

**Sagicor Real Estate X Fund Limited**

**Financial Statements**

**31 December 2015**

**(expressed in thousands of Jamaican dollars)**

# Sagicor Real Estate X Fund Limited

Index

31 December 2015

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## **Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of **Sagicor Real Estate X Fund Limited** and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying financial statements of **Sagicor Real Estate X Fund Limited** standing alone, which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### ***Management's responsibility for the consolidated and company stand alone financial statements***

Management is responsible for the preparation and fair presentation of these consolidated and company 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 company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated and company stand alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and company stand alone financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand alone financial statements.

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*Registered office: PricewaterhouseCoopers East Caribbean, 20 Micoud Street, Castries, St. Lucia, West Indies*

*Head office: PricewaterhouseCoopers East Caribbean, The Financial Services Centre, Bishop's Court Hill,  
P.O. Box 111, St. Michael, BB14004, Barbados, West Indies  
T: +(246) 626-6700, F: +(246) 436-1275 [www.pwc.com/bb](http://www.pwc.com/bb)*

A full listing of the partners of PricewaterhouseCoopers East Caribbean Firm is available upon request from the Head office. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



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

***Opinion***

In our opinion, the consolidated financial statements of **Sagicor Real Estate X Fund Limited** and its subsidiaries, and the financial statements of **Sagicor Real Estate X Fund Limited** standing alone present fairly, in all material respects, the financial position of **Sagicor Real Estate X Fund Limited** and its subsidiaries, and the financial position of **Sagicor Real Estate X Fund Limited** standing alone as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
15 March 2016

# Sagicor Real Estate X Fund Limited

## Consolidated Statement of Comprehensive Income

### 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Revenue:</b>			
Interest income	7	19,435	5,637
Net capital gains on financial assets and liabilities	7	1,022,176	957,141
Hotel revenue	7	5,570,529	-
Total revenue		<u>6,612,140</u>	<u>962,778</u>
<b>Expenses:</b>			
Direct expenses	8(a)	(1,998,624)	-
Administrative and other operating expenses	8(b)	<u>(2,384,278)</u>	<u>-</u>
<b>Operating Expenses</b>		<u>(4,382,902)</u>	<u>-</u>
Finance costs	11	<u>(764,089)</u>	<u>(22,395)</u>
<b>Profit before tax</b>		1,465,149	940,383
<b>Taxation</b>	12	<u>(167,754)</u>	<u>(18,896)</u>
<b>Net Profit</b>		1,297,395	921,487
<b>Other Comprehensive Income, net of taxes -</b>			
<b>Items that may be subsequently reclassified to profit or loss –</b>			
Re-translation of foreign operation		<u>82,684</u>	<u>-</u>
Total other income recognised directly in shareholders' equity, net of taxes		<u>82,684</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<u>1,380,079</u>	<u>921,487</u>
<b>Earnings per stock unit for profit attributable to the stockholders of the company during the period:</b>			
Basic and fully diluted (as originally reported)	13	\$0.75	\$0.62
Basic and fully diluted (restated for rights issue)		<u>\$0.75</u>	<u>\$0.59</u>

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

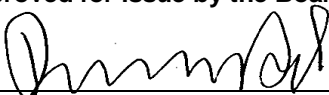
## Consolidated Statement of Financial Position


31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	14	19,395,729	-
Investment in Sigma Global Fund - Real Estate Portfolio	16	10,726,225	9,403,194
Financial investments	17	105,650	74,738
		<u>30,227,604</u>	<u>9,477,932</u>
<b>Current Assets</b>			
Inventories	18	98,005	-
Receivables	19	698,904	1,956,069
Securities purchased under agreement to resell	21	438,507	2,784,912
Cash resources	22	2,396,101	-
		<u>3,631,517</u>	<u>4,740,981</u>
<b>Current Liabilities</b>			
Bank overdraft	22	36	-
Payables	23	954,275	-
Borrowings	24	5,422,647	22,599
Taxation payable		48	28
		<u>6,377,006</u>	<u>22,647</u>
<b>Net Current (Liabilities)/Assets</b>		<u>(2,745,489)</u>	<u>4,718,334</u>
		<u>27,482,115</u>	<u>14,196,266</u>
<b>Stockholders' Equity</b>			
Share capital	25	12,642,512	7,476,016
Currency translation reserve		82,684	-
Retained earnings	27	2,921,769	1,863,628
		<u>15,646,965</u>	<u>9,339,644</u>
<b>Non-Current Liabilities</b>			
Borrowings	24	11,648,564	4,837,775
Deferred income taxes	28	186,586	18,847
		<u>11,835,150</u>	<u>4,856,622</u>
		<u>27,482,115</u>	<u>14,196,266</u>

Approved for issue by the Board of Directors on March 11, 2016 and signed on its behalf by:

  
Richard Byles Director

  
Rohan Miller Director

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

## Sagicor Real Estate X Fund Limited

### Consolidated Statement of Changes in Shareholders' Equity

For year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Currency Translation Reserve \$'000	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2013		-	7,476,016	942,141	8,418,157
Net profit, being total comprehensive income for the year		-	-	921,487	921,487
<b>Balance at 31 December 2014</b>		-	7,476,016	1,863,628	9,339,644
Net profit for the year		-	-	1,297,395	1,297,395
Re-translation of foreign operations		82,684	-	-	82,684
Total comprehensive income		82,684	-	1,297,395	1,380,079
Transaction with owners:-					
Shares issued during the year	25	-	5,166,496	-	5,166,496
Dividends paid	26	-	-	(239,254)	(239,254)
<b>Balance at 31 December 2015</b>		<u>82,684</u>	<u>12,642,512</u>	<u>2,921,769</u>	<u>15,646,965</u>

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Net cash provided by operating activities	29	1,777,907	6,002
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	14	(868,756)	-
Acquisition of hotels, net of cash acquired	31	(16,915,281)	-
Purchase of investments		(6,050,923)	(2,699,253)
Sale of investments		8,553,905	108,400
Restricted cash		(1,656,597)	-
Deposit on hotel being acquired		-	(1,931,076)
Interest received		15,483	4,173
Net cash used in investing activities		<u>(16,922,169)</u>	<u>(4,517,756)</u>
<b>Cash Flows from Financing Activities</b>			
Interest paid		(564,715)	-
Borrowings		11,669,370	4,761,431
Borrowings costs paid		(58,354)	-
Ordinary shares issued	25	5,166,496	-
Dividends paid	26	<u>(239,254)</u>	<u>-</u>
Net provided by investing activities		<u>15,973,543</u>	<u>4,761,431</u>
Increase in cash and cash equivalents		829,281	249,677
Effect of exchange gains on cash and cash equivalents		1,219	(9,042)
Cash and cash equivalents at beginning of year		<u>240,635</u>	<u>-</u>
<b>Cash and Cash Equivalents at year end</b>	<b>22</b>	<b><u>1,071,135</u></b>	<b><u>240,635</u></b>

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.



