382,520</u>	<u>15,213,339</u>
Current Liabilities			
Payables	23(a)	529,330	435,441
Contract liabilities	23(b)	145,388	140,540
Borrowings	25	66,467	202,190
Taxation payable		29,207	-
		<u>770,392</u>	<u>778,171</u>
Net Current Assets			
		<u>6,612,128</u>	<u>14,435,168</u>
		<u>27,884,026</u>	<u>30,536,834</u>
Stockholders' Equity			
Share capital	27	12,642,512	12,642,512
Currency translation reserve	29	1,892,918	2,067,643
Fair value and other reserves	29	4,763,553	2,540,136
Accumulated deficit	30	(194,758)	(660,667)
		<u>19,104,225</u>	<u>16,589,624</u>
Non-controlling interests	32	-	5,767,623
Total Equity		<u>19,104,225</u>	<u>22,357,247</u>
Non-Current Liabilities			
Borrowings	25	6,809,066	6,982,418
Deferred income taxes	26	1,970,735	1,197,169
Total Liabilities		<u>8,779,801</u>	<u>8,179,587</u>
Total Equity and Liabilities		<u>27,884,026</u>	<u>30,536,834</u>

Approved for issue by the Board of Directors on 27 February 2023 and signed on its behalf by:


Vinay Walia Chairman


Bruce James Director

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Currency Translation Reserve	Fair Value and Other Reserves	Accumulated Deficit	Non- controlling Interests	Total
	Note 27	Note 29	Note 29			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2021	12,642,512	2,949,762	708,789	(1,131,882)	6,210,019	11,379,200
Net profit for the year	-	-	-	376,501	344,364	720,865
Unrealised gain on revaluation of property, plant and equipment	-	-	1,605,919	-	-	1,605,919
Re-translation of foreign operations	-	(882,119)	-	-	(993,054)	(1,875,173)
Change in reserves of associated company	-	-	320,142	-	206,294	526,436
Total comprehensive income	-	(882,119)	1,926,061	376,501	(442,396)	978,047
Transfer between reserves	-	-	(94,714)	94,714	-	-
Balance at 31 December 2021	12,642,512	2,067,643	2,540,136	(660,667)	5,767,623	22,357,247
Net profit for the year	-	-	-	465,909	-	465,909
Unrealised gain on revaluation of property, plant and equipment	-	-	2,223,417	-	-	2,223,417
Re-translation of foreign operations	-	(174,725)	-	-	-	(174,725)
Total comprehensive income	-	(174,725)	2,223,417	465,909	-	2,514,601
Wind up of Jamziv	-	-	-	-	(5,767,623)	(5,767,623)
Balance at 31 December 2022	12,642,512	1,892,918	4,763,553	(194,758)	-	19,104,225

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	33	2,380,772	964,468
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	16	(138,672)	(36,628)
Purchase of investments		(3,579,650)	(5,739,232)
Proceeds from sale of interest in associate	15 (a)	-	13,604,064
Proceeds from sale of investments		61,515	-
Net cash outflow on wind up Jamziv	14 (i)	(15)	-
Restricted cash		(167,097)	(344,781)
Interest received		322,955	54,415
Net cash (used in)/provided by investing activities		<u>(3,500,964)</u>	<u>7,537,838</u>
Cash Flows from Financing Activities			
Loan repayment, net		(151,979)	(2,986,424)
Interest paid		(345,800)	(468,436)
Net cash used in financing activities		<u>(497,779)</u>	<u>(3,454,860)</u>
(Decrease)/increase in cash and cash equivalents		(1,617,971)	5,047,446
Effect of exchange gains on cash and cash equivalents		(83,883)	1,168,149
Cash and cash equivalents at beginning of year		<u>7,076,534</u>	<u>860,939</u>
Cash and Cash Equivalents at year end	22	<u><u>5,374,680</u></u>	<u><u>7,076,534</u></u>

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Company Statement of Comprehensive Income

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Revenues			
Net investment income	8	7,647	7,495
Net capital losses on financial assets and liabilities	8	(11,901)	(91,306)
Other income		-	2,112
		<u>(4,254)</u>	<u>(81,699)</u>
Administrative and other operating expenses	9	(120,885)	(51,065)
Finance costs	11	-	(48,450)
Operating loss		<u>(125,139)</u>	<u>(181,214)</u>
Loss on wind up of Jamziv	14 (i)	<u>(6,859,755)</u>	<u>-</u>
Taxation	12	<u>-</u>	<u>-</u>
Net loss, being total comprehensive loss for the year		<u><u>(6,984,894)</u></u>	<u><u>(181,214)</u></u>

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Company Statement of Financial Position


31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Non-Current Assets			
Investment in subsidiaries	14	9,518,204	24,008,822
Deferred income taxes	26	744	744
		<u>9,518,948</u>	<u>24,009,566</u>
Current Assets			
Receivables	20	6,207	2,362
Securities purchased under agreement to resell	21	580,893	697,787
Cash resources	22	5,784	6,020
		<u>592,884</u>	<u>706,169</u>
Current Liabilities			
Payables	23	36,905	25,051
Borrowings	25	-	7,630,863
		<u>36,905</u>	<u>7,655,914</u>
Net Current Assets/(Liabilities)			
		<u>555,979</u>	<u>(6,949,745)</u>
		<u>10,074,927</u>	<u>17,059,821</u>
Stockholders' Equity			
Share capital	27	12,642,512	12,642,512
(Accumulated Deficit)/Retained Earnings	30	(2,567,585)	4,417,309
Total Equity		<u>10,074,927</u>	<u>17,059,821</u>
Total Equity and Liability			
		<u>10,074,927</u>	<u>17,059,821</u>

Approved for issue by the Board of Directors on 27 February 2023 and signed on its behalf by:


 Vinay Walia Chairman


 Bruce James Director

The accompanying notes on pages 10 to 66 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 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Retained Earnings/ (Accumulated Deficit \$'000	Total \$'000
Balance at 1 January 2021	12,642,512	4,598,523	17,241,035
Net loss, being total comprehensive loss for the year	-	(181,214)	(181,214)
Balance at 31 December 2021	12,642,512	4,417,309	17,059,821
Net loss, being total comprehensive loss for the year	-	(6,984,894)	(6,984,894)
Balance at 31 December 2022	12,642,512	(2,567,585)	10,074,927

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Company Statement of Cash Flows

