

ANNUAL REPORT 2013



REAL ESTATE X FUND

“It always seems impossible  
until it's done.”

Nelson Mandela

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## 02

### About Us

We are a leading private sector investor in the Jamaican commercial and tourism real estate sector, and listed on the Jamaica Stock Exchange (JSE).

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### Business Review

We are committed to developing real estate as a viable and profitable asset class for investors.



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### Corporate Governance

Committed to internationally accepted standards and practices, including compliance with sound accounting practices.

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## About Us

Sagikor Real Estate X Fund Limited (X Fund), a St. Lucian International Business Company (IBC), is the largest publicly traded real estate investment company in Jamaica. We are listed on the Jamaica Stock Exchange (JSE). We are a leading private sector investor in the Jamaican commercial and tourism real estate sector, through our investment in the Sigma Real Estate Portfolio (an investment portfolio of the Sagikor Sigma Funds Unit Trust). As a JSE listed company, the stock exchange enhances liquidity for investors.



**X Fund is a company which primarily invests in units issued by the Sigma Real Estate Portfolio:**

- Funds from investors are used to acquire units in the Sigma Real Estate Portfolio, which in turn utilises those funds to acquire and/or, in the future, develop real estate properties.
- Income earned on real estate assets held by the Sigma Real Estate Portfolio, such as rental income, is passed on to unit holders, which includes X Fund and ultimately benefits X Fund's shareholders.

**Sigma Real Estate Portfolio** – a Financial Services Commission (FSC) registered and approved unit trust portfolio, was created to allow for tax-free investment in real estate holdings. This portfolio currently owns diverse real estate properties with an aggregate market value in excess of \$16 billion. Sigma Real Estate is a part of the unit trust known as Sagikor Sigma Funds, which comprises ten (10) segregated portfolios with JCSD Trustee Services Limited as the Trustee.



X Fund is structured to operate as a transparent and efficient passive investment vehicle. Its operations are minimal, comprising mainly of two activities:

**1 Investing** – funds from investors are invested in the Sigma Real Estate Portfolio

**2 Distributing** – rental income earned from units of the Sigma Real Estate Portfolio is paid out to investors in the form of dividends

Our exposure to commercial properties is mainly in the form of industrial parks and office buildings, while our tourism - related exposure is in the form of hotels operated under the Jewel Resorts brand. The resort exposure includes an 18-hole championship golf course and clubhouse facilities.

While all of our current investment exposures are domiciled in Jamaica, it is our intention to diversify beyond the island into the wider Caribbean and other regions.

Our Initial Public Offer (IPO) on the Jamaica Stock Exchange (JSE) Main Index in September 2013 raised \$1.49 billion. With a Net Asset Value of \$8.4 billion as at

December 31, 2013 we were the largest real estate investment company quoted on JSE.

The Investment Manager for X Fund is Sagicor Life Jamaica Limited (Sagicor Life). Sagicor Life is the largest life and health insurer and asset manager in Jamaica and is owned by Sagicor Group Jamaica, a publicly traded company on the Jamaica Stock Exchange (JSE).

*Above: Jewel Runaway Bay 18-hole Championship Golf Course*



## Statement of the Chairman

*Richard O. Byles*

I am pleased to report on the activities of the Sagicor Real Estate X Fund Limited for the year ended 31 December 2013.

### **The highlights for the year were:**

- A successful IPO and oversubscription by approximately 50%
- Listing on the JSE Main Index
- Opening of the third Jewel Resort property, Jewel Paradise Cove
- First period of operation

X Fund offered shares to the market in September 2013 and raised \$1.49 billion, making it the largest IPO in the history of the JSE. There were 1,362 IPO investors comprising a mix of individuals and corporations. The company listed on the JSE Main Index on November 15, 2013 as the 15th largest company with a value of \$7.48 billion.

The stock closed its first day of trading at \$5.07, up from its IPO price of \$5.00 and closed the year at \$6.07, representing an overall



*Sagicor Real Estate X Fund generated Net Profit of \$942.1 million from its units held in the Sigma Real Estate Portfolio. The company's value as at 31 December 2013 is reported at \$8.4 billion.*



21.4% increase. By year-end X Fund moved up 2 places on the JSE market capitalisation listing to 13th place. During this same period trading volume exceeded 323,000 shares.

X Fund will continue to seek investment opportunities to boost its Net Asset Value (NAV) and remains committed to developing real estate as a viable and profitable asset class for investors.

X Fund generated Net Profit of \$942.1 million from its units held in the Sigma Real Estate Portfolio, a real estate portfolio of the Sagicor Sigma Funds unit trust. The company was valued as at 31 December 2013 at \$8.4 billion with a NAV per share of \$5.63.

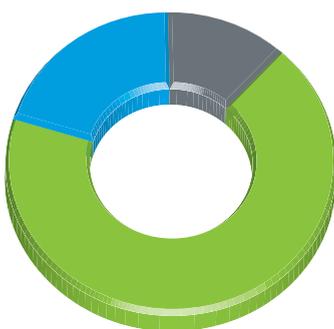
We take this opportunity to thank our investors for the confidence placed in us in providing an innovative, diversified and liquid real estate investment. We would also like to publicly acknowledge and thank our entire Team and other business partners for their support throughout this entire process.

As the Jamaican economy shows signs of improvement, we see a corresponding increase in demand for real estate across all categories. This is evidenced by an increase in demand for mortgage loans as well as an increase in property developments, both commercial and residential, in the Kingston Metropolitan area and other major town centres across the island.

We expect the market for mortgage loans to remain highly competitive, with building societies and other lenders offering attractive rates to the market, and this will have a positive impact on the real estate market.

In conclusion, 2013 was a good opening for Sagicor Real Estate X Fund and we are confident that there will be further positive growth in 2014.

**Richard Byles**  
Chairman  
Sagicor Real Estate X Fund Limited



**X Fund Asset Breakdown**

	Sagicor Pooled Investment Funds	68%
	Others	20%
	SLJ Segregated Funds	12%

## Board of Directors



**Richard Owen Byles** B.Sc. (Econ), M.Sc.

Mr. Byles is Chairman of Sagicor Real Estate X Fund Limited, President and Chief Executive Officer of Sagicor Life Jamaica Limited and Director of Sagicor Group Jamaica. He received his first degree in Economics at the University of the West Indies and a Master of Science in National Development and Planning from the University of Bradford, England. He has held managerial positions in several major corporations in Jamaica including First Life Jamaica Limited, where he was Chairman and Chief Executive Officer and Pan-Jamaican Investment Limited where he was President and Chief Executive Officer.

Mr. Byles is currently Chairman of Sagicor Investments Jamaica Limited, Sagicor Life of the Cayman Islands Ltd. and Desnoes & Geddes Limited (“Red Stripe”). He is also Vice President of the Private Sector Organisation of Jamaica (PSOJ) and co-chair of the Economic Policy Oversight Committee (EPOC), a private/public sector committee established to oversee the implementation of the IMF programme in Jamaica.

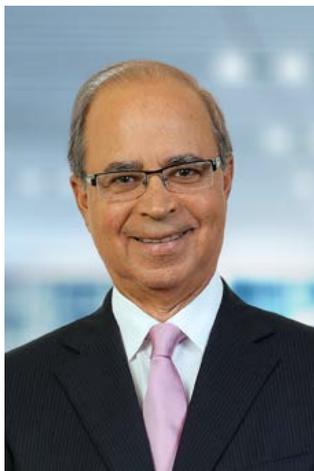


**Dr. The Hon. R. Danvers (Danny) Williams** O.J., C.D., Hon. LL.D, J.P., CLU

Mr. Williams is the Chairman of Sagicor Life Jamaica and Sagicor Group Jamaica. He is one of the Founders and the Past President and Chief Executive Officer of Life of Jamaica Limited (now Sagicor Life Jamaica Limited). He commenced his working career at the age of 18 years with North American Life Assurance Company and within seven (7) years rose to the position of Branch Manager, and over the next decade guided the branch to the No. 1 branch office in the North American Life international branch network. He subsequently led a group of Jamaican investors in the establishment of Life of Jamaica Limited.

Mr. Williams’ public and civic services include appointments during the period 1977 - 1980 as Senator, Minister of State and subsequently, Minister of Industry & Commerce. He has received numerous honours and awards including Doctor of Laws (Hon.) from the University of Technology, Jamaica Observer Life Achievement Award, induction into the Private Sector Organisation of Jamaica (PSOJ) Hall of Fame, the Caribbean Luminary Award from the American Foundation for the University of the West Indies (AFUWI), the Gleaner Honour Award for Voluntary Service, induction into the Caribbean Association of Insurance and Financial Advisors (CARIFA) Hall of Fame, the YEA Entrepreneurial Spirit Award from the Young Entrepreneurs Association and one of the 50 Living Legacy Award from the Caribbean Community for Retired Persons (CCRP).