# Sagicor Real Estate X Fund Limited

## Company Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

		2015	2014
		\$'000	\$'000
<b>Revenue:</b>			
Interest income	8	8,269	5,428
Net capital gains on financial assets and liabilities	8	1,058,612	957,141
Dividends from subsidiary	26	<u>239,254</u>	<u>-</u>
		1,306,135	962,569
Finance costs	11	<u>(271,493)</u>	<u>(22,395)</u>
<b>Profit before tax</b>		1,034,642	940,174
<b>Taxation</b>	12	<u>(7,933)</u>	<u>(18,844)</u>
<b>Net Profit , being total Comprehensive Income</b>		<u>1,026,709</u>	<u>921,330</u>
<b>Earnings per stock unit for profit attributable to the stockholders of the company during the period:</b>			
Basic and fully diluted (as originally reported)	13	<u>\$0.75</u>	<u>\$0.62</u>
Basic and fully diluted (restated for rights issue)		<u><u>\$0.75</u></u>	<u><u>\$0.59</u></u>

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

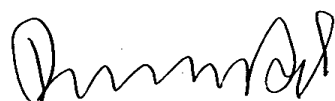
Company Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Non-Current Assets</b>			
Investment in subsidiary	15	9,518,204	4,804,380
Investment in Sigma Real Estate Portfolio	16	10,726,225	9,403,194
Financial investments	17	79,038	74,738
		<u>20,323,467</u>	<u>14,282,312</u>
<b>Current Assets</b>			
Receivables	19	17,456	-
Securities purchased under agreement to resell	21	103,241	240,635
Cash resources	22	57	-
		<u>120,754</u>	<u>240,635</u>
<b>Current Liabilities</b>			
Bank overdraft	22	36	-
Payables	23	7,598	304,243
Borrowings	24	5,116,373	22,599
Taxation payable		48	48
		<u>5,124,055</u>	<u>326,890</u>
<b>Net Current Liabilities</b>		<u>(5,003,301)</u>	<u>(86,255)</u>
		<u>15,320,166</u>	<u>14,196,057</u>
<b>Shareholders' Equity</b>			
Share capital	25	12,642,512	7,476,016
Retained earnings	27	2,650,926	1,863,471
		<u>15,293,438</u>	<u>9,339,487</u>
<b>Non-Current Liabilities</b>			
Borrowings	24	-	4,837,775
Deferred income taxes	28	26,728	18,795
		<u>26,728</u>	<u>4,856,570</u>
		<u>15,320,166</u>	<u>14,196,057</u>

Approved for issue by the Board of Directors on March 11, 2016 and signed on its behalf by:



Richard Byles

Director



Rohan Miller

Director

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

## Sagicor Real Estate X Fund Limited

### Company Statement of Changes in Shareholders' Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2013		7,476,016	942,141	8,418,157
Net profit, being total comprehensive income for the year		-	921,330	921,330
<b>Balance at 31 December 2014</b>		7,476,016	1,863,471	9,339,487
Net profit, being total comprehensive income for the year		-	1,026,709	1,026,709
Transaction with owners:-				
Shares issued during the year	25	5,166,496	-	5,166,496
Dividends paid	26	-	(239,254)	(239,254)
<b>Balance at 31 December 2015</b>		12,642,512	2,650,926	15,293,438

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

## Company Statement of Cash Flows

As at 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit for the year		1,026,709	921,330
Items not affecting cash:			
Interest income		(8,269)	(5,428)
Finance cost		271,493	22,395
Income tax expense		7,933	18,844
Effect of exchange losses on foreign currency balances		264,635	-
Fair value gain on units held in Sagicor Sigma Funds		(1,323,031)	(985,038)
Fair value (gain)/loss on other financial investments		(596)	340
Loss on revaluation of loan payable		-	33,559
		<u>238,874</u>	<u>6,002</u>
Change in operating liabilities:			
Receivables		(17,456)	-
Payables		<u>(296,645)</u>	<u>352,178</u>
Net cash (used in)/provided by operating activities		<u>(75,227)</u>	<u>358,180</u>
<b>Cash Flows from Investing Activities</b>			
Investment in subsidiary	15	(4,713,824)	(4,804,380)
Purchase of investments		(5,300,905)	(2,699,253)
Sale of investments		5,289,229	2,626,105
Interest received		<u>8,221</u>	<u>4,173</u>
Net cash used in investing activities		<u>(4,717,279)</u>	<u>(4,873,355)</u>
<b>Cash Flows from Financing Activities</b>			
Interest paid		(272,646)	-
Borrowings		-	4,761,431
Ordinary shares issued	25	5,166,496	-
Dividends paid	26	<u>(239,254)</u>	<u>-</u>
Net provided by investing activities		<u>4,654,596</u>	<u>4,761,431</u>
(Decrease)/increase in cash and cash equivalents		<u>(137,910)</u>	<u>246,256</u>
Effect of exchange gains on cash and cash equivalents		381	(5,621)
Cash and cash equivalents at beginning of year		<u>240,635</u>	<u>-</u>
<b>Cash and Cash Equivalents at year end</b>	22	<u><u>103,106</u></u>	<u><u>240,635</u></u>

The accompanying notes on pages 9 to 59 form an integral part of these financial statements.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 1. Identification and Principal Activities

- (a) 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, 2014, the company changed its name to Sagicor Real Estate X Fund Limited ("X Fund").

The company is 52.2% owned by the Sagicor Pooled Pension Funds Limited, which is administered by Sagicor Life Jamaica Limited (SLJ). Sagicor Group Jamaica Limited owns 21.1% of the company and Sagicor Real Estate Fund owns 8.2%.

One of the primary investment of the company is units in the Sagicor Sigma Real Estate Fund. The fund manager for Sagicor Sigma Real Estate Fund is Sagicor Investments Jamaica Limited (SIJL), which is a wholly owned subsidiary of Sagicor Group Jamaica Limited, the immediate parent of both SLJ and SIJL.

The company's main business activity is to invest in real estate activities.

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

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

- (b) Rights Issue

On July 23, 2015, the company announced the intention to make a Non-Renounceable Rights Issue. The aim of the Rights Issue was to raise approximately J\$4,157,036,165 to fund the purchase of the DoubleTree by Hilton at the Entrance to Universal Studios, Orlando, Florida, USA. The company offered 598,134,700 new Ordinary Shares at J\$6.95 per New Ordinary Share. This issue price represented a discount of approximately:

1. 13.45% to the Closing Price on the Jamaica Stock Exchange (JSE) of the Company's shares on July 31, 2015
2. 18.24% to the highest price of J\$8.50 at which the Company's shares have traded.

The Rights Issue was made on the basis of two new Ordinary Shares for every five existing Ordinary Shares held by shareholders at the close of business day on August 17, 2015. Due to the overwhelming demand from shareholders, the offer was up-sized and a further 149,533,675 New Ordinary shares were released. The company raised approximately J\$5,196,295,206 before expenses.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 1. Identification and Principal Activities (Continued)

### (c) Acquisitions

- i) On 30 September 2014, Rose Hall Associates Limited Partnership (Owner), Rose Hall Operating Lessee L.L.C (Seller) and Sagicor Life Jamaica Limited as Managing Agent for The Sagicor Sigma Funds, a Unit Trust registered under the Securities (Collective Investment Schemes) Regulations 2013 (together with its permitted assignee and/or nominee) (collectively as the Buyer) entered into an agreement to sell and purchase real estate (including land, the hotel known as Hilton Rose Hall Resort and Spa, improvement and fixtures), owned equipment and personal property along with tenant leases, contracts & equipment leases, licenses, permits and intangibles. Under the terms of the sale and purchase, the nominee, X Fund Properties Limited was registered as the owner on transfer of the property. The purchase of the hotel by X Fund Properties Limited, a wholly owned subsidiary of Sagicor Real Estate X Fund, was finalized in January 2015 for a purchase price of US\$85,500,000. See Note 31 for further details.
- ii) On June 25, 2015 Meristar Sub SG, LP (Owner) and X Fund Properties Limited (together with its permitted assignee and/or nominee) (collectively as the Buyer) entered into an agreement to sell and purchase real estate (including land, building and other improvements) known as DoubleTree by Hilton at the Entrance to Universal Orlando, owned equipment and personal property. Under the terms of the sale and purchase, the nominee, X Fund Properties LLC is the owner of the property. The purchase of the hotel was finalized in September 2015 for a purchase price \$75,000,000. See Note 31 for further details.