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities			
Net loss for the year		(6,984,894)	(181,214)
Items not affecting cash:			
Interest income	8	(7,647)	(7,495)
Finance costs	11	-	48,450
Loss on wind up of Jamziv	14 (i)	6,859,755	-
Effect of exchange losses on foreign currency balances		7,372	26,148
		<u>(125,414)</u>	<u>(114,111)</u>
Change in operating assets and liabilities:			
Receivables		(3,845)	(180)
Payables		19,720	(3,088)
Related parties		(7,866)	(3,778,014)
Net cash used in operating activities		<u>(117,405)</u>	<u>(3,895,393)</u>
Cash Flows from Investing Activities			
Interest received		7,657	7,437
Net cash provided by investing activities		<u>7,657</u>	<u>7,437</u>
Cash Flows from Financing Activities			
Interest paid		-	(318,491)
Borrowings		-	4,931,747
Net cash provided by financing activities		<u>-</u>	<u>4,613,256</u>
(Decrease)/ increase in cash and cash equivalents		<u>(109,748)</u>	<u>725,300</u>
Effect of exchange gains on cash and cash equivalents		(7,372)	(26,411)
Cash and cash equivalents at beginning of year		703,749	4,860
Cash and Cash Equivalents at year end	22	<u>586,629</u>	<u>703,749</u>

The accompanying notes on pages 10 to 66 form an integral part of these financial statements.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

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

The Company is 65.12% owned by the Sagicor Pooled Investments Funds Limited, which is administered by Sagicor Life Jamaica Limited (SLJL). Effective, October 1, 2018 the Company became a subsidiary of Sagicor Group Jamaica Limited (SGJL) as SGJL owned 29.2% and had significant representation on the Board of Directors. During the year, SGJL sold its 29.2% interest in X Fund thus resulting in the company no longer being a subsidiary of SGJL.

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

On 27 February 2023, the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the financial statements after issue.

- (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.
- (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 Hotel in Orlando, Florida (the DoubleTree).
- (d) 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 had 14.87% of Playa Hotels & Resorts N.V. (“Playa”) at December 2020. Jamziv sold its interest in Playa in January 2021.

On June 13, 2022, the Group completed wind up of Jamziv Mobay Jamaica Portfolio Limited (“Jamziv”). Note 14 (i).

- (e) The Company’s subsidiaries, joint operations and associate, which together with the Company are referred to as “the Group”, are as follows:

Subsidiaries	Incorporation in	Principal Activities	Holdings held by Company %
X Fund Properties Limited	Jamaica	Hospitality and real estate investment	100
X Fund Properties LLC	USA	Hospitality	100

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(f) *Management agreements*

(i) Ambridge Hospitality LLC

The Group entered into a property management agreement with Ambridge Hospitality LLC to manage the hotel property 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 hotel 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 2022 the Group recognised property management fees of \$152,149,000 (2021 - \$95,687,000). The Group reimburses Ambridge for expenses incurred relating to hotel operations. For the year ended 31 December 2022, the Group incurred reimbursable expenses of \$296,332,000 (2021 - \$265,055,000).

(ii) Playa Management U.S.A LLC

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.

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. These agreements were terminated with the sale of its interest in Jewel Grande last year.

(iii) Sagicor Property Services Limited

Effective September 2022, the Group entered into a management services agreement with Sagicor Property Services Limited to provide investment advice, property management, and consultancy, services. Sagicor Property Services Limited is entitled to receive annual fee of 0.75% of net average assets to 31 December 2022, 1.25% to December 2023 and 1.5% thereafter. Sagicor Property Services is also to receive an incentive based on the Group's performance as defined. The agreement is in full force until terminated by either party, providing the required notice period or if the predetermined conditions are not met. For the year ended 31 December 2022 the Group recorded management service cost of \$43,141,000 (2021 - \$ Nil).

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

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

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. There was no impact to the Group on adoption of these amendments.

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2023 and were not effective at the statement of financial position date. The Group having assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities, (effective for annual periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Amendment to IAS 12, deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

(b) Basis of consolidation

(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 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(ii) *Change in ownership interests in subsidiaries without change in control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity, gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Associates*

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

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

The Group recognises its investment in joint operations 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 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

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

(ii) *Transactions and balances*

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

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

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

(iii) *Group companies*

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

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

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

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) 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 or losses on appreciation or depreciation of value in Sigma Real Estate Portfolio and investment securities are recognised in income statement.

(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 Group'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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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 was recorded on the accrual basis.

(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 amortised cost based on the nature of the cash flows of these assets and the Group's business model. 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. 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 amortised 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 presented 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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

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.

(i) *Impairment of financial assets measured at amortised 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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

(iii) *Definition of default*

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

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

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

(iv) *Write-off*

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

(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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

(v) *The general approach to recognising and measuring ECL (continued)*

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.

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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (continued)

(v) *The general approach to recognising and measuring ECL (continued)*

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.

(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 Group, 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).

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(I) 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 financial 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

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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of non-financial assets

Property, plant and equipment and other assets, excluding goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(n) Intangible assets

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

(o) 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.

(p) 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

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) 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) *Loans and debt obligations*

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

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.

(r) 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.

(s) Dividends

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

(t) 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. 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).

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

In the process of applying the Group's accounting policy management has made no significant judgements regarding the amounts recognised in the financial statements.

(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 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 recognised in fair value reserve through other comprehensive income. The Group uses independent qualified property appraisers to value its land and buildings annually. Those fair values were derived using the income capitalization approach. This approach takes in consideration various assumptions and factors that require estimation and judgement. Assumptions are made about key factors in particular capitalisation rate, discount rate and revenue from room revenue and beverage sales. A change in any of these assumptions and factors could have a significant impact on the carrying value of the owner managed hotel property.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management

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

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

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

(a) Credit risk

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

Credit review process

The Sagicor Group's investment manager, Sagicor Life Jamaica Limited, manages the Group's exposure to credit risk relating to investment by reviewing the ongoing financial status of each counterparty and makes recommendation to the investment commitment. 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.

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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

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

	The Group		The Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Trade receivables	288,073	314,542	-	-
Due from related parties	6,308	392,913	-	-
Financial investments	3,203,377	9,113,920	-	-
Securities purchased under agreement to resell	2,971,544	2,888,764	580,893	697,787
Cash and cash equivalent (excluding cash on hand)	3,516,211	2,136,857	5,784	6,020
	<u>9,985,513</u>	<u>14,846,996</u>	<u>586,677</u>	<u>703,807</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of financial assets

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

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

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

i. Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021 was determined as follows for trade receivables:

The Group

		More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2022	Current				
	0.00%	0.00%	0.00%	16.26%	0.39%
Gross carrying amount \$'000	231,429	46,276	4,627	6,856	289,188
Loss allowance provision \$'000	-	-	-	1,115	1,115

The Group

		More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2021	Current				
	0.00%	0.00%	0.00%	38.46%	1.71%
Gross carrying amount \$'000	222,941	59,350	23,496	14,227	320,014
Loss allowance provision \$'000	-	-	-	5,472	5,472

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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of financial assets

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The Group's average credit period on the sale of service is 30 days. The Group has provided fully for all trade receivables that are over 90 days past due based on historical experience which dictates that amounts past due beyond 90 days are generally not recoverable.