He served as President of the Jamaica Association for the Deaf for 10 years and is past Chairman of the Jamaica Association for the Advancement of Literacy, and the National Development Foundation of Jamaica as well as past Vice President of the Jaycees of Jamaica and the West Indies Jaycees. He is currently Chairman of the Jamaica Anti-Doping Committee.



**Michael Fraser** J.P. CLU

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

He is a Past President of the Life Underwriters Association of Jamaica and in 1999, was voted "Insurance Man of the Year" by the Association. In 2005 he was inducted into the Caribbean Insurance Hall of Fame.



**Rohan Miller** B.Sc. (Agri.) (Hon), MBA

Mr. Miller is the Chief Executive Officer of Sagicor Real Estate X Fund Limited and the Executive Vice President and Chief Investment Officer of Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Limited. He was awarded a B.Sc. (Hon.) degree with a major in Agricultural Economics by the University of the West Indies where he studied on scholarship from the Commonwealth Fund for Technical Cooperation. He received an MBA (Beta Gamma Sigma) in Finance from Rutgers University Graduate School of Management, where he was also the recipient of the Christine Dymysz Memorial Scholarship for academic excellence and the Edmund L. Houston Foundation Award for Outstanding Achievement.

He leads a team that manages a mix of investments totalling J\$150 billion. He currently sits on the Asset and Liability Committee of Sagicor Life Jamaica Limited.



**Dr. M. Patricia Downes-Grant** B.A, M.A. (Econ), MBA, DBA

Dr. Downes-Grant was appointed President and Chief Executive Officer of Sagicor Life Inc. on January 1, 2006, having previously served as Group Chief Operating Officer of that company. She holds an MBA in Finance, M.A. in Economics and a Doctorate in Business Administration (Finance), all awarded by the University of Bradford in the United Kingdom. She previously worked as a Senior Manager in the Management Consulting and Insolvency Division of Coopers & Lybrand. Prior to that, she worked in development banking. She is a former Chairman of the Barbados Stock Exchange and the Barbados Central Depository and a Director of several companies within the Sagicor Group and also the Barbadian Private Sector.

## Board of Directors (cont'd)



**Stephen McNamara** Barrister-at-law

Mr. McNamara is the senior partner of McNamara & Company, attorneys-at-law in Saint Lucia. He was called to the Bar of England & Wales as a barrister of law of Lincolns Inn in 1972. That same year he was admitted as an attorney-at-law to the Bar of Saint Lucia. Mr. McNamara is director of Sagicor Life Inc., Sagicor Financial Corporation and several other companies within the Sagicor Group. He is a director of Saint Lucia Electricity Services Limited and various companies in Saint Lucia. He is currently President of the Saint Lucia Tennis Association and a life member of the Barbados Cricket Association.



**Peter Pearson** B.Sc.

Mr. Pearson is a graduate of Cornwall College and a graduate of the University of West Indies from which he holds a BSc. (Management Studies). Peter is a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants. He retired as a partner of PricewaterhouseCoopers on 30 June 2013. Upon his retirement he was an assurance partner and partner in charge of the firm's Montego Bay office, a position he held for over 20 years, having served the firm for 39 years, 26 of those as a partner. In addition to his responsibilities as an assurance partner with clients in the hospitality, banking, government, among other industries, he also worked as an advisory partner in charge of receiverships. Peter has been a Justice of the Peace from 1987.



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

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



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## REAL ESTATE X FUND

The real estate investments of the Sigma Real Estate Portfolio have performed well during 2013 and the outlook for the real estate asset class continues to improve with the upgrading of economic prospects for the Jamaican economy, as well as the economies of the main tourist markets, namely the United States, Canada and Europe.



## REPORT OF THE Chief Executive Officer

*Rohan Miller*

It is with pleasure that I report on the results of Sagikor Real Estate X Fund Limited for the year ended 31 December 2013.

### The strategic financial objectives for 2013 were all achieved:

- A successful IPO
- Listing on the JSE Main Index
- Acquisition of Sigma Real Estate portfolio units
- Generation of positive financial results

*The IPO closed on October 18, 2013 and was oversubscribed by approximately 50% with over 1,300 investors raising \$1.49 billion.*

### Successful IPO

The company was incorporated on May 31, 2011 with the name Sagikor X Funds SPC Ltd, as an international business company under the International Business Companies Act, 1999 (as amended) of Saint Lucia. The Company pays Income Tax at the rate of 1% of net profit.

On February 28, 2013, the company changed its name to Sagikor Real Estate X Fund Limited (“X Fund”). On September 24, 2013, the public was invited to subscribe for shares in the company under an IPO. The IPO closed on October 18, 2013 and was oversubscribed by approximately 50% with over 1,300 investors raising \$1.49 billion. The company is 67.71% owned by the Sagikor Pooled Investment Funds Limited, which is administered by Sagikor Life Jamaica Limited.

## Listing on JSE

The shares listed on the Jamaica Stock Exchange on November 15, 2013 and created the 15th largest entity on the exchange with a value of \$7.48 billion.

Issued and Fully Paid:	
1,495,336,750 ordinary shares at par value	J\$7,475,916,255
1 Special rights redeemable preference share	J\$100,000
	<b>J\$7,476,016,255</b>

## Acquire units in Sigma Real Estate Portfolio

The funds from the IPO were used to acquire units in the Sigma Real Estate portfolio totalling 6,858,638,766.06 units at a unit cost of \$1.09. The unit price as at December 31, 2013, based on the audited financials of the Sigma Real Estate portfolio, was \$1.23. The company had no cash or cash equivalent at December 31, 2013. It had no bank account and all monies received from the issue of shares under the IPO were used to invest in Sigma Real Estate portfolio.

Investment in Sigma Real Estate Portfolio		
		Value (\$'000)
# of Units	6,858,638,766.06	
Price on acquisition	1.09	7,475,916
Price at 31 December	1.23	8,418,156
<b>Change in market value of investments</b>		<b>942,240</b>

## Generating Positive Results

Prior to the IPO, the company was not involved in trading. Currently its main business activity is to invest in real estate securities through ownership of units in the Sigma Real Estate portfolio. The investments are carried at their fair value and under the review period provided positive results for X Fund.

The capital appreciation on the units held in the Sigma Real Estate Portfolio was 12.6%, representing the unrealised surplus on the re-measurement of securities through the profit and loss statement. The unrealised surplus at December 31, 2013 was from its sole investment in the Sigma Real Estate portfolio.

The main revenue driver was \$942.2 million in capital appreciation on the Sigma Real Estate units with the only expenses for 2013 being \$100,000 in start-up cost. The company delivered Net Profit of \$942.1 million for the year ending December 31, 2013, a return on equity of 11.2%.

## Key Metrics

Price @ Dec 31, 2013	\$6.07
52 Week Low/High	\$5.07/\$6.77
Actual EPS	\$0.63
12 month P/E	9.63
ROE	11.2%
Book Value per Share	\$5.63
Issued Shares	1,495,336,750
Market Value of outstanding shares	\$9,076,694,072
Market Cap ranking on JSE	13th

The real estate investments of the X Fund have performed well during 2013 and the outlook for the real estate asset class continues to improve with the upgrading of economic prospects for the Jamaican economy, as well as the economies of the main tourist markets, namely the United States, Canada and Europe.