- (d) The company's subsidiaries which together with the Company are referred to as "the Group". Details of the subsidiaries are as follows:

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
X Fund Properties Limited	Jamaica	Hotel	100	100	Nil
X Fund Properties LLC	USA	Hotel	100	100	Nil

- (e) The group entered into a property management agreement with Ambridge Hospitality LLC to manage the hotel properties, Hilton Rose Hall Resort & Spa and DoubleTree Orlando. The property management agreement has an initial term of five years and may be extended or shortened in accordance with the property management agreement. The management agreement may be terminated prior to the expiration of the initial term upon the sale of the hotels to a bona fide third party purchaser, an event of default as defined in the property management agreement, or if a predetermined performance standard is not satisfied. Ambridge Hospitality LLC is entitled to receive a base management fee equal to 2.18% of total operating revenues, as defined. For the year ended 31 December 2015 the Group recognized property management fees of \$135,735,000.

The Group reimburses Ambridge for expenses incurred relating to hotel operations. For the year ended 31 December 2015, the Group incurred reimbursable expenses of \$102,409,000.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies

### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance 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 amendments and clarifications to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new amendments and clarifications and has put into effect the following, which are immediately relevant to its operations.

- Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles, effective for periods beginning on or after 1 July 2014. There was no impact from adoption of these amendments and clarifications.

#### ***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 a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2016 and replaces IAS 17, 'Leases'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from Contracts with Customers'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

- Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.
- Amendments to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the parent company.



# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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

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

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

- Annual Improvements 2014, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of future adoption of the amendments on its financial statements.
- Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Group is currently assessing the impact of future adoption of the amendments on its financial statement.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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Notes to the Financial Statements

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

### (b) Basis of consolidation

#### Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity.

Investments in subsidiaries are stated in the company's financial statements initially at cost less impairment. They are subsequently measured at fair value.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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

### (c) Foreign currency translation

#### (i) Functional and presentation currency

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

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

#### (ii) Transactions and balances

Foreign currency transactions or 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

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

### (d) Revenue recognition

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

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

- (i) Sales of services  
Sale of service generated from hotel and other operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- (ii) Sale of goods  
Sale of goods, mainly from gift shops is recognised when products are sold to customers. Sales are usually in cash or by credit card.
- (iii) Interest income  
Interest income is recognised using the effective interest method.
- (iv) Gain or loss on sale of investment  
Gain or loss on the disposal or maturity of investment, is determined by comparing sale proceeds with the carrying amount of the investment. This amount is recognised in the income and expenditure.

### (e) Taxation

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

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at year end.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Sagicor Real Estate X Fund Limited

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

### (f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash on hand and deposits held at bank less bank overdrafts and restricted cash.

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

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

### (h) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets in this category are acquired principally for selling in the short term. Assets in this category are classified as current assets if expected to be settled with 12 months, otherwise they are classified as non-current.

#### **Recognition and measurement**

Regular purchases and sales of financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction cost is expensed in the statement of comprehensive income. Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net capital gains on investment securities' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other statement of comprehensive income when the Group right to receive payment is established.

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

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

### (i) Inventories

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

### (j) Trade receivables

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

### (k) Property, plant and equipment

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

Increases in the carrying values arising from the revaluations are credited to capital 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 capital reserve and will not be available for offsetting against future revaluation losses. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of position date.

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

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 2. Significant Accounting Policies (Continued)

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

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

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

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

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

### (l) 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.

### (m) 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.

### (n) Trade payables

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

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## 2. Significant Accounting Policies (Continued)

### (o) Borrowings

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

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

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

### (p) 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.

### (q) Dividends

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



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Notes to the Financial Statements

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

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

#### **Income taxes**

The group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. The company 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.

#### **Purchase price allocation of a business combination**

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

As prescribed by IFRS 3 (revised), if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination is effected, the acquirer must account for the business combination using those provisional values and has a twelve month period from the acquisition date to complete the purchase price allocation. Any adjustment of the carrying amount of an identifiable asset or liability made as a result of completing the initial accounting is accounted for as if its fair value at the acquisition date had been recognised from that date. The purchase price allocation for the acquisitions of DoubleTree Hotel and Hilton Rose Hall Resort and Spa have been provisionally determined as described in Note 31.

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## 4. Financial Risk Management

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

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

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

### (a) Credit risk

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

#### Credit review process

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

#### (i) Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### ii) Receivables

The Group exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Finance Department assesses the credit worthiness of customers prior to the Group offering them a credit facility.

Customer credit risk are monitored according to their credit characteristics such as whether it is an individual or company, geographic location, industry, aging profile, and previous financial difficulties. Receivables consist primarily of \$668,974,740 due to the Group's hotel operations.

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

# Sagicor Real Estate X Fund Limited

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## 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:

	Group		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Trade receivables	448,270	-	-	-
Other receivable	43,403	-	-	-
Due from related parties	20,378	-	17,456	-
Financial Investments	105,650	74,738	79,038	74,738
Cash and cash equivalent (excluding cash on hand)	2,391,171	-	57	-
Securities purchased under agreement to resell	438,507	240,635	103,241	240,635
	<u>3,447,379</u>	<u>315,373</u>	<u>199,792</u>	<u>315,373</u>

i) Ageing analysis of trade receivables that are past due but not impaired

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

	Group		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
1 to 30 days past due	369,285	-	-	-
31 to 60 days past due	63,404	-	-	-
Over 60 days past due	15,581	-	-	-
	<u>448,270</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 4. Financial Risk Management (Continued)

### (a) Credit risk (continued)

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

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

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
At 1 January				
Provision for receivables impairment	25,411	-	-	-
	25,411	-	-	-
	25,411	-	-	-

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

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

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## 4. Financial Risk Management (Continued)

### (b) Liquidity risk

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

#### *Liquidity risk management process*

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

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

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates

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

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

	<b>The Group</b>				
	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>31 December 2015</b>					
Borrowings	452,675	5,760,378	3,143,443	23,289,714	32,646,210
Bank overdraft	36	-	-	-	36
Payables	954,275	-	-	-	954,275
	<b>1,406,986</b>	<b>5,760,378</b>	<b>3,143,443</b>	<b>23,289,714</b>	<b>33,600,521</b>
	<b>The Company</b>				
	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>31 December 2015</b>					
Borrowings	69,064	5,163,183	-	-	5,232,247
Bank overdraft	36	-	-	-	36
Payables	7,598	-	-	-	7,598
	<b>76,698</b>	<b>5,163,183</b>	<b>-</b>	<b>-</b>	<b>5,239,881</b>

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## 4. Financial Risk Management (Continued)

### (b) Liquidity risk (Continued)

	The Group				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2014	\$000	\$000	\$000	\$000	\$000
Borrowings	65,608	200,470	4,970,450	-	5,236,528

	The Company				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
31 December 2014	\$000	\$000	\$000	\$000	\$000
Borrowings	65,608	200,470	4,970,450	-	5,236,528
Payables	304,243	-	-	-	304,243
	369,851	200,470	4,970,450	-	5,540,771

### (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.

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## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

Concentration of currency risk

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

	<b>The Group</b>		
	<b>2015</b>		
	<b>J\$</b>	<b>US\$</b>	<b>Total</b>
	<b>J\$'000</b>	<b>J\$'000</b>	<b>J\$'000</b>
<b>Financial Assets</b>			
Securities purchased under agreement to resell	84,770	353,737	438,507
Financial investments	26,612	79,038	105,650
Investment in Sigma Real Estate Portfolio	10,726,225	-	10,726,225
Cash resources	95,988	2,300,113	2,396,101
Receivables	91,663	607,241	698,904
<b>Total financial assets</b>	<b>11,025,258</b>	<b>3,340,129</b>	<b>14,365,387</b>
<b>Financial Liabilities</b>			
Borrowings	4,036,882	13,034,329	17,071,211
Bank overdraft	36	-	36
Payables	344,659	609,616	954,275
<b>Total financial liabilities</b>	<b>4,381,577</b>	<b>13,643,945</b>	<b>18,025,522</b>
<b>Net financial position</b>	<b>6,643,681</b>	<b>(10,303,816)</b>	<b>(3,660,135)</b>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