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:

	The Group	
	2022	2021
	\$'000	\$'000
Travel agents	133,608	164,237
Other	155,580	155,777
	<u>289,188</u>	<u>320,014</u>
Less: Impairment loss	<u>(1,115)</u>	<u>(5,472)</u>
	<u><u>288,073</u></u>	<u><u>314,542</u></u>

The closing loss allowance provision for trade receivables as at 31 December 2022 and 2021 reconciles to the opening loss allowance for that provision as follows:

	The Group	
	2022	2021
	\$'000	\$'000
Opening loss allowance at 1 January	5,472	14
Impairment losses:		
(Decrease)/increase in loss allowance	(4,357)	5,757
Unused amounts reversed	-	(299)
At 31 December 2022	<u><u>1,115</u></u>	<u><u>5,472</u></u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of financial assets (continued)

Net impairment losses/reversals 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:

	The Group	
	2022	2021
	\$'000	\$'000
Movement in loss allowance for trade receivables	(4,357)	5,757
Reversal of previous impairment losses	-	(299)
	<u>(4,357)</u>	<u>5,458</u>

i. Financial investments

The Group is also exposed to credit risk in relation to debt instruments that are measured at the fair value through profit or loss and amortised cost. The maximum exposure at the reporting period is the carrying amount of these investments \$4,498,508,000 (2021- \$9,982,066,000).

(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

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

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

	The Group			
	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2022	\$000	\$000	\$000	\$000
Payables	442,703	-	-	442,703
Borrowings	489,652	7,209,505	-	7,699,157
	932,355	7,209,505	-	8,141,860

	The Company			
	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2022	\$000	\$000	\$000	\$000
Payables	36,905	-	-	36,905
	36,905	-	-	36,905

	The Group			
	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2021	\$000	\$000	\$000	\$000
Payables	346,588	-	-	346,588
Borrowings	499,939	7,850,030	-	8,349,969
	846,527	7,850,030	-	8,696,557

	The Company			
	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2021	\$000	\$000	\$000	\$000
Payables	25,051	-	-	25,051
Borrowings	7,630,863	-	-	7,630,863
	7,655,914	-	-	7,655,914

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising mainly from the US dollar currency exposure. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

Concentration of currency risk

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

	The Group		
	2022		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
Financial Assets			
Financial investments excluding units in Sigma Global Funds	421,567	5,753,354	6,174,921
Investment in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	1,295,131	-	1,295,131
Cash resources	5,909	3,510,302	3,516,211
Receivables	6,308	288,073	294,381
Total financial assets	1,728,915	9,551,729	11,280,644
Financial Liabilities			
Payables	82,196	360,507	442,703
Borrowings	-	6,803,010	6,803,010
Total financial liabilities	82,196	7,163,517	7,245,713
Net financial position	1,646,719	2,388,212	4,034,931

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(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		
	2022		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
Financial Assets			
Financial assets at fair value through profit and loss and securities purchased under agreement to resell	651	580,242	580,893
Cash resources	-	5,784	5,784
Total financial assets	651	586,026	586,677
Financial Liabilities			
Payables	36,905	-	36,905
Total financial liabilities	36,905	-	36,905
Net financial position	(36,254)	586,026	549,772

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(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		
	2021		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
Financial Assets			
Financial assets at fair value through profit and loss and securities purchased under agreement to resell Investment in Sagicor Sigma Global Funds – Sagicor Real Estate Portfolio	6,061,657	5,941,027	12,002,684
Cash resources	868,146	-	868,146
Receivables	1,869	2,134,988	2,136,857
Total financial assets	392,913	314,542	707,455
	7,324,585	8,390,557	15,715,142
Financial Liabilities			
Payables	37,590	308,998	346,588
Borrowings	-	7,087,298	7,087,298
Total financial liabilities	37,590	7,396,296	7,433,886
Net financial position	7,286,995	994,261	8,281,256

	The Company		
	2021		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
Financial Assets			
Financial assets at fair value through profit and loss and securities purchased under agreement to resell	556	697,231	697,787
Total assets	-	6,020	6,020
Total financial assets	556	703,251	703,807
Financial Liabilities			
Payables	25,051	-	25,051
Borrowings	7,630,863	-	7,630,863
Total financial liabilities	7,655,914	-	7,655,914
Net financial position	(7,655,358)	703,251	(6,952,107)

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 2022

(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
Currency:	2022	2022	2021	2021
	%	\$'000	%	\$'000
USD	1	(57,676)	2	(118,942)
Revaluation	4	230,695	8	475,767
Devaluation				

The Company				
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre- tax Profit
Currency:	2022	2022	2021	2021
	%	\$'000	%	\$'000
USD	1	(5,860)	2	(14,065)
Revaluation	4	23,440	8	56,260
Devaluation				

(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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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 2022	The Group				Total \$000
	1 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
Assets					
Financial investments excluding units in Sigma Global Funds Investment in Sagicor Sigma Global Funds –Sigma Real Estate Portfolio	2,970,811	27,547	3,121,936	54,627	6,174,921
Receivables	-	-	-	294,381	294,381
Cash resources	3,516,211	-	-	-	3,516,211
Non-financial assets:					
Cash resources	-	-	-	7,349	7,349
Other assets	-	-	-	547,428	547,428
Property, plant and equipment	-	-	-	16,773,390	16,773,390
Inventories	-	-	-	45,607	45,607
Total assets	6,487,022	27,547	3,121,936	19,017,913	28,654,418
Liabilities					
Payables	-	-	-	442,703	442,703
Borrowings	26,809	6,750,999	-	25,202	6,803,010
Non-financial liabilities:					
Borrowings	-	-	-	72,523	72,523
Contract liabilities	-	-	-	145,388	145,388
Other Liabilities	-	-	-	86,627	86,627
Taxation payable	-	-	-	29,207	29,207
Deferred income taxes	-	-	-	1,970,735	1,970,735
	26,809	6,750,999	-	2,772,385	9,550,193
Total interest repricing gap	6,460,213	(6,723,452)	3,121,936	16,245,528	19,104,225
Cumulative repricing gap	6,460,213	(263,239)	2,858,697	19,104,225	

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2022	The Company			Non-Interest Bearing	Total
	1 to 12 Months	2 to 5 Years	Over 5 Years		
	\$000	\$000	\$000	\$000	\$000
Assets					
Financial investments excluding units in Sigma Global Funds	580,845	-	-	48	580,893
Cash resources	5,784	-	-	-	5,784
Non-financial assets:					
Other assets	-	-	-	6,207	6,207
Deferred income taxes	-	-	-	744	744
Investment in subsidiaries	-	-	-	9,518,204	9,518,204
Total assets	586,629	-	-	9,525,203	10,111,832
Liabilities					
Payables	-	-	-	36,905	36,905
Total liabilities	-	-	-	36,905	36,905
Total interest repricing gap	586,629	-	-	9,488,298	10,074,927
Cumulative repricing gap	586,629	586,629	586,629	10,074,927	