**Rohan Miller**

CEO – Sagicor Real Estate X Fund Limited

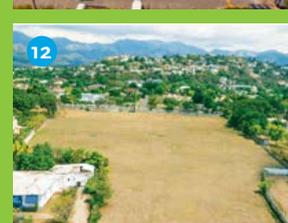
# Our Portfolio at a Glance

	Tourism Properties	Market Value (J\$m)	No. of Rooms	Occupancy (%)
1	Jewel Dunn's River	4,445	250	86%
2	Jewel Runaway Bay	3,349	266	71%
3	Jewel Paradise Cove*	2,592	225	16%
	<b>Sub Total</b>	<b>10,386</b>	<b>741</b>	<b>72%</b>

\*Property opened for operation in October 2013



	Commercial Properties	Market Value (J\$m)	Rental Space (sq ft.)	Occupancy (%)
4	R. Danny Williams Building	1,450	150,294	100%
5	Sagicor Sigma Building	1,100	68,880	73%
6	78A Hagley Park Road	190	23,413	81%
7	Sagicor Industrial Park - Marcus Garvey Drive	380	74,276	71%
8	Sagicor Industrial Park - Freeport, Montego Bay	721	194,741	85%
9	Sagicor Montego Bay Commercial Centre	424	28,731	85%
10	Sagicor Industrial Park - Norman Road	940	233,418	86%
11	Spanish Town Shopping Centre Strata Lots	73	9,518	68%
12	23-25 Seymour Avenue	355	n/a	n/a
	<b>Sub Total</b>	<b>5,633</b>	<b>783,271</b>	<b>85%</b>
	<b>Total</b>	<b>16,019</b>		



# REPORT OF THE Investment Manager

*Sagicor Life Jamaica*

The IPO launch of X Fund was the highlight of the year, 2013 but the performance of the underlying investment, Sigma Real Estate portfolio was the engine that generated both strong returns on investment and underlined the NAV growth.

## PORTFOLIO ANALYSIS & REVIEW

The Sigma Real Estate portfolio is currently comprised of twelve (12) properties. All properties are located in Jamaica, with the majority by count being in Kingston & St. Andrew and by value in St. Ann. The highest in property value is Jewel Dunn's River whereas the lowest is the Spanish Town Shopping Centre strata lots.

**Sigma Real Estate's holdings are currently as follows:**

- The R. Danny Williams Building (St. Andrew)
- 63-67 Knutsford Boulevard (St. Andrew)
- 78a Hagley Park Road (St. Andrew)
- Sagicor Industrial Park – Marcus Garvey Drive (St. Andrew)
- Sagicor Industrial Park – Freeport, Montego Bay (St. James)
- Sagicor Montego Bay Commercial Centre (St. James)
- Sagicor Industrial Park – Norman Road (St. Andrew)
- Spanish Town Shopping Centre Strata Lots (St. Catherine)
- 23-25 Seymour Avenue (St. Andrew)
- Jewel Dunn's River (St. Ann)
- Jewel Runaway Bay (St. Ann)
- Jewel Paradise Cove (St. Ann)

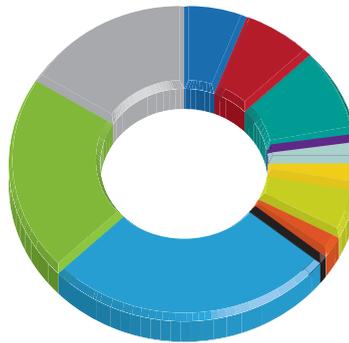


*Listing of the Sagicor Real Estate X Fund Limited on the Jamaica Stock Exchange on November 15, 2013.*

### Portfolio Breakdown

The invested real assets of the Sigma Real Estate portfolio have two components: Commercial (Non-Hotel) Properties and Tourism (Hotel) Properties. The portfolio, on an asset value basis, is dominated by the 3 hotel properties at 65%. However, the portfolio’s net earnings shows a fairly even split between the tourism and commercial properties.

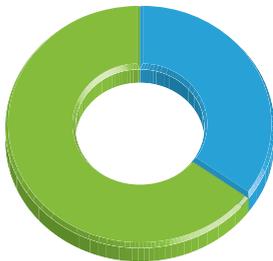
The disparity is as a result of Jewel Paradise Cove, which forms a part of total asset value. The property opened for operation in October 2013 and therefore was not yet contributing to overall profitability. The expectation is that as this hotel comes fully on stream its contribution to profitability will improve.



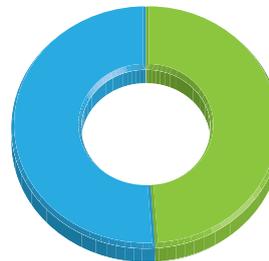
### Sigma Real Estate Properties Breakdown by Property

	%
Sagicor Industrial Park – Norman Road	6
Sagicor Sigma Building	7
R. Danny Williams Building	9
78A Hagley Park Road	1
Sagicor Industrial Park – Marcus Garvey Drive	2
Sagicor Montego Bay Commercial Centre	3
Sagicor Industrial Park – Freeport, Montego Bay	5
23-25 Seymour Avenue	2
Spanish Town Shopping Centre Strata Lots	1
Jewel Dunn’s River	27
Jewel Runaway Bay	21
Jewel Paradise Cove	16

### Sigma Real Estate Portfolio Sector & Net Income Breakdown



Sector Breakdown	%
Commercial (Non-Hotel)	35
Tourism (Hotel)	65



Net Income Breakdown	%
Commercial (Non-Hotel)	49
Tourism (Hotel)	51



### The Tourism Properties

The portfolio includes three all-inclusive hotels, Jewel Dunn’s River, Jewel Runaway Bay and Jewel Paradise Cove. They are situated in prime locations, which have traditionally been popular with vacationing tourists. Additionally, Jewel Runaway Bay boasts an 18-hole championship golf course.

The luxury experienced at Jewel Dunn’s River and Jewel Runaway Bay led to the properties being recognised by industry partners as well as guests. The following is a list of awards received during 2013:

#### Jewel Dunn’s River

- Golden Apple Award 2013
- Best of VIP Access 2013
- MTL Vacations Quality Assurance Award 2013
- Trip Advisor Travelers’ Choice - All-Inclusive Resorts 2013
- Trip Advisor Certificate of Excellence 2013

#### Jewel Runaway Bay

- Golden Apple Award 2013
- MTL Vacations Quality Assurance Award 2013
- Trip Advisor Certificate of Excellence 2013

## The Industrial/Warehouse Properties

This section of the portfolio includes four properties: the Sagicor Norman Road Industrial Park, the Sagicor Freeport Commercial Centre, 78A Hagley Park Road and the Marcus Garvey Drive Commercial Centre. These properties offer their tenants warehousing/manufacturing space in both Kingston and Montego Bay. The Sagicor Industrial Park at Norman Road is comprised of seventeen buildings that provide a total of 233,418 square feet of factory/warehousing space. The Sagicor Freeport Complex is comprised of four office units, twenty-nine warehouses (each with built-in office space) and twenty-two warehousing/light manufacturing spaces disposed over 194,000 square feet. The property located on Hagley Park Road provides a more diverse offering with both warehousing space as well as commercial office space.



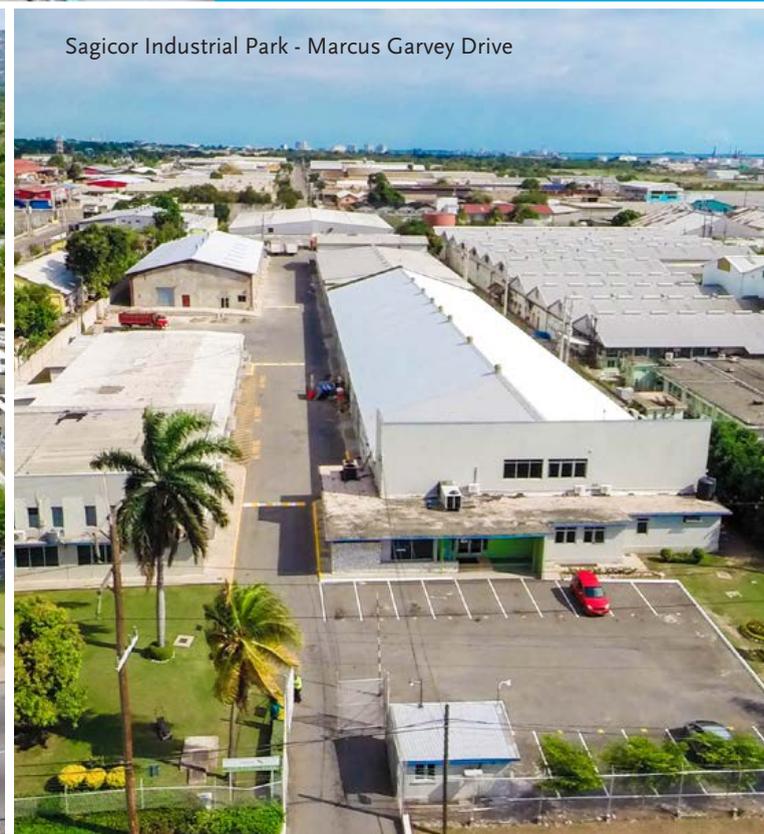
Sagicor Industrial Park - Norman Road



Sagicor Industrial Park - Freeport, Montego Bay



78A Hagley Park Road



Sagicor Industrial Park - Marcus Garvey Drive

## The Office/Retail Business Properties

The R. Danny Williams and Sagicor Sigma Buildings are located in the heart of New Kingston, the de facto business centre of St. Andrew, and house not only Sagicor but a number of other commercial tenants. Over the past few years, occupancy has been relatively stable and the R. Danny Williams Building has been the most highly occupied property in the portfolio. The Montego Bay Commercial Centre is located just outside the central business area in Montego Bay, which allows it to benefit from high volumes of daily traffic. Over the years the mix of tenants occupying its 26 units has moved from the traditional retail stores and restaurants to a higher concentration of offices. The strata lots of the Spanish Town Shopping Centre are located along a major thoroughfare in St. Catherine, and represents the smallest component of the Sigma Real Estate Portfolio.