	The Company		
	2015		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Securities purchased under agreement to resell	1,051	102,190	103,241
Financial investments	-	79,038	79,038
Investment in Sigma Real Estate Portfolio	10,726,225	-	10,726,225
Cash resources	18	39	57
Receivables	16,925	531	17,456
<b>Non-financial asset :</b>			
Investment in subsidiary	-	9,518,204	9,518,204
<b>Total assets</b>	<b>10,744,219</b>	<b>9,700,002</b>	<b>20,444,221</b>
<b>Financial Liabilities</b>			
Borrowings	-	5,116,373	5,116,373
Bank overdraft	36	-	36
Payables	7,598	-	7,598
<b>Total financial liabilities</b>	<b>7,634</b>	<b>5,116,373</b>	<b>5,124,007</b>
<b>Net financial position</b>	<b>10,736,585</b>	<b>4,583,629</b>	<b>15,320,214</b>



# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

	The Group		
	2014		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Securities purchased under agreement to resell	198,357	2,585,555	2,784,912
Financial investments	-	74,738	74,738
Investment in Sigma Real Estate Portfolio	9,403,194	-	9,403,194
Receivables	-	1,956,069	1,956,069
<b>Total financial assets</b>	<b>9,601,551</b>	<b>4,617,362</b>	<b>14,218,913</b>
<b>Financial Liabilities</b>			
Borrowings	-	4,860,374	4,860,374
<b>Total financial liabilities</b>	<b>-</b>	<b>4,860,374</b>	<b>4,860,374</b>
<b>Net financial position</b>	<b>9,601,551</b>	<b>(243,012)</b>	<b>9,358,539</b>

	The Company		
	2014		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Securities purchased under agreement to resell	198,357	42,278	240,635
Financial investments	-	74,738	74,738
Investment in Sigma Real Estate Portfolio	9,403,194	-	9,403,194
<b>Non-financial asset :</b>			
Investment in subsidiary	-	4,804,380	4,804,380
<b>Total assets</b>	<b>9,601,551</b>	<b>4,921,396</b>	<b>14,522,947</b>
<b>Financial Liabilities</b>			
Borrowings	-	4,860,374	4,860,374
Payables	-	304,243	304,243
<b>Total financial liabilities</b>	<b>-</b>	<b>5,164,617</b>	<b>5,164,617</b>
<b>Net financial position</b>	<b>9,601,551</b>	<b>(243,221)</b>	<b>9,358,330</b>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

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

##### *Foreign currency sensitivity*

The following table indicates the currencies to which the group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar denominated receivables, trade payables, borrowings, group balances, investment securities and cash and cash equivalent balances.

		<b>The Group</b>			
		<b>Change in Currency Rate</b>	<b>Effect on Pre-tax Profit</b>	<b>Change in Currency Rate</b>	<b>Effect on Pre-tax Profit</b>
		<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
		<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>
<b>Currency:</b>					
USD					
	Revaluation	1	103,038	1	2,430
	Devaluation	10	(1,030,382)	10	(24,301)
		<b>The Company</b>			
		<b>Change in Currency Rate</b>	<b>Effect on Pre-tax Profit</b>	<b>Change in Currency Rate</b>	<b>Effect on Pre-tax Profit</b>
		<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
		<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>
<b>Currency:</b>					
USD					
	Revaluation	1	(45,836)	1	2,432
	Devaluation	10	458,363	10	(24,322)

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments expose the group to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk. The group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

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

	The Group					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non- Interest Bearing \$000	
<b>31 December 2015</b>						
<b>Assets</b>						
Securities purchased under agreement to resell	435,905	-	-	-	2,602	438,507
Financial investments	-	-	-	102,393	3,257	105,650
Investment in Sigma Real Estate portfolio	-	-	-	-	10,726,225	10,726,225
Receivables	-	-	-	-	698,904	698,904
Cash resources	1,879,715	-	-	-	516,386	2,396,101
<b>Non-financial assets :</b>						
Property, plant and equipment	-	-	-	-	19,395,729	19,395,729
Inventories	-	-	-	-	98,005	98,005
<b>Total assets</b>	<b>2,315,620</b>	<b>-</b>	<b>-</b>	<b>102,393</b>	<b>31,441,108</b>	<b>33,859,121</b>
<b>Liabilities</b>						
Borrowings	21,901	5,158,275	400,118	11,057,918	432,999	17,071,211
Bank overdraft	-	-	-	-	36	36
Payables	-	-	-	-	954,275	954,275
<b>Non-financial liabilities:</b>						
Taxation payable	-	-	-	-	48	48
Deferred income taxes	-	-	-	-	186,586	186,586
	<b>21,901</b>	<b>5,158,275</b>	<b>400,118</b>	<b>11,057,918</b>	<b>1,573,944</b>	<b>18,212,156</b>
<b>Total interest repricing gap</b>	<b>2,293,719</b>	<b>(5,158,275)</b>	<b>(400,118)</b>	<b>(10,955,525)</b>	<b>29,867,164</b>	<b>15,646,965</b>
<b>Cumulative repricing gap</b>	<b>2,293,719</b>	<b>(2,864,556)</b>	<b>(3,264,674)</b>	<b>(14,220,199)</b>	<b>15,646,965</b>	

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

31 December 2015	The Company					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non- Interest Bearing \$000	
<b>Assets</b>						
Securities purchased under agreement to resell	103,086	-	-	-	155	103,241
Financial investments	-	-	-	76,414	2,624	79,038
Investment in Sigma Real Estate Portfolio	-	-	-	-	10,726,225	10,726,225
Receivables	-	-	-	-	17,456	17,456
Cash resources	57	-	-	-	-	57
<b>Non-financial asset :</b>						
Investment in subsidiary	-	-	-	-	9,518,204	9,518,204
<b>Total assets</b>	<b>103,143</b>	<b>-</b>	<b>-</b>	<b>76,414</b>	<b>20,264,664</b>	<b>20,444,221</b>
<b>Liabilities</b>						
Borrowings	-	5,092,584	-	-	23,789	5,116,373
Bank overdraft	-	-	-	-	36	36
Payables	-	-	-	-	7,598	7,598
<b>Non-financial liabilities:</b>						
Taxation payable	-	-	-	-	48	48
Deferred income taxes	-	-	-	-	26,728	26,728
<b>Total liabilities</b>	<b>-</b>	<b>5,092,584</b>	<b>-</b>	<b>-</b>	<b>58,199</b>	<b>5,150,783</b>
<b>Total interest repricing gap</b>	<b>103,143</b>	<b>(5,092,584)</b>	<b>-</b>	<b>76,414</b>	<b>20,206,465</b>	<b>15,293,438</b>
<b>Cumulative repricing gap</b>	<b>103,143</b>	<b>(4,989,441)</b>	<b>(4,989,441)</b>	<b>(4,913,027)</b>	<b>15,293,438</b>	