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2021	The Group				Total \$000
	1 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
Assets					
Financial investments excluding units in Sigma Global Funds	5,965,539	30,339	141,091	5,865,715	12,002,684
Investment in Sagicor Sigma Global Funds –Sigma Real Estate Portfolio	-	-	-	868,146	868,146
Receivables	-	-	-	707,455	707,455
Cash resources	2,136,857	-	-	-	2,136,857
Non-financial assets:					
Cash resources	-	-	-	7,490	7,490
Other assets	-	-	-	596,223	596,223
Investment in associate	-	-	-	-	-
Property, plant and equipment	-	-	-	14,964,537	14,964,537
Goodwill	-	-	-	923	923
Inventories	-	-	-	30,690	30,690
Total assets	8,102,396	30,339	141,091	23,041,179	31,315,005
Liabilities					
Payables	-	-	-	346,588	346,588
Borrowings	152,598	6,908,500	-	26,200	7,087,298
Non-financial liabilities:					
Borrowings	-	-	-	97,310	97,310
Contract liabilities	-	-	-	140,540	140,540
Other Liabilities	-	-	-	88,853	88,853
Deferred income taxes	-	-	-	1,197,169	1,197,169
	152,598	6,908,500	-	1,896,660	8,957,758
Total interest repricing gap	7,949,798	(6,878,161)	141,091	21,144,519	22,357,247
Cumulative repricing gap	7,949,798	1,071,637	1,212,728	22,357,247	

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2021	The Company				Total \$000
	1 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non-Interest Bearing \$000	
Assets					
Financial investments excluding units in Sigma Global Funds	697,729	-	-	58	697,787
Cash resources	6,020	-	-	-	6,020
Non-financial assets:					
Other assets	-	-	-	2,362	2,362
Deferred income taxes	-	-	-	744	744
Investment in subsidiaries	-	-	-	24,008,822	24,008,822
Total assets	703,749	-	-	24,011,986	24,715,735
Liabilities					
Payables	-	-	-	25,051	25,051
Borrowings	-	-	-	7,630,863	7,630,863
Total liabilities	-	-	-	7,655,914	7,655,914
Total interest repricing gap	703,749	-	-	16,356,072	17,059,821
Cumulative repricing gap	703,749	703,749	703,749	17,059,821	

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 Group earns interest on its investments in debt securities and pays interest on its borrowings (Notes 18,21,22 & 25). 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 2022

(expressed in Jamaican dollars unless otherwise indicated)

5. Capital Management

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

6. Fair Value of Financial Instruments

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

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

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

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

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2022, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

6. Fair Value of Financial Instruments (Continued)

	The Group			
	2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investments in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	1,295,131	1,295,131
Financial assets at fair value through profit or loss (Note 18)	-	3,203,377	-	3,203,377
	-	3,203,377	1,295,131	4,498,508
Non-Financial Assets				
Property Plant and Equipment	-	-	16,773,390	16,773,390
	-	3,203,377	18,068,521	21,271,898

	The Group			
	2021			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investments in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	-	868,146	868,146
Financial assets at fair value through profit or loss (Note 18)	-	268,060	-	268,060
	-	268,060	868,146	1,136,206
Non- Financial Assets				
Property Plant and Equipment	-	-	14,964,537	14,964,537
	-	268,060	15,832,683	16,100,743

There were no transfers between levels during the year.

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
	2022 \$'000	2021 \$'000		2022	2021	
The Group:						
Investment in Sigma Real Estate Portfolio	1,295,131	868,146	Computed unit prices	10%	10%	If the estimated fair values were higher/lower by 10% the value would increase by \$129,513 (2021 -\$84,403)
Property, plant and equipment	16,773,390	14,964,537	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 2022

(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. The wind up of Jamziv was completed in 2022.
- Other – comprises of other investment assets and other liabilities.

There was no transaction between the operating segments during 2022 or 2021.

	The Group				
	2022				
	Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	7,071,966	-	280,390	-	7,352,356
Net capital gains on financial assets and liabilities	-	76,985	(310,687)	-	(233,702)
Total revenue	7,071,966	76,985	(30,297)	-	7,118,654
Operating expenses	(5,049,187)	-	(141,398)	-	(5,190,585)
Depreciation	(875,178)	-	-	-	(875,178)
Finance costs	(356,486)	-	34,611	-	(321,875)
Profit/(Loss) before taxation	791,115	76,985	(137,084)	-	731,016
Taxation	(224,132)	(19,246)	(21,729)	-	(265,107)
Net profit/(loss)	566,983	57,739	(158,813)	-	465,909
Segment assets	20,819,762	1,295,131	6,541,277	(1,752)	28,654,418
Segment liabilities	9,289,453	-	262,492	(1,752)	9,550,193

The Group's geographic information:

	Caribbean	United States of America	Total
	2022		
	\$'000	\$'000	\$'000
Revenue	46,688	7,071,966	7,118,654
Total assets	7,834,656	20,819,762	28,654,418

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

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

7. Segmental Financial Information (Continued)

Geographically, the segment for discontinued operation is Jamaica.

	The Group				
	2021				
	Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	4,432,018	-	147,554	-	4,579,572
Net capital gains on financial assets and liabilities	-	84,403	1,129,312	-	1,213,715
Total revenue	4,432,018	84,403	1,276,866	-	5,793,287
Operating expenses	(3,367,409)	-	(94,811)	-	(3,462,220)
Depreciation	(811,018)	-	-	-	(811,018)
Finance costs	(355,450)	-	(173,999)	-	(529,449)
Operating (loss)/profit	(101,859)	84,403	1,008,056	-	990,600
Loss on sale of interest in associate	-	(233,089)	-	-	(233,089)
(Loss)/profit before taxation	(101,859)	(148,686)	1,008,056	-	757,511
Taxation	17,154	(21,101)	(32,699)	-	(36,646)
Net (loss)/profit	(84,705)	(169,787)	975,357	-	720,865
Segment assets	17,578,525	869,069	21,820,746	(8,953,335)	31,315,005
Segment liabilities	8,663,889	-	9,247,204	(8,953,335)	8,957,758

The Group's geographic information:

	Caribbean	United States of America	Total
	2021		
	\$'000	\$'000	\$'000
Revenue	1,361,269	4,432,018	5,793,287
Total assets	13,736,480	17,578,525	31,315,005