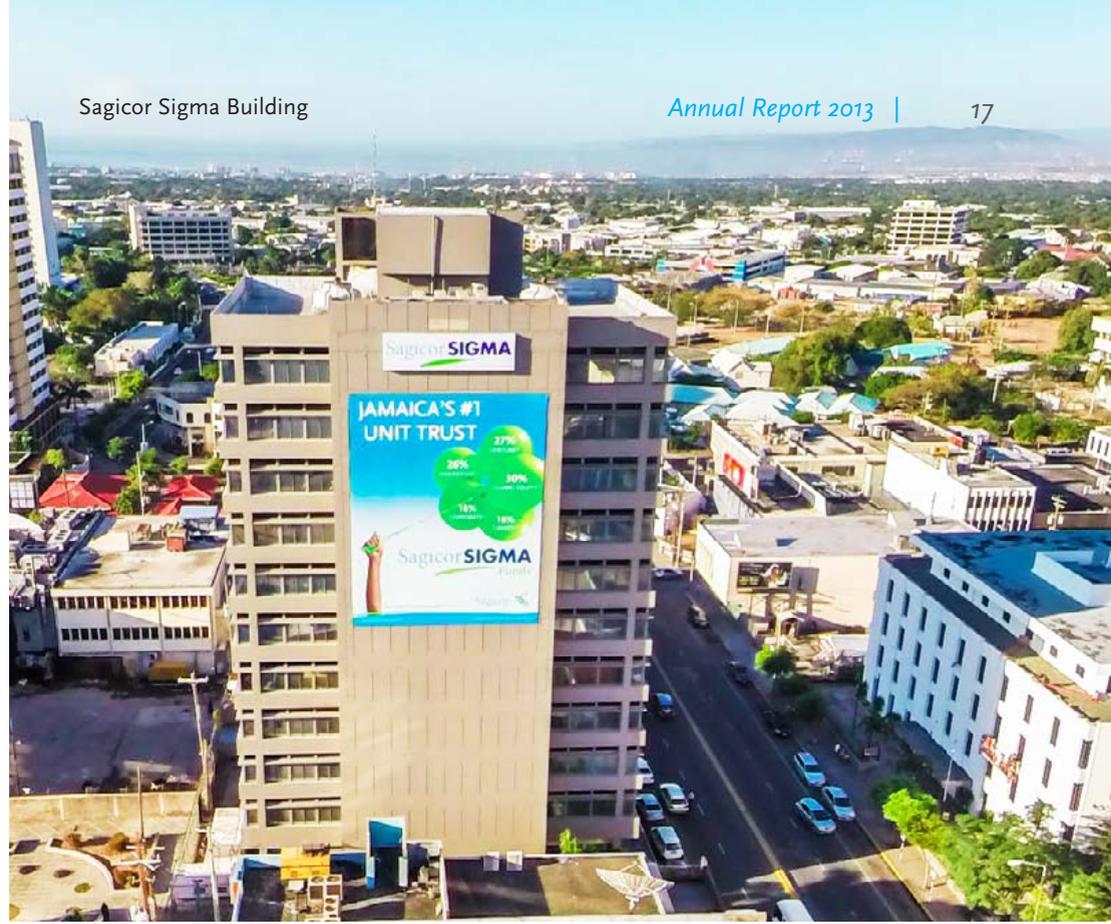
The R. Danny Williams Building



## Other

The Seymour Avenue property is currently vacant land and is prime for a multi-level residential development.





## MARKET DYNAMICS

The real estate market is cyclical in nature, where its performance tends to be positively correlated with changes in the economy.

### Tourism Sector

The improvements in the global economy and more importantly, in the economies of the major tourist markets, namely for USA, Canada and the United Kingdom, have resulted in an overall increase of 1.1% stopover arrivals over 2012 according to the Jamaica Tourist Board (JTB). There were 2,008,409 visitors in 2013 compared to 1,986,085 visitors during 2012.

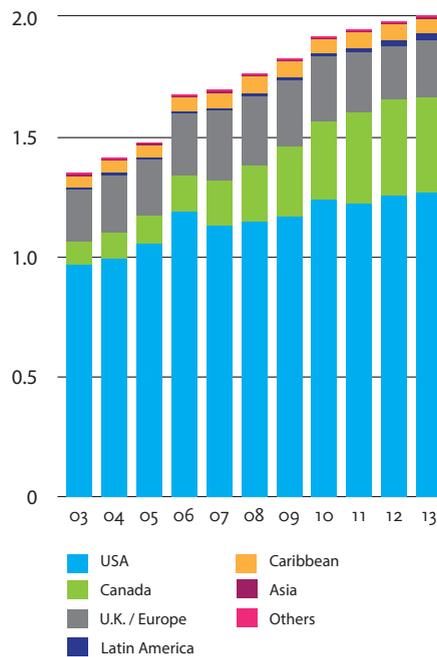
Jamaica broke the 2 million mark in 2013 for stopover visitors on Dec. 29, marking the first time that the country has welcomed over 2 million visitors in a year. The couple from the USA also vacationed at one of our Jewel Resorts properties, Jewel Runaway Bay. The table shows the statistics for tourism during 2013:

Markets	2013	2012	% Change
U.S.A.	1,271,262	1,257,669	1.1%
Canada	399,331	403,200	-1.0%
Europe	235,811	222,428	6.0%
Latin America	30,538	25,037	22.0%
Caribbean	58,249	64,984	-10.4%
Asia	7,505	7,020	6.9%
Others	5,713	5,747	-0.6%
<b>Total</b>	<b>2,008,409</b>	<b>1,986,085</b>	<b>1.1%</b>

The United States remains the number 1 market and grew by 1.1% during 2013. The European market also increased by 6% and the Latin American market by 22%. The Canadian market however declined by 1%.

The Jamaica Tourist Board anticipates further visitor growth in 2014, due mainly to an increase of 40,000 air seats this winter 2014 season with most of the increase expected from the Canadian market. Additionally, the decision by Britain to reform the Air Passenger Duty (APD) is expected to positively impact the Caribbean where the region will now be taxed equitably in comparison to flights from the UK to the United States.

**Total Stopover Arrival by Market Region (Millions) 2001 - 2013**



## Commercial Sector

Jamaican commercial properties have continued to show improvement for the third consecutive year despite another debt exchange during the first quarter of 2013. The National Debt Exchange (NDX) was a result of a new Extended Fund Facility between the Government of Jamaica (GOJ) and the International Monetary Fund (IMF) in February 2013, and following its implementation, local investors took on a greater urgency to diversify their investment portfolios from the usual high concentration of GOJ debt.

Commercial real estate development has increased throughout the year mainly in the major town centres of Kingston & St. Andrew, Montego Bay, Ocho Rios and Mandeville. We expect this trend to continue with improvements in the overall global economy.

Commercial real estate has regained favour with investors for these main reasons:

- A low interest rate environment that has allowed commercial property developers to source low cost funding for their construction projects
- Improved systems and machinery that have allowed developers to complete these projects more efficiently, driving down construction costs
- Diversification into real estate as investors move away from a heavy concentration in GOJ securities

The factors listed above have resulted in the overall improvement in the price point of newly constructed developments. As such, investment in this area has been viewed as fairly attractive and should continue to grow as more stakeholders look to capitalise on the higher returns that these improving efficiencies can provide.

The commercial rental sector has also seen gradual improvement in demand where the focus tends to be on small to mid-range spaces, averaging 500 – 2,000 sq. feet. Greater emphasis has been placed on improving efficiencies to reduce costs such as the implementation of energy reduction initiatives. The aim is to reduce overall accommodation cost to tenants while improving net rental yield.