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

31 December 2014	The Group					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non- Interest Bearing \$000	
<b>Assets</b>						
Securities purchased under agreement to resell	240,405	2,544,068	-	-	439	2,784,912
Financial investments	-	-	-	72,237	2,501	74,738
Investment in Sagicor Real Estate Portfolio	-	-	-	-	9,403,194	9,403,194
Receivables	-	-	-	-	1,956,069	1,956,069
<b>Total assets</b>	<b>240,405</b>	<b>2,544,068</b>	<b>-</b>	<b>72,237</b>	<b>11,362,203</b>	<b>14,218,913</b>
<b>Liabilities</b>						
Borrowings	-	-	4,837,775	-	22,599	4,860,374
<b>Non-financial liabilities:</b>						
Taxation payable	-	-	-	-	48	48
Deferred income taxes	-	-	-	-	18,847	18,847
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>4,837,775</b>	<b>-</b>	<b>41,494</b>	<b>4,879,269</b>
<b>Total interest repricing gap</b>	<b>240,405</b>	<b>2,544,068</b>	<b>(4,837,775)</b>	<b>72,237</b>	<b>11,320,709</b>	<b>9,339,644</b>
<b>Cumulative repricing gap</b>	<b>240,405</b>	<b>2,784,473</b>	<b>(2,053,302)</b>	<b>(1,981,065)</b>	<b>9,339,644</b>	

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

31 December 2014	The Company					Total \$000
	1 to 3 Months \$000	4 to 12 Months \$000	2 to 5 Years \$000	Over 5 Years \$000	Non- Interest Bearing \$000	
<b>Assets</b>						
Securities purchased under agreement to resell	240,405	-	-	-	230	240,635
Financial investments	-	-	-	72,237	2,501	74,738
Investment in Sagicor Real Estate Portfolio	-	-	-	-	9,403,194	9,403,194
<b>Non-financial assets:</b>						
Investment in subsidiary	-	-	-	-	4,804,380	4,804,380
<b>Total assets</b>	<b>240,405</b>	<b>-</b>	<b>-</b>	<b>72,237</b>	<b>14,210,305</b>	<b>14,522,947</b>
<b>Liabilities</b>						
Borrowings	-	-	4,837,775	-	22,599	4,860,374
Related parties	-	-	-	-	304,243	304,243
<b>Non-financial liabilities:</b>						
Taxation payable	-	-	-	-	48	48
Deferred income taxes	-	-	-	-	18,795	18,795
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>4,837,775</b>	<b>-</b>	<b>345,685</b>	<b>5,183,460</b>
<b>Total interest repricing gap</b>	<b>240,405</b>	<b>-</b>	<b>(4,837,775)</b>	<b>72,237</b>	<b>13,864,620</b>	<b>9,339,487</b>
<b>Cumulative repricing gap</b>	<b>240,405</b>	<b>240,405</b>	<b>(4,597,370)</b>	<b>(4,525,133)</b>	<b>9,339,487</b>	

#### **Interest rate sensitivity**

Floating rate instruments expose the group to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk. The company earns interest on its investments in debt securities and pays interest on its borrowings (Notes 17 & 24). 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 2015

(expressed in Jamaican dollars unless otherwise indicated)

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### 5. Capital Management

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

### 6. Fair Value of Financial Instruments

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders 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 2015, 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 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

		The Group			
		2015			
		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	Investments in Sagicor Global Fund - Sigma Real Estate Portfolio	-	-	10,726,225	10,726,225
	Financial investments	-	105,650	-	105,650
		-	105,650	10,726,225	10,831,875
		The Group			
		2014			
		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	Investments in Sagicor Global Fund - Sigma Real Estate Portfolio	-	-	9,403,194	9,403,194
	Financial investments	-	74,738	-	74,738
		-	74,738	9,403,194	9,477,932
		The Company			
		2015			
		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	Investments in Sagicor Global Fund - Sigma Real Estate Portfolio	-	-	10,726,225	10,726,225
	Financial investments	-	79,038	-	79,038
		-	79,038	10,726,225	10,805,263
		The Company			
		2014			
		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	Investments in Sagicor Global Fund - Sigma Real Estate Portfolio	-	-	9,403,194	9,403,194
	Financial investments	-	74,738	-	74,738
		-	74,738	9,403,194	9,477,932



# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

Reconciliation of level 3 items –

	<b>The Group and The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Balance at beginning of year	9,403,194	8,418,156
Total gains statement of comprehensive income	1,323,031	985,038
Balance at end of period	<u>10,726,225</u>	<u>9,403,194</u>

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

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

Description	Fair value at		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2015 \$'000	2014 \$'000		2015 \$'000	2014 \$'000	
The Group:						
Investment in Sigma Real Estate Portfolio	10,726,225	9,403,194	Computed unit prices	9,653,603	8,462,875	If the estimated fair values were higher / lower by 10%

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

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## 7. Segmental Financial Information

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

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

- (a) Hotel operations – direct ownership and operation of hotels.
- (b) Investment in Sigma Real Estate Portfolio – indirect investment in real estate via the Sigma Fund.

There were no transactions between the operating segments during 2015 or 2014.

	<b>The Group</b>				
	<b>2015</b>				
	<b>Hotel Operations</b>	<b>Sigma Real Estate Portfolio</b>	<b>Other</b>	<b>Eliminations</b>	<b>Group</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
External revenues	5,581,695	1,323,031	8,269	-	6,912,995
Net capital gains/(losses) on financial assets and liabilities	(36,436)	(265,016)	597	-	(300,855)
Revenue from other segments	-	-	-	-	-
<b>Total revenue</b>	<b>5,545,259</b>	<b>1,058,015</b>	<b>8,866</b>	<b>-</b>	<b>6,612,140</b>
Operating expenses	(4,112,899)	-	-	-	(4,112,899)
Depreciation	(270,003)	-	-	-	(270,003)
Finance costs	(492,596)	(271,493)	-	-	(764,089)
<b>Profit before taxation</b>	<b>669,761</b>	<b>786,522</b>	<b>8,866</b>	<b>-</b>	<b>1,465,149</b>
Taxation	(159,800)	(7,865)	(89)	-	(167,754)
<b>Net profit</b>	<b>509,961</b>	<b>778,657</b>	<b>8,777</b>	<b>-</b>	<b>1,297,395</b>
Segment assets -	22,940,702	10,726,225	199,792	(7,598)	33,859,121
Segment liabilities	13,068,973	5,143,100	7,681	(7,598)	18,212,156

The Group's geographic information:

	<b>United States of America</b>		
	<b>Jamaica</b>	<b>United States of America</b>	<b>Total</b>
	<b>2015</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	5,627,048	985,092	6,612,140
Total assets	22,554,263	11,304,858	33,859,121

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

In 2014, the Group's main activities were investments in units in the Sigma Real Estate Portfolio and in a subsidiary which was not operational as at December 2014. Activities were limited to Jamaica in 2014.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Revenue

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Interest Income:</b>				
Securities purchased under agreement to resell	9,103	4,612	2,925	4,403
Bank deposits	3,191	751	4	751
Financial assets	7,141	274	5,340	274
	<u>19,435</u>	<u>5,637</u>	<u>8,269</u>	<u>5,428</u>
<b>Net capital gains on financial assets and liabilities:</b>				
Net capital gains on units in Sagicor Global Fund - Sigma Real Estate Portfolio	1,323,031	985,038	1,323,031	985,038
Net capital losses gains/(losses) on other investment securities	1,388	(340)	597	(340)
Net capital losses on loan payable	-	(33,559)	-	(33,559)
Net foreign exchange gains/(losses)	(302,243)	6,002	(265,016)	6,002
	<u>1,022,176</u>	<u>957,141</u>	<u>1,058,612</u>	<u>957,141</u>
<b>Hotel Income:</b>				
Rooms	4,838,142	-	-	-
Food and beverage	373,297	-	-	-
Gift shop	112,414	-	-	-
Health club	100,016	-	-	-
Other departments	93,225	-	-	-
Gains on disposal of property, plant and equipment	2,048	-	-	-
Other	51,387	-	-	-
	<u>5,570,529</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 9. Expenses by Nature