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

8. Revenue

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Net Investment Income				
Interest Income on securities at amortised cost:				
Securities purchased under Agreement to resell	52,846	38,778	7,643	5,458
Bank deposits	43	41	4	5
	<u>52,889</u>	<u>38,819</u>	<u>7,647</u>	<u>5,463</u>
Interest Income on securities at fair value through profit or loss:				
Debt securities	227,501	108,735	-	2,032
	<u>280,390</u>	<u>147,554</u>	<u>7,647</u>	
Net capital gains on financial assets and liabilities:				
Unrealized capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	76,985	84,403	-	-
Net capital losses on other investment securities	(205,445)	(12,604)	-	-
Net foreign exchange gains/(losses)	(109,803)	1,122,045	(11,901)	(91,306)
	<u>(238,263)</u>	<u>1,193,844</u>	<u>(11,901)</u>	<u>(91,306)</u>
Hotel Revenue:				
Service contract revenue				
Rooms	4,842,345	3,194,370	-	-
Food and beverage	1,616,560	735,869	-	-
Rental income	40,127	28,494	-	-
Other departments	457,592	416,482	-	-
Other	115,342	56,803	-	-
	<u>7,071,966</u>	<u>4,432,018</u>	<u>-</u>	<u>-</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

9. Expenses by Nature

Total direct, administration and other operating expenses recognised were:

	The Group	
	2022	2021
	\$'000	\$'000
(a) Direct Expenses -		
Rooms	397,597	276,501
Food and beverage	615,543	245,490
Other operated departments	112,165	147,518
Staff costs (Included in Note 10)	1,360,080	918,633
	<u>2,485,385</u>	<u>1,588,142</u>

(b) Administration and other operating expenses-

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Advertising and promotion	419,094	230,603	-	-
Audit fees	68,358	46,601	8,086	7,335
Bank charges	2,175	2,370	36	48
Commission expense (travel agents and others)	176,841	156,809	-	-
Credit card commissions	130,820	79,892	-	-
Depreciation	875,178	811,018	-	-
Directors' fees	13,853	14,818	13,853	14,818
Guest transportation	8,241	-	-	-
Insurance	153,885	124,945	9,140	4,038
License and permits	4,347	-	-	-
Management fees to operator of hotel properties	152,149	95,687	-	-
Other taxes	197,295	213,877	-	-
Professional and legal fees	93,256	50,148	85,864	18,644
Rent	5,938	5,739	-	-
Repairs and maintenance	168,027	119,233	-	-
Security	926	780	-	-
Staff costs (Included in Note 10)	536,552	296,101	-	-
Trade name fees	258,426	167,502	-	-
Utilities	243,302	192,572	-	-
Other	71,715	76,700	3,906	6,182
	<u>3,580,378</u>	<u>2,685,395</u>	<u>120,885</u>	<u>51,065</u>
Net impairment credits on financial assets (Note 4(a))	-	(299)	-	-
Total operating expenses	<u>6,065,763</u>	<u>4,273,238</u>	<u>120,885</u>	<u>51,065</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

10. Staff Costs – Direct and Indirect

	The Group	
	2022	2021
	\$'000	\$'000
Salaries	1,556,454	968,044
Payroll taxes – employer's portion	82,475	55,710
Pension	10,054	8,046
Allowances and benefits	195,372	143,493
Other	52,277	39,441
	<u>1,896,632</u>	<u>1,214,734</u>

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

	The Group	
	2022	2021
Full time	147	120
Part time	52	45
	<u>199</u>	<u>165</u>

11. Finance Costs

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Interest expense -				
Amortisation of upfront fees on loan	11,195	23,240	-	123
Mortgage and other notes	310,680	423,031	-	22,495
Foreign exchange losses	-	83,178	-	25,832
	<u>321,875</u>	<u>529,449</u>	<u>-</u>	<u>48,450</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(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 2022 and 2021:

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current year tax expense	58,885	10,376	-	-
Deferred income tax (Note 26)	206,222	26,270	-	-
	<u>265,107</u>	<u>36,646</u>	<u>-</u>	<u>-</u>

Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) before taxation	<u>731,016</u>	<u>757,511</u>	<u>(125,139)</u>	<u>(181,214)</u>
Tax calculated at 1%	(1,251)	(1,812)	(1,251)	(1,812)
Tax calculated at 25%	16,454	(7,650)	-	-
Tax calculated at 21%	166,134	(23,115)	-	-
Adjusted for the effects of:				
Income not subject to tax	(20,645)	(43,215)	-	-
Expenses not deductible for taxation purposes	107,850	113,073	1,208	995
Net effect of other charges and Allowances	<u>(3,435)</u>	<u>(635)</u>	<u>43</u>	<u>817</u>
Taxation expense	<u>265,107</u>	<u>36,646</u>	<u>-</u>	<u>-</u>

Tax losses available to the Company at 31 December 2022 for set-off against future taxable profits amount to approximately \$504,027,000 (2021 - \$403,409,000) and may be carried forward for up to 6 years. Additionally, one of the Group's subsidiaries, X Fund Properties LLC, has tax losses available for set-off against future profits of approximately \$115,887,000 (2021 - \$367,291,000) which will not expire.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

13. Earnings per Share

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

	2022	2021
	\$'000	\$'000
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	<u>\$0.21</u>	<u>\$0.17</u>
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	465,909	376,501
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

	The Company	
	2022	2021
	\$'000	\$'000
Shares in:		
X Fund Properties Limited	9,518,204	9,518,204
Jamziv (i)	<u>-</u>	<u>14,490,618</u>
	<u>9,518,204</u>	<u>24,008,822</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

14. Investment in Subsidiaries (Continued)

- (i) The wind up of Jamziv was completed in June 2022.

Jamviz Mobay Jamaica Portfolio Limited ("Jamziv") was wound up as at 13 June 2022. The details of the entity's net assets at liquidation date were as follows:

	2022
	\$'000
Assets	
Financial Investment	14,715,931
Cash resources	15
Net assets	<u>14,715,946</u>

The financial investment at liquidation was held with:

	2022
	\$'000
X Fund	7,630,863
X Fund Properties Limited	1,317,445
Non-controlling interest	5,767,623
	<u>14,715,931</u>

On liquidation the Group cancelled the promissory notes with all related parties resulting in no loss on liquidation.

The Company's loss on liquidation was calculated as follows:

	2022
	\$'000
Cancellation of promissory note	7,630,863
Less: Write-off of the Company's investment in subsidiary	<u>(14,490,618)</u>
Loss on liquidation	<u>(6,859,755)</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

15. Investment in Associated Company

On June 2, 2018, Sagicor Real Estate X Fund Limited, X Fund Properties Limited and Sagicor Sigma Global Funds, referred to thereafter as the “Sagicor Entities” entered a definitive agreement for a business combination with Playa. In exchange, Sagicor Entities received 20 million shares of Playa common stock and US\$100 million in cash.