The market for mortgage loans remains highly competitive, with building societies and other lenders offering attractive rates and other incentives to the market, and this is expected to positively impact the real estate market.

## STRATEGIC OBJECTIVES

The main strategic objectives of the Sigma Real Estate portfolio are to increase asset valuations and cash yields via the following:

- 1) **Increased rental yields**
  - Increased average daily rates for tourism properties
  - Increased average rental income per square foot for commercial properties
- 2) **Reduced operating costs**
  - Improved energy efficiencies
  - Reduced maintenance costs

## FINANCIAL HIGHLIGHTS

### Tourism (Hotel) Properties:

During 2013 the third Jewel Resort property, Jewel Paradise Cove, was acquired, refurbished and re-opened between May and October. Jewel Paradise Cove has received great reviews since its opening and is expected to further enhance the product offering of the Jewel Resorts brand.

The Jewel Dunn’s River property closed its 3rd full year of operations with Net Income of US\$3.89 million. Jewel Dunn’s River has earned a great reputation in the market and has won numerous awards during 2013. Jewel Runaway Bay made a profit after one year of full operations, having been acquired in June 2012 and has also received a number of industry awards.

JEWEL RESORTS			
	Occupancy (%)	ADR (US\$)	Net Income (US \$)
Jewel Dunn’s River	86	223	3,894,823
Jewel Runaway Bay	71	188	895,766
Jewel Paradise Cove*	16	222	-1,331,377
<b>Total</b>	<b>72</b>	<b>207</b>	<b>3,459,212</b>