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

	<u>The Company</u>	
	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Auditors' remuneration	3,261	2,267
Bond issue costs	-	91,423
Director fees	11,130	10,815
Professional fees and other costs	15,155	4,604
	<u>29,546</u>	<u>109,109</u>

Total direct, administration and other operating expenses recognized were:

	<u>The Group</u>		<u>The Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>(a) Direct Expenses -</b>				
Rooms	194,967	-	-	-
Food and beverage	870,535	-	-	-
Gift shop	46,966	-	-	-
Health club	11,306	-	-	-
Other operated departments	40,653	-	-	-
Staff costs (Included in Note 10)	834,197	-	-	-
	<u>1,998,624</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 9. Expenses by Nature (Continued)

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

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Advertising and promotion	145,168	-	-	-
Audit fees	15,200	-	-	-
Bad debt expense	15,398	-	-	-
Bank charges	3,520	-	-	-
Commission expense (travel agents and others)	19,769	-	-	-
Credit card commissions	82,819	-	-	-
Depreciation	270,003	-	-	-
Donations	72	-	-	-
Guest transportation	1,714	-	-	-
Insurance	98,299	-	-	-
Irrecoverable general consumption taxes	736	-	-	-
License and permits	1,069	-	-	-
Management fees to operator of hotel properties	135,735	-	-	-
Other taxes	30,171	-	-	-
Professional and legal fees	16,561	-	-	-
Rent	42,302	-	-	-
Repairs and maintenance	240,081	-	-	-
Security	14,232	-	-	-
Staff costs	523,653	-	-	-
Trade name fees	229,794	-	-	-
Utilities	462,044	-	-	-
Other	35,738	-	-	-
	<u>2,384,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>4,382,902</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Staff Cost – Direct and Indirect

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries:	1,066,171	-	-	-
Payroll taxes – employer's portion	109,589	-	-	-
Pension	2,386	-	-	-
Allowances and benefits	165,770	-	-	-
Other	13,934	-	-	-
	<u>1,357,850</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	The Group		The Company	
	2015	2014	2015	2014
Full time	318	-	-	-
Part time	328	-	-	-
	<u>646</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 11. Finance Costs

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Interest expense -				
Amortisation of upfront fees on loan	5,812	-	-	-
Mortgage Notes	486,784	-	-	-
Structured loans	271,493	22,395	271,493	22,395
	<u>764,089</u>	<u>22,395</u>	<u>271,493</u>	<u>22,395</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

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## 12. Taxation

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

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current year tax charge	60	48	-	48
Deferred income tax (Note 28)	167,694	18,848	7,933	18,796
	<u>167,754</u>	<u>18,896</u>	<u>7,933</u>	<u>18,844</u>

Reconciliation of applicable tax charge to effective tax charge:

	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	<u>1,465,149</u>	<u>940,383</u>	<u>1,034,642</u>	<u>940,174</u>
Tax calculated at 1%	10,346	9,402	10,346	9,402
Tax calculated at 25%	167,440	52	-	-
Adjusted for the effects of:				
Net effect of other charges and allowances	(10,032)	19	(20)	20
Income not subject to tax	-	-	(2,393)	-
Prior year under-provision	-	9,422	-	9,422
Taxation expense	<u>167,754</u>	<u>18,896</u>	<u>7,933</u>	<u>18,844</u>

Tax losses available to the Group at 31 December 2015 for set-off against future taxable profits amount to approximately \$1,038,248,000 (2014 - \$Nil) and may be carried forward for up to 6 years.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 13. Earnings per Share

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

	2015 \$'000	2014 \$'000
Net profit attributable to shareholders	1,297,395	921,487
Weighted average number of ordinary shares in issue ('000) – as previously stated	1,728,616	1,495,337
Effect of rights issue	-	62,442
Weighted average number of ordinary shares in issue ('000) – as restated	1,728,616	1,557,779
Basic earnings per share – as previously stated	\$0.75	\$0.62
Basic earnings per share – restated for rights issue	\$0.75	\$0.59

- (ii) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has no dilutive potential ordinary shares at 31 December 2015.

## 14. Property, Plant and Equipment

	The Group				Total
	Land & Buildings	Computer Equipment	Furniture, Fixtures & equipment	Capital Work in Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation -</b>					
Additions	488,246	12,699	264,611	103,200	868,756
On acquisition of hotels (note 31)	18,451,058	-	246,515	-	18,697,573
Translation adjustment	97,624	-	2,235	-	99,859
At 31 December 2015	19,036,928	12,699	513,361	103,200	19,666,188
<b>Accumulated Depreciation -</b>					
Charges for the year	241,272	1,957	26,774	-	270,003
Translation adjustment	403	-	53	-	456
At 31 December 2015	241,675	1,957	26,827	-	270,459
<b>Net Book Value -</b>					
31 December 2014	-	-	-	-	-
31 December 2015	18,795,253	10,742	486,534	103,200	19,395,729

Owner-occupied properties were acquired during the year at market value and will not be revalued until 2016.



# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 15. Investments in Subsidiary

	2015 \$'000	2014 \$'000
Shares in:		
X Fund Properties Limited	<u>9,518,204</u>	<u>4,804,380</u>

During September 2015, the company injected additional capital of \$4,713,824,000 in one of its subsidiaries, X Fund Properties Limited.

## 16. Investment in Sigma Real Estate Portfolio

The units in the respective funds and values thereof are:

	<u>The Group &amp; The Company</u>	
	<u>Sigma Real Estate Portfolio</u>	<u>Sigma Real Estate Portfolio</u>
	<u>2015</u>	<u>2014</u>
	<u>Units</u>	<u>Units</u>
UNITS		
Opening and closing balance	<u>6,858,638,766</u>	<u>6,858,638,766</u>
	<u>\$'000</u>	<u>\$'000</u>
VALUE		
Opening balance	9,403,194	8,418,156
Changes in market value of investments	<u>1,323,031</u>	<u>985,038</u>
Closing balance	<u>10,726,225</u>	<u>9,403,194</u>
Value Per Unit	<u>\$1.56</u>	<u>\$1.37</u>

## 17. Financial Investments

	<u>The Group</u>		<u>The Company</u>	
	<u>2015 \$'000</u>	<u>2014 \$'000</u>	<u>2015 \$'000</u>	<u>2014 \$'000</u>
Government of Jamaica Bonds	102,393	72,237	76,414	72,237
Interest receivable	<u>3,257</u>	<u>2,501</u>	<u>2,624</u>	<u>2,501</u>
	<u>105,650</u>	<u>74,738</u>	<u>79,038</u>	<u>74,738</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 18. Inventories

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Beverage	15,238	-	-	-
Food	39,660	-	-	-
Gift shop	8,038	-	-	-
Guest supplies	13,972	-	-	-
Spa supplies	553	-	-	-
Other	20,544	-	-	-
	<u>98,005</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 19. Receivables

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables	473,681	-	-	-
Less: Provision for bad debts	(25,411)	-	-	-
	<u>448,270</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prepayments	186,853	-	-	-
Due from related parties (Note 20)	20,378	-	17,456	-
Deposit on hotel being acquired	-	1,956,069	-	-
Other receivables	43,403	-	-	-
	<u>698,904</u>	<u>1,956,069</u>	<u>17,456</u>	<u>-</u>

## 20. Related Party Transactions and Balances

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

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

### (a) Related party transactions

The following transactions were carried out with related parties:

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

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue -				
Interest income -				
Affiliated company- Sagicor Investment Jamaica Limited	9,103	4,612	2,925	4,403
Affiliated company- Sagicor Bank Jamaica Limited	4	-	4	-