Effective 15 January 2021, the Group disposed of its 14.87% (20,000,000 Ordinary Shares) equity interest in Playa Hotels and Resorts N.V. (Playa) for a net cash consideration of US\$96,000,000 (approximately J\$13,604,000,000).

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

	The Group	
	2022	2021
	\$'000	\$'000
Carrying value 1 January	-	15,844,877
Disposal of interest in associate (i)	-	(15,844,877)
Investment, end of year	-	-

(i) During 2021 Jamziv disposed of all its interest in Playa. The following table shows the breakout of the amounts recorded in the income statement.

	2022	2021
	\$'000	\$'000
Proceeds from sale of shares	-	13,604,064
Carrying value of the investment in associate deemed to be disposed of	-	(15,844,877)
Loss on sale of investment in associate	-	(2,240,813)
Items recorded in other comprehensive income recycled upon sale of investment in associate:		
Interest rate swap	-	(526,436)
Foreign currency translation adjustments	-	2,534,160
Total loss on disposal of investment in associate recorded in income statement	-	(233,089)

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

16. Property, Plant and Equipment

	The Group				Total
	Land & Buildings	Computer Equipment	Furniture, Fixtures & equipment	Capital Work in Progress	
	\$'000	\$'000	\$'000	\$'000	
Cost or Valuation					
At 1 January 2021	12,389,190	62,344	3,426,581	29,613	15,907,728
Additions	23,355	-	9,629	3,644	36,628
Disposals	(12,170)	-	(4,849)	(403)	(17,422)
Revaluation gain	2,032,808	-	-	-	2,032,808
Translation adjustment	845,777	-	283,053	2,559	1,131,389
At 31 December 2021	15,278,960	62,344	3,714,414	35,413	19,091,131
Additions	23,829	-	30,046	84,797	138,672
Revaluation gain	2,817,459	-	-	-	2,817,459
Translation adjustment	(398,525)	-	(71,800)	(1,926)	(472,251)
At 31 December 2022	17,721,723	62,344	3,672,660	118,284	21,575,011
Accumulated Depreciation-					
At 1 January 2021	1,559,319	62,344	1,724,107	1,099	3,346,869
Charges for the year	319,716	-	491,302	-	811,018
Translation adjustment	(181,347)	-	150,054	-	(31,293)
At 31 December 2021	1,697,688	62,344	2,365,463	1,099	4,126,594
Charges for the year	373,641	-	501,537	-	875,178
Translation adjustment	(146,835)	-	(53,316)	-	(200,151)
At 31 December 2022	1,924,494	62,344	2,813,684	1,099	4,801,621
Net Book Value -					
31 December 2022	15,797,229	-	858,976	117,185	16,773,390
31 December 2021	13,581,272	-	1,348,951	34,314	14,964,537

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

16. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, owner-managed hotels were independently revalued during the year by professional real estate valuers. The excess of the revaluation over the carrying value of these property, plant and equipment during the year, amounted to \$2,817,459,000 (2021 – \$2,032,808,000) and has been credited to fair value reserves. If the revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2022	2021
	\$'000	\$'000
Cost	15,040,371	15,156,842
Accumulated depreciation	(4,537,028)	(3,844,503)
Net book value	<u>10,503,343</u>	<u>11,312,339</u>
Carrying value of revalued assets	<u>16,773,390</u>	<u>14,964,537</u>

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

The units in the fund and values thereof are:

	The Group	
	Sigma Real Estate Portfolio	Sigma Real Estate Portfolio
	2022	2021
	Units	Units
UNITS		
Opening balance	401,919,798	401,919,798
Subscriptions	162,790,698	-
Closing balance	<u>564,710,496</u>	<u>401,919,798</u>

	The Group	
	Sigma Real Estate Portfolio	
	2022	2021
	\$'000	\$'000
VALUE		
Opening balance	868,146	783,743
Subscriptions	350,000	-
Changes in market value of investments	76,985	84,403
Closing balance	<u>1,295,131</u>	<u>868,146</u>
Value Per Unit	<u>2.29</u>	<u>2.16</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

18. Financial Investments

	The Group	
	2022	2021
	\$'000	\$'000
Financial assets at FVTPL -		
Government of Jamaica Bonds	322,736	171,430
Corporate bonds	2,826,747	-
Interest receivable	53,894	96,630
	<u>3,203,377</u>	<u>268,060</u>
Financial assets - Amoristed Cost		
Promissory Note	-	5,767,460
Short Term Deposit	-	3,078,400
	<u>-</u>	<u>8,845,860</u>
	<u>3,203,377</u>	<u>9,113,920</u>

Included in the above is pledged debt securities comprising Government of Jamaica 2024 bond with nominal value of \$25,000,000 (2021 - \$25,000,000) pledged with Jamaica Public Service as free of payment for Jewel Grande Montego Bay resorts and Spa.

19. Inventories

	The Group	
	2022	2021
	\$'000	\$'000
Beverage	9,861	27,882
Food	35,746	2,808
	<u>45,607</u>	<u>30,690</u>

20. Receivables

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade receivables	289,188	320,014	-	-
Less: Loss allowance	(1,115)	(5,472)	-	-
	<u>288,073</u>	<u>314,542</u>	<u>-</u>	<u>-</u>
Deposits	32,014	32,631	-	-
Prepayments	144,103	102,612	6,207	2,362
Due from related parties (Note 24 (c))	6,308	392,913	-	-
Withholding and other taxes	250,465	348,240	-	-
Income tax recoverable	81,700	91,086	-	-
Other receivables	39,146	21,654	-	-
	<u>841,809</u>	<u>1,303,678</u>	<u>6,207</u>	<u>2,362</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

21. Securities Purchased under Agreements to Resell

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Securities purchased under agreements to resell	2,970,811	2,887,139	580,845	697,729
Interest receivable	733	1,625	48	58
	<u>2,971,544</u>	<u>2,888,764</u>	<u>580,893</u>	<u>697,787</u>

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

	The Group		The Company	
	2022 %	2021 %	2022 %	2021 %
Jamaican dollar	7.8	4.2	7.5	4.2
United States dollar	3.0	1.5	3.0	1.5

22. Cash and Cash Equivalents

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash in hand	7,349	7,490	-	-
Cash at bank	3,516,211	2,136,857	5,784	6,020
Cash resources	3,523,560	2,144,347	5,784	6,020
Securities purchased under agreements to resell (with contractual maturity of 90 days)	2,939,537	2,795,413	580,845	697,729
Short term deposit	-	3,078,400	-	-
Restricted cash	(1,088,417)	(941,626)	-	-
Cash and cash equivalents	<u>5,374,680</u>	<u>7,076,534</u>	<u>586,629</u>	<u>703,749</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.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

22. Cash and Cash Equivalents (Continued)

Net Debt Reconciliation

The table below shows a reconciliation of liabilities to cash flows arising from financing activities. The amounts represent loans, excluding bank overdraft.