\*Property opened for operation in October 2013



# JEWEL DUNN'S RIVER

BEACH & GOLF RESORT

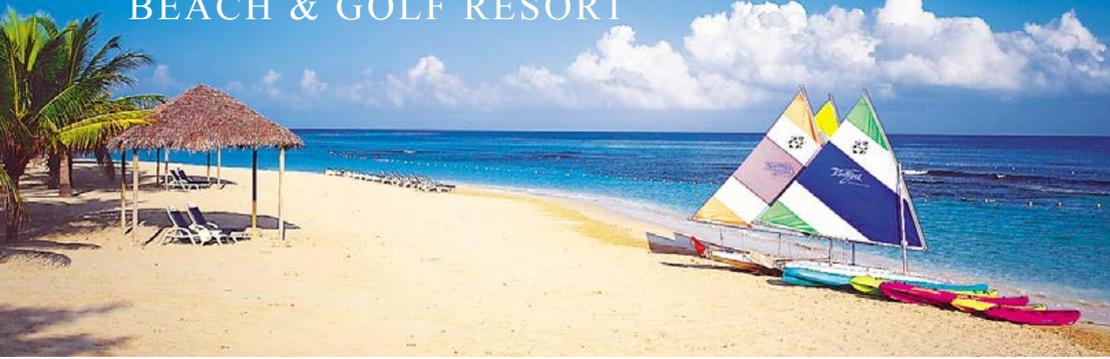




JEWEL

# RUNAWAY

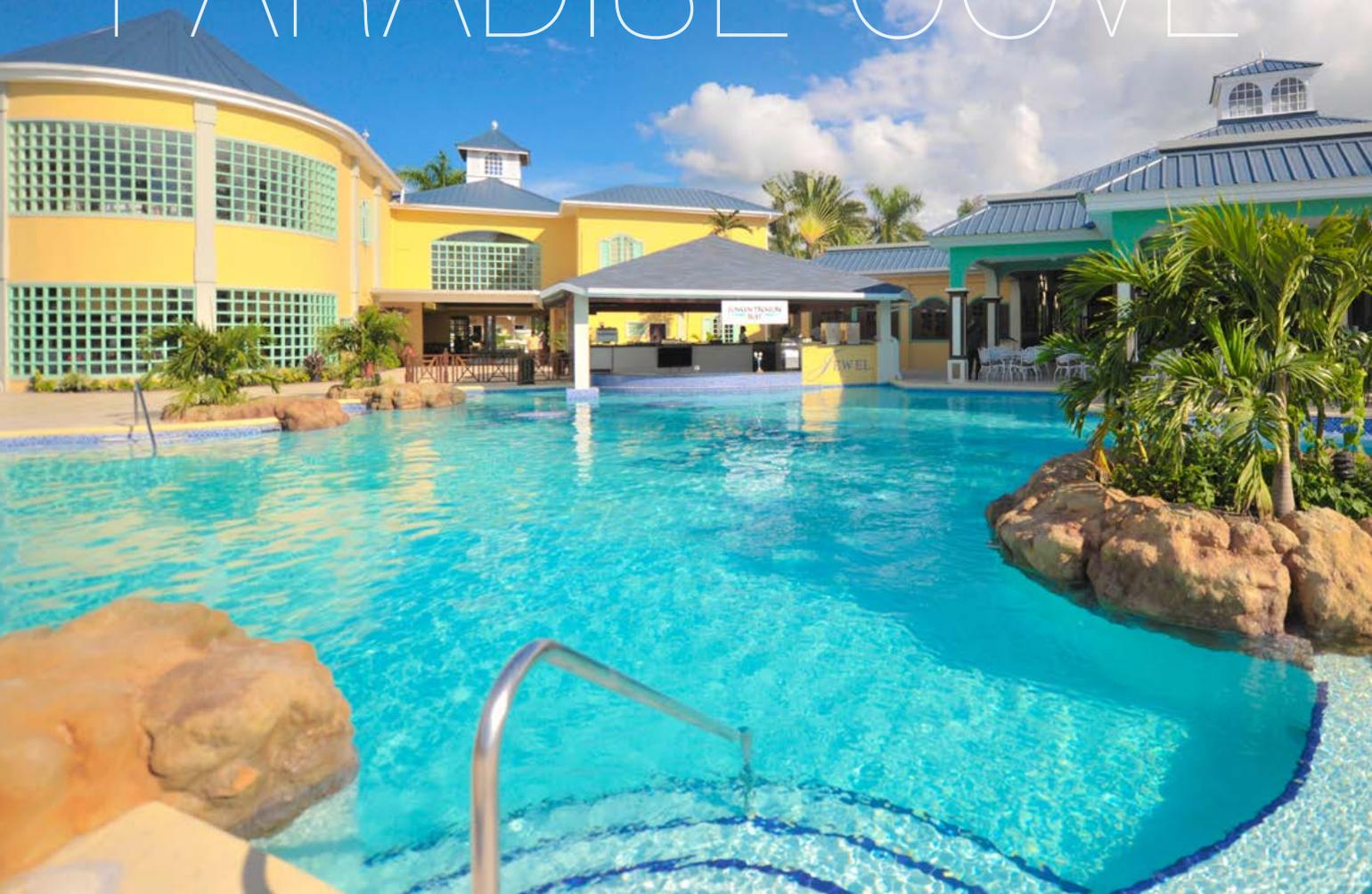
BEACH & GOLF RESORT

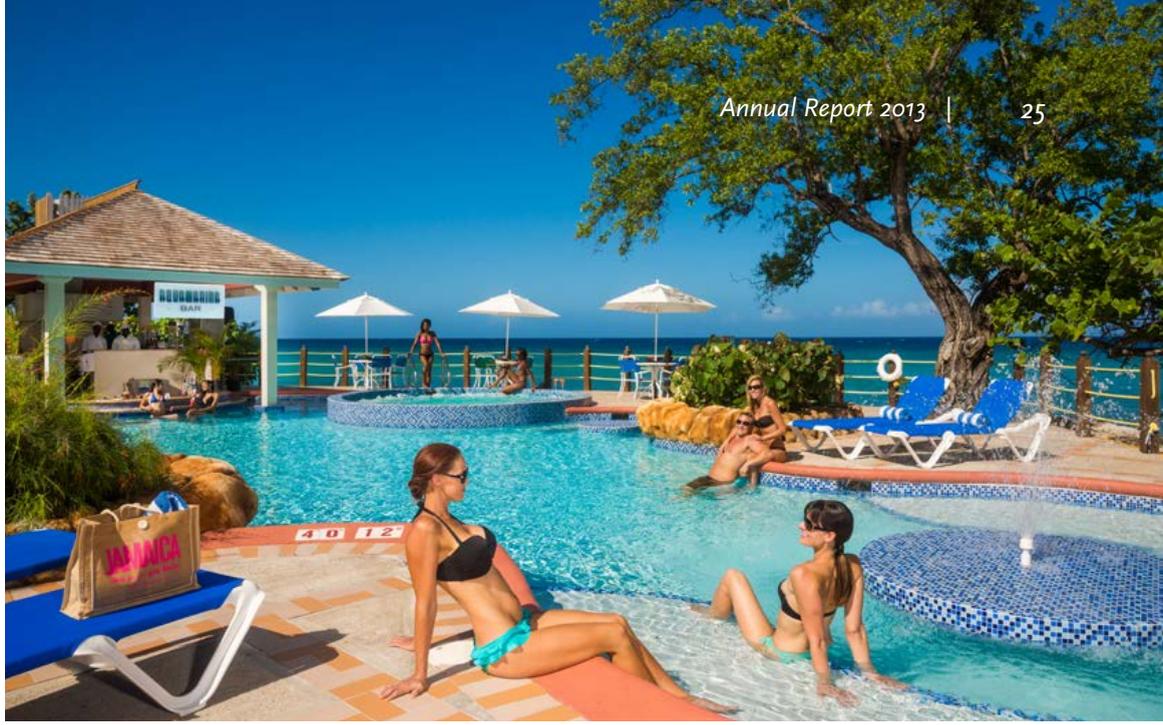






# JEWEL PARADISE COVE





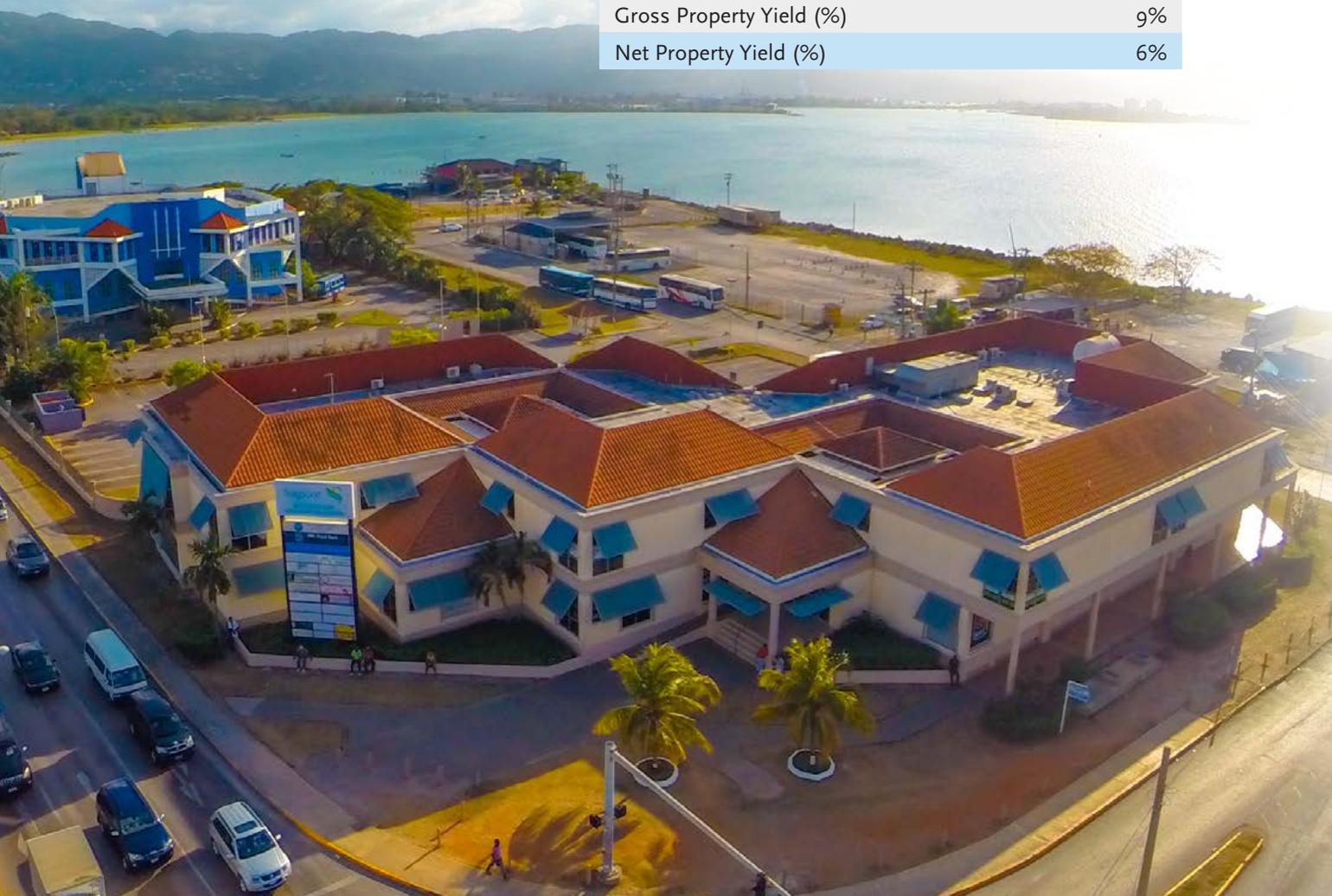
### Commercial (Non-Hotel) Properties:

The average occupancy across the commercial properties in the Sigma Real Estate Portfolio was 85%, with an average rate of \$674 per square foot. The commercial properties contributed \$324 million towards the portfolio's overall net profit.

### Commercial (Non-Hotel) Properties

- **The R. Danny Williams Building** (St. Andrew)
- **63-67 Knutsford Boulevard** (St. Andrew)
- **78a Hagley Park Road** (St. Andrew)
- **Sagicor Industrial Park** – Marcus Garvey Drive (St. Andrew)
- **Sagicor Industrial Park** – Freeport, Montego Bay (St. James)
- **Sagicor Montego Bay Commercial Centre** (St. James)
- **Sagicor Industrial Park – Norman Road** (St. Andrew)
- **Spanish Town Shopping Centre Strata Lots** (St. Catherine)
- **23-25 Seymour Avenue** (St. Andrew)

Non-Hotel Properties	Total
Market Value	J\$5,633,508,680
Area (Sq.Ft)	783,271
Occupancy (%)	85%
Avg. Rate	J\$674
Avg Service Fee	J\$585
Gross Property Income	J\$496,698,591
Property Expenses	J\$172,443,463
Net Property Income	J\$324,255,128
Gross Property Yield (%)	9%
Net Property Yield (%)	6%



# Corporate Governance

## OVERVIEW

The Articles of Association of Sagicor Real Estate X Fund Limited (X Fund) provides for a Board of Directors of not more than eight (8) persons. The current Board comprises seven (7) Directors. The Board of Directors is responsible for (i) the strategic direction of X Fund, which involves setting its business objectives and the plans for achieving them; (ii) execution of the approved business objectives through adequate management and resources; (iii) monitoring the performance of the Sigma Real Estate Portfolio with a view to achieving the strategic objectives and ensuring compliance with all applicable legal and regulatory regimes; and (iv) due and proper accounting to all stakeholders of X Fund, including in particular, the stockholders.

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

Given that the Company did not commence full operations until after the Initial Public Offering (IPO), the Board made decisions solely by way of Round Robin Resolutions over the period January 1, 2013 to December 31, 2013. The Board has agreed to meet on a quarterly basis, unless otherwise required.

## Audit & Finance Committee/ Investment Committee

The Board of X Fund established an Audit & Finance Committee and an Investment Committee to ensure that there is an ongoing review of its corporate integrity and X Fund's ability to achieve its strategic and operational objectives.

**Audit & Finance Committee** - The Committee Members appointed as at November 8, 2013 are Mr. Peter Pearson (Chairman and Independent Director), Mr. Vinay Walia (Independent Director) and Mr. Michael Fraser.

**Investment Committee** – Mr. Vinay Walia (Chairman and Independent Director), Dr. the Honourable R. D. Williams, Mr. Richard Byles and Mr. Rohan Miller were appointed members of this Committee effective January 24, 2014.

These Committees will meet quarterly in the absence of any pressing matter or emergency.

## Changes in Directorship and Management Details

In the year 2013, the following changes/appointments were made:

Effective April 30, 2013 - Mr. Ravi Rambarran resigned as Director

Effective June 1, 2013 - Mr. Richard Byles was appointed Chairman of the Board

Effective November 8, 2013 - Messrs. Peter Pearson and Vinay Walia were appointed to the Board as Independent Directors

Effective November 8, 2013 - Mr. Rohan Miller was appointed Chief Executive Officer of the Company

## Change in Capital

At the beginning of 2013, the share capital of the Company stood at One Thousand (1,000) ordinary shares owned by Sagicor X-Funds SPC (c/o Mourant Ozannes Corporate Services (Cayman) Limited P.O. Box 1348 GT, 94 Solaris Avenue, Caymana Bay, Grand Cayman, Cayman Islands KY1 -1108).