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(ii) Administration expenses and interest expense				
Administration and other operating expenses-				
Sagicor Re Insurance Ltd.	78,416	-	-	-
Interest expense -				
Sagicor Group Jamaica Limited	23,490	-	-	-
Sagicor Life Jamaica Limited	76,678	-	-	-
Sagicor Life of the Cayman Islands Ltd.	17,958	-	-	-
Sagicor Sigma Global Funds	230,888	-	-	-
Sagicor Pooled Pension Funds	44,276	-	-	-

#### (iii) Dividends

During the year the X Fund Properties Limited paid dividends of \$239,254,000 to its immediate parent company, Sagicor Real Estate X Fund Limited.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

### (b) Key management compensation

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries	-	-	-	-
Payroll taxes – employer's portion	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Directors' emoluments –				
Fees	11,130	10,815	11,130	10,815
Management remuneration	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### (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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(i) Cash and cash equivalents - Sagicor Bank Jamaica Limited	198,327	-	21	-
(ii) Securities purchased under agreement to resell- Affiliated company - Sagicor Investment Jamaica Limited	438,507	2,784,912	103,241	240,635
(iii) Receivable from related parties -				
Due from Sagicor Global Fund - Real Estate X Fund Limited	16,925	-	16,925	-
Due from Sagicor Sigma Global Funds (Real Estate Portfolio)	3,453	-	531	-
	<u>20,378</u>	<u>-</u>	<u>17,456</u>	<u>-</u>
(iv) Payable to related parties -				
Sagicor Sigma Global Funds	(230)	-	-	-
X Fund Properties Limited	-	-	(7,598)	(304,243)
	<u>(230)</u>	<u>-</u>	<u>(7,598)</u>	<u>(304,243)</u>
(v) Loans to related parties				
Sagicor Group Jamaica Limited	1,987,639	-	-	-
Sagicor Sigma Global Funds	2,603,948	-	-	-
Sagicor Pooled Pension Funds	1,019,372	-	-	-
	<u>1,987,639</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Securities Purchased under Agreements to Resell

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Securities purchased under agreements to resell	435,905	2,784,474	103,086	240,405
Interest receivable	2,602	438	155	230
	<u>438,507</u>	<u>2,784,912</u>	<u>103,241</u>	<u>240,635</u>

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Securities purchased under agreements to resell				
Jamaican dollar	84,770	198,357	1,051	198,357
United States dollar	353,737	2,586,555	102,190	42,278
	<u>438,507</u>	<u>2,784,912</u>	<u>103,241</u>	<u>240,635</u>

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

	The Group		The Company	
	2015 %	2014 %	2015 %	2014 %
Jamaican dollar	5.5	4	5.25	4
United States dollar	<u>2.5</u>	<u>0.1</u>	<u>2.5</u>	<u>2.25</u>

These deposits have original terms of 180 days or less.

## 22. Cash and Cash Equivalents

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash in hand	4,930	-	-	-
Cash at bank	2,391,171	-	57	-
Cash Resources	2,396,101	-	57	-
Bank overdraft	(36)	-	(36)	-
Securities purchased under agreements to resell	331,667	240,635	103,085	240,635
Restricted cash	<u>(1,656,597)</u>	-	-	-
Cash and Cash Equivalents	<u>1,071,135</u>	<u>240,635</u>	<u>103,106</u>	<u>240,635</u>

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 23. Payables

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade	199,822	-	-	-
Advance deposits	243,733	-	-	-
Accruals	338,764	-	-	-
Related parties (Note 20)	230	-	7,589	304,243
General Consumption Taxes	23,509	-	-	-
Other	148,217	-	-	-
	<u>954,275</u>	<u>-</u>	<u>7,589</u>	<u>304,243</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

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## 24. Borrowings

	The Group			The Company		
	Total	Related party portion (Note 20)	Third party Portion	Total	Related party portion (Note 20)	Third party Portion
<b>2015</b>						
<i>(a) Structured Products</i>						
Tranche A – US Indexed (i)	1,239,304	-	1,239,304	1,239,304	-	1,239,304
Tranche B – USD (ii)	3,853,280	-	3,853,280	3,853,280	-	3,853,280
Principal loan balance	5,092,584	-	5,092,584	5,092,584	-	5,092,584
Interest payable	23,789	-	23,789	23,789	-	23,789
	5,116,373	-	5,116,373	5,116,373	-	5,116,373
Less current portion	(5,116,373)	-	(5,116,373)	(5,116,373)	-	(5,116,373)
	-	-	-	-	-	-
<i>(b) Mortgage Notes</i>						
Tranche B (iii)	1,511,208	1,511,208	-	-	-	-
Tranche C (iv)	3,927,145	3,927,145	-	-	-	-
Goldman Sachs Loan (v)	6,107,275	-	6,107,275	-	-	-
Principal loan balance	11,545,628	5,438,353	6,107,275	-	-	-
Unamortised balance upfront fees on loan	(55,943)	-	(55,943)	-	-	-
Interest payable	194,219	172,606	21,613	-	-	-
	11,683,904	5,610,959	6,072,945	-	-	-
Less current portion	(279,181)	(172,606)	(106,575)	-	-	-
	11,404,723	5,438,353	5,966,370	-	-	-
<i>(c) Other Loan</i>						
Development Loan (vi)	270,9334	-	270,934	-	-	-
Less current portion	(27,093)	-	(27,093)	-	-	-
	243,841	-	243,841	-	-	-
Total Long term borrowings	11,648,564	5,438,353	6,210,211	-	-	-
Current portion of borrowings	5,422,647	172,606	5,250,041	5,116,373	-	5,116,373

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 24. Borrowings (Continued)

	The Group			The Company		
	Total	Related party portion (Note 20)	Third party Portion	Total	Related party portion (Note 20)	Third party Portion
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) <i>Structured Products</i>	<b>2014</b>					
Tranche A – US Indexed (i)	1,177,295	-	1,177,295	1,177,295	-	1,177,295
Tranche B – USD (ii)	3,660,480	-	3,660,480	3,660,480	-	3,660,480
Principal loan balance	4,837,775	-	4,837,775	4,837,775	-	4,837,775
Interest payable	22,599	-	22,599	22,599	-	22,599
	4,860,374	-	4,860,374	4,860,374	-	4,860,374
Less current portion	(22,599)	-	(22,599)	(22,599)	-	(22,599)
	4,837,775	-	4,837,775	4,837,775	-	4,837,775

i) *Tranche A – US Indexed (The Company)*

The 5.5% US dollar indexed amortizing notes are structured securities whereby the principal is amortised quarterly with the final repayment by June 2016 with an option to extend a further 18 months. Loan is secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.

ii) *Tranche B – US Dollar (The Company)*

The 5.5% US dollar amortizing notes are structured securities whereby the principal is amortised quarterly with the final repayment by June 2016 with an option to extend a further 18 months. Loan is secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.

iii) *Tranche B – US Dollar (Subsidiary)*

This Note attracts interest at a rate of 6% per annum, payable quarterly, and matures January 2025. The Note carries the option for early encashment by investors at certain anniversaries.

iv) *Tranche C – Jamaican Dollar (Subsidiary)*

This Note attracts interest at a rate of 8% per annum for the first two years with step up to 11.5% thereafter to maturity in January 2055. Interest is paid semi-annually and the Note has no option to early encash.

Both Notes in (i) and (ii) above are secured as follows:

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



# Sagicor Real Estate X Fund Limited

## Notes to the Financial Statements

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### 24. Borrowings (Continued)

v) *Goldman Sachs (Subsidiary)*

The note attracts interest at 4.9% per annum and matures October 2025. The mortgage note payable 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.