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
At the beginning of the year	7,184,608	9,546,283	7,630,863	2,969,419
Interest payable	(26,200)	(35,904)	-	(295,995)
	7,158,408	9,510,379	7,630,863	2,673,424
Drawdown, net of repayments	(151,979)	(2,986,424)	(7,630,863)	4,831,823
Interest payable	25,203	26,200	-	-
Amortisation of upfront fees	11,195	23,241	-	122
Amortisation of loan balance	(34,611)	(34,984)	-	-
Foreign currency translation	(132,683)	646,196	-	125,494
At the end of the year	6,875,533	7,184,608	-	7,630,863

23. Payables and Contract Liabilities

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
(a) Payables				
Trade	102,373	75,693	-	-
Accruals	328,182	234,202	32,291	12,571
Related parties (Note 24)	7,221	7,616	4,614	12,480
Withholding and other taxes	86,627	88,853	-	-
Other	4,927	29,077	-	-
	529,330	435,441	36,905	25,051
(b) Contract liabilities	145,388	140,540	-	-
	674,718	575,981	36,905	25,051

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

24. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Company and its parent company are provided with management services.

(a) Related party transactions

The following transactions were carried out with related parties:

(i) Revenue and interest income -

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Interest income -				
Affiliated company- Sagicor				
Investment Jamaica Limited	52,846	38,778	7,643	5,458
Affiliated company- Sagicor				
Bank Jamaica Limited	43	41	4	5
	<u>52,889</u>	<u>38,819</u>	<u>7,647</u>	<u>5,463</u>
Unrealized capital gains on units in				
Sagicor Sigma Global Funds				
– Sigma Real Estate Portfolio	76,985	84,403	-	-
	<u>76,985</u>	<u>84,403</u>	<u>-</u>	<u>-</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

24. Related Party Transactions and Balances (Continued)

(a) Related party transactions (continued)

The following transactions were carried out with related parties:

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
(ii) <i>Administration expenses, Management fees and interest expense</i>				
Administration and other operating expenses -				
Insurance expense -				
Sagicor Re Insurance Ltd.	3,526	2,725	2,290	1,776
	<u>3,526</u>	<u>2,725</u>	<u>2,290</u>	<u>1,776</u>
Interest expense -				
Sagicor Re Insurance Limited	-	11,516	-	-
Sagicor Sigma Global Funds	-	1,284	-	-
Sagicor Pooled Pension Funds	-	52,780	-	-
X Fund Properties Limited	-	-	-	16,814
	<u>-</u>	<u>65,580</u>	<u>-</u>	<u>16,814</u>
Management Fees -				
Sagicor Property Services Limited	43,141	-	43,141	-
Professional Fees -				
Sagicor Group Jamaica Limited	35,033	-	35,033	-
	<u>81,700</u>	<u>68,305</u>	<u>80,464</u>	<u>18,590</u>

(b) Key management compensation

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Salaries	141,731	106,493	-	-
Payroll taxes – employer's portion	8,680	7,148	-	-
Other	25,256	13,145	-	-
	<u>175,667</u>	<u>126,786</u>	<u>-</u>	<u>-</u>
Directors' emoluments –				
Fees	13,853	14,818	13,853	14,818
	<u>13,853</u>	<u>14,818</u>	<u>13,853</u>	<u>14,818</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

24. 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
(i) Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	1,295,131	868,146	-	-
(ii) Cash and cash equivalents - Sagicor Bank Jamaica Limited	19,924	28,877	5,784	6,020
(iii) Securities purchased under agreement to resell - Affiliated company - Sagicor Investment Jamaica Limited	2,971,544	2,888,764	580,693	697,787
(v) Promissory Notes Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	-	5,767,460	-	-
(vi) Receivable from related parties - Sagicor Group Jamaica Limited	6,308	6,308	-	-
Jewel Grande Montego Bay Resort and Spa	-	237,542	-	-
Proprietor Strata Plan#2446	-	149,063	-	-
	6,308	392,913	-	-
(vii) Payable to related parties - Sagicor Life Jamaica Limited	7,221	3,912	2,862	3,912
Sagicor Sigma Global Funds - Sigma Real Estate Portfolio	-	3,704	-	3,704
X Fund Properties Limited	-	-	1,752	4,864
	7,221	7,616	4,614	12,480
(viii) Borrowings from related parties Jamziv	-	-	-	7,630,863
	-	-	-	7,630,863

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

25. Borrowings

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Wells Fargo/Goldman Sachs Loan (i)	6,773,602	7,046,080	-	-
Hilton Franchise Holding LLC (ii)	101,931	138,528	-	-
Promissory Notes -				
Jamziv (iii)	-	-	-	7,630,863
	6,875,533	7,184,608	-	7,630,863
Less current portion of borrowings	(66,467)	(202,190)	-	(7,630,863)
Total long-term borrowings	6,809,066	6,982,418	-	-

i) 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 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. The Group was compliant at year end.

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

iii) This represents unsecured borrowings at 0% interest rate per annum. The loan was liquidated in 2022.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

26. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate for years 2022 and 2021 of 1% for Sagicor Real Estate X Fund Limited, 25% for X Fund Properties Limited and 21% for X Fund Properties LLC.

	<u>The Group</u>		<u>The Company</u>	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Deferred income taxes	<u>(1,970,735)</u>	<u>(1,197,169)</u>	<u>744</u>	<u>744</u>

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

	<u>The Group</u>		<u>The Company</u>	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Balance at start of year	(1,197,169)	(667,289)	744	744
Charged to the statement of comprehensive income – (Note 12)	(206,222)	(26,270)	-	-
Revaluation of properties	(594,042)	(426,890)	-	-
Effect of exchange rate translation	<u>26,698</u>	<u>(76,720)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>(1,970,735)</u>	<u>(1,197,169)</u>	<u>744</u>	<u>744</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

26. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Deferred tax assets -				
Tax losses unused	116,853	368,256	966	966
Unrealised foreign currency losses/(gains)	9,860	13,258	(112)	(112)
Accrued vacation	14,655	14,499	-	-
Provisions	283	1,378	-	-
Deferred tax liabilities -				
Property plant and equipment	(2,024,946)	(1,518,679)	-	-
Interest receivable	(13,642)	(21,329)	-	-
Unrealised revaluation gains on investments	(73,798)	(54,552)	(110)	(110)
Net deferred tax (liabilities)/assets	<u>(1,970,735)</u>	<u>(1,197,169)</u>	<u>744</u>	<u>744</u>

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

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	116,853	368,256	744	744
Deferred tax liabilities to be recovered after more than 12 months	<u>(2,087,588)</u>	<u>(1,565,425)</u>	<u>-</u>	<u>-</u>

27. Share Capital

	2022	2021
	'000	'000
Authorised:		
5,000,000,000 ordinary shares	5,000,000	5,000,000
1 special rights redeemable preference share	1	1
	<u>5,000,001</u>	<u>5,000,001</u>
	2022	2021
	\$'000	\$'000
Issued and fully paid -		
2,243,005,125 (2021 - 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

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

28. Dividend

No dividend payments during the year.