Effective May 28, 2013, the 1,000 ordinary shares were transferred from Sagicor X-Funds SPC to Sagicor Life Jamaica Limited for a consideration of US\$1,000.00.

The following amendments were made in respect of the Share Capital in the Memorandum of Association effective June 3, 2013:

“Shares in the Company shall be issued in the currency of the United States of America and Jamaica.”

“The authorised capital of the Company at the date of adoption of this clause [being June 3, 2013] is US\$5,000,001,000.”

“The authorised capital is made up of two (2) classes of shares, namely:

- (i) one (1) special rights redeemable preference share having a par value of US\$1,000.00 (the “Special Share”); and
- (ii) 5,000,000,000 ordinary shares of J\$1.00 par value with each ordinary share having one vote on a poll.

and the remaining shares are un-classified and unissued.”



# Notice of Annual General Meeting

Notice is hereby given that the First Annual General Meeting of the Company will be held at the offices of McNamara Corporate Services Inc., Rodney Bay, Gros Islet, Saint Lucia on Wednesday, May 21, 2014 at 10:00 a.m. for the following purposes:

1. To receive the Audited Accounts and Report of the Directors for the year ended December 31, 2013.

To consider and if thought fit, pass the following Resolution:

#### Resolution No. 1

“THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2013 be and are hereby adopted.”

2. To elect Directors:

To consider and if thought fit, pass the following Resolution:

#### Resolution No. 2

“THAT Directors Richard Byles, Dr. the Hon R. Danvers Williams, Dr. M. Patricia Downes-Grant, Michael Fraser, Stephen McNamara, Vinay Walia and Peter Pearson who retire by rotation and are eligible for re-election be and are hereby re-elected as Directors of the Company en bloc.”

3. To appoint the Auditors and authorise the Directors to fix the remuneration of the Auditors.

To consider and if thought fit, pass the following Resolution:

#### Resolution No. 3

“THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.”

Dated the 29th day of April, 2014  
BY THE ORDER OF THE BOARD



MCSI Inc  
Corporate Secretary

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

*A Form of Proxy is enclosed for your convenience*





## Corporate Data

### **DIRECTORS:**

*Richard O. Byles*  
Chairman

*Rohan Miller*  
Chief Executive Officer

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

*Dr. M. Patricia Downes-Grant*

*Michael Fraser*

*Stephen McNamara*

*Vinay Walia*

*Peter Pearson*

### **EXECUTIVE:**

Rohan D. Miller  
Chief Executive Officer

### **Corporate Secretary:**

**MCSI Inc.**  
20 Micoud Street  
Castries  
Saint Lucia

### **Auditors:**

**PWC**  
PricewaterhouseCoopers  
Scotiabank Centre  
Duke Street  
Kingston

### **Bankers:**

**CIBC FirstCaribbean International Bank**  
**The Bank of Nova Scotia**

### **Attorneys:**

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

### **Registered Office:**

20 Micoud Street  
Castries  
St. Lucia



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REAL ESTATE X FUND

# FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013



## Independent Auditors' Report

To the Shareholders of Sagicor Real Estate X Fund Limited

### Report on the financial statements

We have audited the accompanying financial statements of Sagicor Real Estate X Fund Limited, which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the period 1 November 2013 to 31 December 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the Financial Statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements.

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 financial statements present fairly, in all material respects, the financial position of Sagicor Real Estate X Fund Limited as at 31 December 2013, and of its financial performance and its cash flows for the period 1 November 2013 to 31 December 2013 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

17 April 2014  
Castries, St. Lucia

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

Head office: PricewaterhouseCoopers, 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)

\* PricewaterhouseCoopers refers to the Eastern Caribbean firm of PricewaterhouseCoopers. A full listing of the partners of the Eastern Caribbean Firm is available upon request from the Head office

# Statement of Comprehensive Income

Period 1 November 2013 to 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

	Note	2013 \$'000
Net capital gains on investment securities	6	<u>942,240</u>
Operating expenses	4	<u>(100)</u>
Profit before tax		942,140
Taxation	5	<u>1</u>
Net Profit, being Total Comprehensive Income for the period		<u><u>942,141</u></u>
Earnings per stock unit for profit attributable to the stockholders of the company during the period:		
Basic and fully diluted	9	<u><u>\$0.63</u></u>

## Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000
<b>Non-Current Asset</b>		
Investment in Sigma Real Estate Portfolio	6	8,418,156
Deferred tax asset	7	<u>1</u>
<b>Total Assets</b>		<u><u>8,418,157</u></u>
<b>Shareholders' Equity</b>		
Share capital	8	7,476,016
Retained earnings		<u>942,141</u>
<b>Total Equity</b>		<u><u>8,418,157</u></u>

Approved for issue by the Board of Directors on 17 April 2014 and signed on its behalf by:



Richard Byles Chairman



Rohan Miller Director and CEO

## Statement of Changes in Shareholders' Equity

Period 1 November 2013 to 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Shares issued during the period	7,476,016	-	7,476,016
Net profit, being total comprehensive income for the period	-	942,141	942,141
<b>Balance at 31 December 2013</b>	<b>7,476,016</b>	<b>942,141</b>	<b>8,418,157</b>

## Statement of Cash Flows

Period 1 November 2013 to 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2013</b> <b>\$'000</b>
<b>Cash Flows from Operating Activities</b>	
Net profit	942,141
Items not affecting cash:	
Income tax expense	(1)
Fair value gain on units held in Sagicor Sigma Portfolio	(942,240)
Net cash used in operating activities	<u>(100)</u>
<b>Cash Flows from Investing Activity</b>	
Purchase of investments	<u>(7,475,916)</u>
Net cash used in investing activity	<u>(7,475,916)</u>
<b>Cash Flows from Financing Activities</b>	
Ordinary shares issued	7,475,916
Special redeemable preference shares issued	100
Net provided by investing activities	<u>7,476,016</u>
Change in cash and cash equivalents	<u>-</u>
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>-</u></u>

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 1. Identification and Principal Activities

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, 1999 (as amended) of Saint Lucia.

On February 28, 2013, the company changed its name to Sagicor Real Estate X Fund Limited ("X Fund"). On September 24, 2013, the public was invited to subscribe for shares in the company under an initial public offer (IPO). The IPO closed on October 18, 2013, with the shares listed on the Jamaica Stock Exchange on November 15, 2013.

The company is 67.71% owned by the Sagicor Pooled Pension Funds Limited, which is administered by Sagicor Life Jamaica Limited.

The company's only investment is units in the Sigma Real Estate Portfolio. The fund manager for Sagicor Sigma Real Estate Fund is Sagicor Investments Jamaica Limited, which is a subsidiary of Sagicor Life Jamaica Limited.

The company main business activity is to invest in real estate activities. Prior to the IPO, the company was not trading.

## 2. Summary of Significant Accounting Policies

### (a) Basis of preparation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) under the historical cost convention as modified for investments in Sigma Real Estate Portfolio which is carried at fair value through the profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### ***Amendments to published standards effective in current year that are relevant to the Company's operations***

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the Company:

- **IFRS 13, 'Fair Value Measurement'** aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Company adoption of this standard did not have a significant impact on the Company's financial statement.

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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

#### ***Amendments to published standards effective in current year that are relevant to the Company's operations (continued)***

- Annual Improvements 2011, (effective for annual periods beginning on or after 1 January 2013). The IASB issued its Annual Improvements to IFRSs 2009 – 2011 Cycle which amended five standards. The following amendments may have an impact on the Company: The amendment to IAS 1, 'Presentation of Financial Statements' clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to IAS 16, 'Property, Plant and Equipment,' servicing equipment is recognised as property, plant and equipment or as inventory depending on its expected useful life. The amendment to IAS 32, 'Financial Instruments: Presentation' clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to IAS 34, 'Interim Financial Reporting,' information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The Company did not have any major changes arising from their adoption.

#### ***Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Company***

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2014 or later periods, but the Company has not early adopted them.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Company is yet to assess IFRS 9's full impact and the timing of its adoption by the Company.
- Amendment to IAS 32, 'Financial instruments: Presentation', (effective for annual periods beginning on or after 1 January 2014). These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company is assessing the impact of adopting this amendment.