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

### 25. Share Capital

	2015 \$'000	2014 \$'000
Authorised:		
5,000,000,000 ordinary shares	US\$5,000,000	US\$5,000,000
1 special rights redeemable preference share	US\$1	US\$1
	<u>US\$5,000,001</u>	<u>US\$5,000,001</u>
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Issued and fully paid -		
2,243,005,125 (2014 - 1,495,336,750 ordinary shares of J\$1.00 par value)	12,642,412	7,475,916
1 special rights redeemable preference share	100	100
	<u>12,642,512</u>	<u>7,476,016</u>

### 26. Dividend

A dividend of \$239,254,000 (2014 – \$Nil) or \$0.16 (2014 – \$Nil) per share was paid during the year.

### 27. Net Profit and Retained Earnings

	2015 \$'000	2014 \$'000
(i) Net profit dealt with in the financial statements of:		
The company	1,026,709	921,330
Less dividend received from a subsidiary	(239,254)	-
The subsidiaries	509,940	157
	<u>1,297,395</u>	<u>921,487</u>
(ii) Retained earnings reflected in the financial statements of:		
The company	2,650,928	1,863,471
The subsidiaries	270,841	157
	<u>2,921,769</u>	<u>1,863,628</u>

# Sagicor Real Estate X Fund Limited

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## 28. Deferred Income Taxes

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Deferred income taxes	<u>(186,586)</u>	<u>(18,847)</u>	<u>(26,728)</u>	<u>(18,795)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at start of year	(18,847)	1	(18,795)	1
Charged to the statement of comprehensive income – net loss	(167,694)	(18,848)	(7,933)	(18,796)
Effect of exchange rate translation	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>(186,586)</u>	<u>(18,847)</u>	<u>(26,728)</u>	<u>(18,795)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Deferred tax assets-				
Interest payable	43,389	226	237	226
Tax losses unused	259,562	-	7,843	-
Unrealised foreign currency losses	19,977	-	-	-
Unrealised revaluation loss on loan payable	336	336	336	336
Accrued vacation	6,845	-	-	-
Deferred tax liabilities-				
Property plant and equipment	(480,781)	-	-	-
Interest receivable	(798)	(80)	(28)	(28)
Unrealised foreign currency gains	(2,610)	(60)	(2,610)	(60)
Unrealised revaluation gains on investments	<u>(32,506)</u>	<u>(19,269)</u>	<u>(32,506)</u>	<u>(19,269)</u>
Net deferred tax liability	<u>(186,586)</u>	<u>(18,847)</u>	<u>(26,728)</u>	<u>(18,795)</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 28. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax assets to be recovered after more than 12 months	326,701	422	5,778	474
Deferred tax liabilities to be recovered after more than 12 months	<u>(513,287)</u>	<u>(19,269)</u>	<u>(32,506)</u>	<u>(19,269)</u>

## 29. Consolidated Cash Flows from Operating Activities

	Note	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		1,297,395	921,487
Adjustments for:			
Depreciation	14	270,003	-
Loss on revaluation of loan payable		-	33,559
Interest income		(19,435)	(5,637)
Fair value gains on units held in Sagicor Sigma Funds		(1,323,031)	(985,038)
Fair value gain on other financial investments		(1,388)	340
Effect of exchange losses on foreign currency balances		301,024	-
Taxation expense	12	167,754	18,896
Finance cost		<u>764,089</u>	<u>22,395</u>
		1,456,411	6,002
Changes in operating activities:			
Receivables		(534,714)	-
Inventories		(98,005)	-
Payables		<u>954,275</u>	<u>-</u>
Cash provided by operating activities		1,777,967	-
Income tax paid		<u>(60)</u>	<u>-</u>
Net cash provided by operating activities		<u>1,777,907</u>	<u>6,002</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 30. Commitments and Contingencies

### (i) Franchise Agreements

As of December 31, 2015, the hotels, DoubleTree and Hilton Rose Hall Resorts & Spa are operated under a franchise agreements with Hilton Worldwide and its affiliates ("Hilton") and is licensed as Doubletree and Hilton respectively. In conjunction with the franchise agreement, the Group is obligated to pay Hilton royalty fees of between 4% and 5% of gross room revenue, and fees for marketing, reservations and other related activities of 4% of gross room revenue.

- *DoubleTree*

Franchise costs incurred under the franchise agreements were US\$699,031 for the period from July 31, 2015 through December 31, 2015, and are included in various accounts in the accompanying statement of comprehensive income. The franchise agreement terminates on September 30, 2025.

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

- *Hilton Rose Hall Resort & Spa*

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

### (ii) Contingencies

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

### (iii) Other

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

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## 31. Business Combination

### (i) DoubleTree Hotel

Effective September 15, 2015, the Group acquired the Doubletree Hotel for a contractual purchase price of US\$75,000,000, plus adjustments for prorated balances. The purchased price has been allocated to the assets acquired using the estimated fair value at the date of acquisition based on third party appraisal. The valuation is considered Level 3 for valuation technique.

The acquired business contributed post acquisition revenues of \$985,091,000 and profits of \$8,826,000 for the year ended 31 December 2015.

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

	<b>Fair Values</b>
	<b>\$'000</b>
Net assets arising on the acquisition:	
Land and improvements	1,521,862
Building and improvements	7,205,013
Furniture and fixtures	175,677
Net other assets and liabilities	29,395
	<u>8,931,947</u>
	<b>\$'000</b>
Purchase consideration - Cash	<u>8,931,947</u>
Net assets acquired	<u>8,931,947</u>
Goodwill	<u>-</u>

### (ii) Hilton Rose Hall Resort & Spa

Effective January 2015, the company acquired property for a contractual purchase price of US\$85,000,000 plus adjustments for prorated balances. The purchased price has been allocated to the assets acquired using the estimated fair value at the date of acquisition based on third party appraisal. The valuation is considered Level 3 for valuation technique.

The acquired business contributed post acquisition revenues of \$4,596,604,000 and profits of \$501,112,000 for the year ended 31 December 2015.

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 31. Business Combination (Continued)

### (ii) Hilton Rose Hall Resort & Spa (continued)

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

	<b>Fair Values</b>
	<b>\$'000</b>
Net assets arising on the acquisition:	
Land and improvements	2,897,308
Building and improvements	6,826,875
Furniture and fixtures	70,838
Net, other assets and liabilities	119,389
	<u>9,914,410</u>
	<b>\$'000</b>
Paid in the current year	7,983,334
Deposited in the prior year	1,931,076
Purchase consideration - Cash	<u>9,914,410</u>
Net assets acquired	<u>9,914,410</u>
Goodwill	<u>-</u>

## 32. Operating Leases

As at December 31, 2015, the Group received tenant rental income from gift shop and car rental lease agreements. The lease agreements have remaining terms ranging from three to fifteen months. The tenant rental income is recognized on a straight line basis over the lives of the respective leases. The Group recognized rental income of \$24,489,000 for the current year.

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

	<b>The Group</b>
	<b>\$'000</b>
Year ending 31 December:	
2016	31,176
2017	<u>4,775</u>

# Sagicor Real Estate X Fund Limited

Notes to the Financial Statements

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## **33. Subsequent Event**

One of the company's subsidiaries, X Fund Properties Limited, issued a US\$50,000,000 bond on March 1, 2016 via Private Placement through five Tranches of short term and long term instruments. Four of the five Tranches have fixed coupon ranging between 7% and 11%, with tenure of 2 years to 40 years. The fifth Tranche is fixed for 2 years at 7% and variable thereafter at 200 basis points above the 3 month weighted average Treasury bill yield (WATBY). The bond is secured by a mortgage over the Hilton Rose Hall Resort and Spa.