29. (a) Fair Value and Other Reserves

These comprise:

	The Group	
	2022	2021
	\$'000	\$'000
Balance as at start of the year	2,540,136	708,789
Fair value gains on property plant and equipment	2,223,417	1,605,919
Share of other comprehensive income of associated companies	-	320,142
Transferred to retained earnings	-	(94,714)
Balance at end of the year	<u>4,763,553</u>	<u>2,540,136</u>

Fair value gains for the Group are shown net of deferred taxes with respect to revaluation adjustments to property, plant and equipment.

(b) Currency Translation Reserve

	The Group	
	2022	2021
	\$'000	\$'000
Balance as at start of the year	2,067,643	2,949,762
Re-translation of foreign operations	(174,725)	(882,119)
Balance at end of the year	<u>1,892,918</u>	<u>2,067,643</u>

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity.

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

30. Net Profit/(Loss) and Retained Earnings

	2022	2021
	\$'000	\$'000
(i) Net (loss)/profit dealt with in the financial statements of:		
The Company	(6,984,894)	(181,214)
Wind up of Jamziv	6,859,755	-
The subsidiaries	591,048	902,079
	<u>465,909</u>	<u>720,865</u>
(ii) (Accumulated deficit)/Retained earnings reflected in the financial statements of:		
The Company	(2,567,586)	4,417,309
The subsidiaries	2,372,828	(5,077,976)
	<u>(194,758)</u>	<u>(660,667)</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Instruments

	The Group		The Company	
	2022	2021	2022	2021
(a) Financial assets				
Financial assets at fair value through profit and Loss	3,203,377	268,060	-	-
Financial assets at amortised cost -				
Promissory Note	-	5,767,460	-	-
Short term deposit	-	3,078,400	-	-
Receivables	288,073	314,542	-	-
Related parties	6,308	392,913	-	-
Securities purchased under agreements to resell	2,971,544	2,888,764	580,893	697,787
Cash resources	3,516,211	2,136,857	5,784	6,020
	<u>6,782,136</u>	<u>14,578,936</u>	<u>586,677</u>	<u>703,807</u>
	<u>9,985,513</u>	<u>14,846,996</u>	<u>586,677</u>	<u>703,807</u>
(b) Financial liabilities				
Financial liabilities at amortised cost -				
Payables	435,482	338,972	32,291	12,571
Borrowings	6,803,010	7,087,298	-	7,630,863
Related parties	7,221	7,616	4,614	12,480
	<u>7,245,713</u>	<u>7,433,886</u>	<u>36,905</u>	<u>7,655,914</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	
	2022	2021	2022	2021
Fair value through profit or loss:				
Interest income	227,501	108,735	-	2,032
Net capital gains on units in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	76,985	84,403	-	-
Net capital losses on other investment securities	(205,445)	(12,604)	-	-
Net foreign exchange (loss)/gain	(109,803)	1,122,045	(11,901)	(91,306)
	<u>(10,762)</u>	<u>1,302,579</u>	<u>(11,901)</u>	<u>(89,274)</u>
Amortised cost:				
Interest income	52,889	38,819	7,647	5,463
Net impairment losses on financial assets	-	299	-	-
Finance costs	(321,875)	(529,449)	-	(48,450)
	<u>(268,986)</u>	<u>(490,331)</u>	<u>7,647</u>	<u>(42,987)</u>

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

32. Non-Controlling Interests

Summarised financial information on subsidiaries with material non-controlling interests

The Group has 60.81% controlling interest of Jamziv. The non-controlling interests represent the share of net assets and net profit not attributed to the Group.

Effective June 2022, the Group completed the wind up of Jamziv.

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

Summarised income statement for the period 2022 and 2021

	Jamziv Mobay Jamaica Portfolio Limited	
	2022	2021
	\$'000	\$'000
Total comprehensive income for the period	-	878,778
Other comprehensive income/(loss) -		
Share relating to entity other than the Group	-	39.19%
Non-controlling interests share of:		
Net profit for the period	-	344,364
Other comprehensive loss	-	(786,760)
	-	(442,396)

Summarised balance sheet as at year end:

	The Group	
	2022	2021
	\$'000	\$'000
Current		
Assets	-	14
Total current net assets	-	14
Non-current		
Assets	-	14,717,053
Total non-current net assets	-	14,717,053
Net assets	-	14,717,067
	-	39.19%
Non-controlling interests	-	5,767,623

Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

33. Consolidated Cash Flows from Operating Activities

Cash Flows from Operating Activities	Note	2022 \$'000	2021 \$'000
Net profit		465,909	720,865
Adjustments for:			
Depreciation	16	875,178	811,018
Interest income	8	(280,390)	(147,554)
Fair value gains on units held in Sagicor Sigma Global Funds – Sigma Real Estate Portfolio	8	(76,985)	(84,403)
Fair value losses on other financial investments	8	205,445	12,604
Effect of exchange losses/(gains) on foreign currency balances		86,706	(1,089,295)
Taxation expense	12	265,107	36,646
Amortisation of franchise fees		2,413	2,291
Finance costs	11	321,875	529,449
Loss on disposal of property, plant and equipment		-	17,422
Loss on sale of interest in associate	15(a)	-	233,089
		<u>1,865,258</u>	<u>1,042,132</u>
Changes in operating activities:			
Inventories		(15,732)	(970)
Receivables		435,887	(236,134)
Payables		<u>115,207</u>	<u>159,440</u>
Cash provided by operating activities		535,362	964,468
Income tax paid		<u>(19,848)</u>	-
Net cash provided by operating activities		<u><u>2,380,772</u></u>	<u><u>964,468</u></u>

34. Commitments and Contingencies

The Group entered into a Franchise Agreement with Hilton on September 10, 2015. This agreement will expire September 30, 2025. Under this agreement the Group is obligated to pay royalty fees to Hilton of between 4% and 5% of gross room revenue, and fees for marketing, reservations, and other related activities of 4% of gross room revenue. Franchise costs incurred under this agreement were \$788,602,000 (2021 – \$405,023,000).

The Group is also required to make capital improvements to satisfy the franchisor's brand standards. In addition, under certain loan covenants the Group is obligated to fund a restricted account for the ongoing replacement of furniture, fixtures and equipment at the hotel. During the year the amount reserved totalled \$183,680,000 (2021- \$248,028,000).



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