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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

#### ***Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Company (continued)***

- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company is assessing the impact of adopting this amendment but does not expect any material impact.
- Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2010 – 2012 Cycle, which amended seven standards. The following amendments may have an impact on the Group: IFRS 2, 'Share-based payment.' The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. IFRS 3, 'Business combinations.' The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation.' The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. IFRS 8, 'Operating segments.' The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. IFRS 13, 'Fair value measurement.' The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. IAS 24, 'Related party disclosures' The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The Company is assessing the impact of adopting these amendments.
- Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2011 – 2013 Cycle, which amended four standards. The following amendment may have an impact on the Company: IFRS 13, 'Fair value measurement.' The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9). The Company is assessing the impact of adopting these amendments.

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

# Notes to the Financial Statements

31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

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

### (b) Foreign currency translation

- (i) **Functional and presentation currency**  
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Jamaican dollars, which is the Company's functional and 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 using the closing rate as at the reporting date. Non-monetary items denominated in a foreign currency, which are carried at historical cost, are translated at historical rates. Exchange gains and losses arising from the translation of monetary assets and liabilities are recognised in the statement of comprehensive income.

### (c) Taxation

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the period, 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 period end date.

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 tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised in the foreseeable future.

### (d) Financial assets

The Company classifies its financial assets in the category of 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.

Purchases and sales of financial assets are recognised at the trade date – the date on which the Company 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 income statement. Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Company 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 income statement 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 recognized in the income statement as part of other income statement when the Company right to receive payment is established.

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made no critical accounting estimates or judgements which they believe have a significant risk of causing a material misstatement in these financial statements.

### 4. Operating Expenses

	2013 \$'000
Professional expenses	<u>100</u>

### 5. Taxation

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

	2013 \$'000
Deferred income tax (Note 7)	<u>(1)</u>

Reconciliation of applicable tax charge to effective tax charge:

	2013 \$'000
Profit before taxation	<u>942,140</u>
Tax calculated at 1%	9,421
Adjusted for the effects of:	
Capital gains not subject to tax	<u>(9,422)</u>
Income tax charge	<u>(1)</u>

Tax losses available to the Company at 31 December 2013 for set-off against future taxable profits amount to approximately \$100,000 and may be carried forward for up to 6 years.

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Investment in Sigma Real Estate Portfolio

The units in the respective Portfolios and values thereof are:

	<b>Sigma Real Estate Portfolio</b>
	<b>2013</b>
	<b>Units</b>
<b>UNITS</b>	
Net movement - additions	6,858,638,766
Closing balance	6,858,638,766
	<b>\$'000</b>
<b>VALUE</b>	
Opening balance	-
Net Movement -Additions	7,475,916
Changes in market value of investments	942,240
Closing balance	8,418,156
<b>Value Per Unit</b>	<b>\$1.23</b>

### 7. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 1%.

	<b>2013</b>
	<b>\$000</b>
Deferred income taxes assets	1

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

	<b>2013</b>
	<b>\$000</b>
Credited to the statement of comprehensive income – net loss	1
Balance at end of year	1

A deferred tax asset was created on current year's unutilised tax losses of \$100,000.

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Share Capital

	<b>2013 \$'000</b>
Authorised:	
5,000,000,000 ordinary shares	US\$5,000,000
1 special rights redeemable preference share	US\$1
	<u>US\$5,000,001</u>
	<b>2013 \$'000</b>
Issued and fully paid -	
1,495,336,750 ordinary shares of J\$1.00 par value	7,475,916
1 special rights redeemable preference share	100
	<u>7,476,016</u>

## 9. Earnings per Stock Unit

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

	<b>2013 \$'000</b>
Net profit attributable to stockholders	<u>942,141</u>
Weighted average number of ordinary stock units in issue ('000)	<u>1,495,337</u>
Basic earnings per stock unit	<u>\$0.63</u>

- (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 2013.

## 10. Segment Reporting

Management has determined that the Company has no operating segment as its only investment is units in the Sigma Real Estate Portfolio.

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 11. 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 fund manager, 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 provide management services.

(a) The statement of financial position includes the following balance with related party:

	<b>2013</b>
	<b>\$'000</b>
Financial investments -	
Affiliated company- Sigma Real Estate Portfolio	8,418,156

(b) The income statement includes the following transaction with related party:

	<b>2013</b>
	<b>\$'000</b>
Affiliated company- Sigma Real Estate Portfolio	942,240

## 12. Financial Risk Management

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company'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 Board of Directors is ultimately responsible for the establishment and oversight of the Company'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) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. None of the Company's financial assets are subjected to currency risk.

### (b) 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. None of the Company's financial assets are subject to interest rate risk.

# Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 12. Financial Risk Management (Continued)

### (c) Credit risk

The Company takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. The Company's investment manager, Sagicor Life Jamaica Limited, manages the Company's exposure to credit risk by reviewing the ongoing financial status of each counterparty. Credit exposures arise principally from the Company's investing activities.

#### Credit review process

##### Investments

The Company 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.

##### Maximum exposure to credit risk

The Company's maximum exposure to credit risk at the period-end was as follows:

	2013 \$'000
Investments -	
Sigma Real Estate Portfolio	8,418,156

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2013.

### (d) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Company has no financial liability at 31 December 2013.

## 13. Capital Management

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

# Notes to the Financial Statements

31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

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## 14. Fair Value of Financial Instruments

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 Company. 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) Investment in unit trusts are based on prices quoted by the fund managers.
- (ii) 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 2013, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

# Notes to the Financial Statements

31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

## 14. Fair Values of Financial Instruments (Continued)

	2013			Total
	Level 1	Level 2	Level 3	
<b>Financial Assets</b>				
Financial investments	-	-	8,418,156	8,418,156

Reconciliation of level 3 items -

Balance at end of period	<b>2013</b>
	<u>8,418,156</u>

The gains or losses recorded in the income statement are included in Note 6.

# Disclosure of Shareholding

AS AT DECEMBER 2013

## Top Ten Shareholders

	SHAREHOLDERS	NO OF SHARES	PERCENTAGE
1	Sagicor Pooled Diversified Investment Fund	725,404,177	48.51%
2	Sagicor Pooled Mortgage & Real Estate Fund	286,992,887	19.19%
3	SLJ Trading A/C - Sagicor Real Estate Fund	183,869,136	12.30%
4	JPS Employees Pension Plan	50,000,000	3.34%
5	JCSD Trustee Services Ltd	44,784,583	2.99%
6	National Housing Trust Pension Fund	30,000,000	2.01%
7	Heart Trust / NTA Pension Scheme	20,000,000	1.34%
7	GraceKennedy Ltd Pension Scheme	20,000,000	1.34%
9	SJIML A/C 3119	19,860,600	1.33%
10	Round Table Nominees Ltd	14,200,000	0.95%
	<b>Total</b>	<b>1,395,111,383</b>	<b>93.30%</b>
	<b>Other</b>	<b>100,225,367</b>	<b>6.70%</b>
	<b>Total Issued Shares</b>	<b>1,495,336,750</b>	<b>100.00%</b>

## Shareholdings of Directors

	DIRECTORS	NO OF SHARES
1	Richard Byles	1,010,000
2	R Danny Williams	Nil
3	Rohan Miller	200,000
4	Michael Fraser	Nil
5	Dr. M. Patricia Downes-Grant	Nil
6	Vinay Walia	Nil
7	Peter Pearson	Nil
8	Stephen McNamara	Nil

# FORM OF PROXY



REAL ESTATE X FUND

I, ..... of .....being a member of Sagicor Real Estate

X Fund Limited hereby appoint ..... of .....

or failing him ..... of .....as my proxy to vote for me on my behalf at the Annual General Meeting of the Corporation at the offices of McNamara Corporate Services Inc., Rodney Bay, Gros Islet, Saint Lucia on Wednesday, May 21, 2014 at 10:00 a.m. and at any adjournment thereof. The Proxy will vote on the undermentioned resolutions as indicated:

	For	Against
THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2013 be and are hereby adopted.		
THAT Directors Richard Byles, Dr. the Hon R. Danvers Williams, Dr. M. Patricia Downes-Grant, Michael Fraser, Stephen McNamara, Vinay Walia and Peter Pearson who retire by rotation and are eligible for re-election be and are hereby re-elected as Directors of the Company en bloc.		
THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.		

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

As witness my hand this ..... day of .....2014

Signature:.....

.....

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

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







Visit us at:  
[www.sagikorjamaica.com](http://www.sagikorjamaica.com)

**Client Contact Centre:**  
1 - 888 - SAGICOR  
(724-4267)