Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022, 2021 and 2020, and Independent Auditors' Report Dated February 22, 2023

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Independent Auditors’ Report and Consolidated Financial Statements for 2022, 2021 and 2020

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Posadas, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Grupo Posadas, S.A.B. de C.V. and Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2022, 2021 and 2020, the consolidated statements of income (loss) and other comprehensive income (loss), the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Posadas, S.A.B. de C.V and Subsidiaries as of December 31 2022, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows, for the years then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Ethics Code issued by the Mexican Institute of Public Accountants, A.C. (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis paragraph

In Note 2a to the consolidated financial statements, the management of the entity reveals the main actions related to its business plan to address the impacts of the Covid19 pandemic on its operations of 2021 and 2020 including the renegotiation of the "Senior Notes 2022" debt conditions toward the new "Senior Notes 2027" debt conditions. These facts do not change our Audit opinion terms and methods included in the second paragraph of this report.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These issues have been addressed in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these matters. We have determined that the matters described below are the key audit matters to be reported in our report.

Recognition of Vacation Club income and evaluation of the reserve estimate of doubtful account

The entity recognizes the income from the operation of the Vacation Club as follows:

Vacational Club Memberships revenue is recognized at the time the contract is signed, because the Entity believes that when it becomes effective, a vacation property right is granted to the member, and the performance obligation is fulfilled, when transferring a right that may be enforced before third parties, and when the control over the real properties is transferred to the buyers of memberships. As well as the assessment of the estimate for doubtful receivables accounts and the amount recognized as impairment of Vacation club financial assets by partners who could not meet their contractual payment obligations, for this, the probability of default is considered for all documents receivable, regardless of its seniority.

Our audit procedures regarding on this key matter included the following:

- Review of the design and implementation and operating effectiveness tests of the relevant controls, and substantive and control tests of the revenue system OMS (OMS-Ownership Management System).
- The documentary review, under a statistical sampling, of the contracts concluded with clients, as well as direct evidence to the different reports that served as the basis for the review.
- Review of redeemed points reports which support the amount of the services contracted and collected, recognized as revenues when rendered to the customers, with their respective costs and expenses; and.
- Review of the classification of the portfolio aging based on payment defaults, and the recalculation of the amounts to be reserved based on probability default. We also involve our specialists who assessed, through an independent calculation, the adequacy of the reserve.

Our work also included reviewing the corresponding disclosures, which are included in Notes to the consolidated financial statements.

Recovery of tax losses to amortize and recognition of deferred income tax assets

As explained in Notes 4q and 16 to the consolidated financial statements, the Entity recognizes deferred income taxes for all the differences between the carrying values and the tax bases of its assets and liabilities, and the benefits of tax loss carryforwards are taken into account.

As of December 31, 2022, the amount of tax loss carryforwards is $5,117 million, which represents a deferred income tax benefit of $1,535 million and may be applied as long as the individual entities, which incurred them, generate in the future sufficient tax profits to take advantage of the benefit of amortizing outstanding tax losses before they expire.

Our Service auditor how-to procedures on this key matter included the following:

- Evaluate and challenge the assumptions used by the Entity to prepare the fiscal projections, which included the involvement of our tax experts.
- Validation of past year projections as compared to actual financial indicators, as well as the particular review of extraordinary items included in the fiscal projections.

Our work also included reviewing the corresponding disclosures, which are included in Notes to the consolidated financial statements.

Other Information Included in the Document Containing the Consolidated Financial Statements

Management is responsible for the other information. The other information shall include the information that will be incorporated in the Annual Report that the Entity is obliged to prepare pursuant to Article 33 Fraction I, subsection b) of Title Four, First Chapter of the General Provisions Applicable to Issuers and other Participants of the Securities Market in Mexico and the Instruction accompanying those provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report.

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

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to be materially misstated. If based on the work we have done, we conclude that there is a Material misstatement posted in the other information, we will have to report that fact. When we read the Annual Report, we will issue the legend stating that we have read the Annual Report, required in Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related and using the going concern basis of accounting, unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Audit Committee members and the Board of Directors are responsible for overseeing the Entity's consolidated financial reporting process.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISA, we exercise our professional judgment and maintain an attitude of professional skepticism throughout the audit. We also:

- Identify and assess the risks of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement because of fraud is higher than for one resulting from material misstatement because of an error, as fraud may involve collusion, forgery, intentional omissions, Intentional misstatements, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies applied and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the global presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate audit evidence about the Entity's financial information and its business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We continue to be solely responsible for our audit opinion.

We will communicate with Entity's Management and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Entity's Management and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Carlos Alberto Torres Villagómez
February 22, 2023

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

Assets	Notes	2022	2021	2020
Current assets:				
Cash, cash equivalents and restricted cash	6	$ 1,938,933	$ 1,960,118	$ 501,732
Accounts and notes receivable - Net	7	2,804,519	2,700,994	2,568,742
Inventories		39,442	28,694	29,782
Prepaid expenses		48,224	40,195	93,063
Vacation Club inventory	8	161,031	163,526	262,433
Other current assets		213,135	97,493	194,909
Assets classified as held for sale	2f, 9	-	-	113,686
Total current assets		5,205,284	4,991,020	3,764,347
Non-current assets:				
Long-term notes receivable	10	4,427,828	4,062,361	3,814,738
Property and equipment – Net	11	3,904,365	4,187,585	4,406,883
Prepaid expenses		-	6,302	17,088
Investment in associates	2 q,v	129,058	1,129	1,087,978
Right-of-use assets	12	2,665,955	2,866,609	3,761,372
Intangible assets and other assets	13	538,420	759,418	912,691
Deferred tax assets	16	1,077,878	1,370,057	1,478,981
Total non-current assets		12,743,504	13,253,461	15,479,731
Total assets		$ 17,948,788	$ 18,244,481	$ 19,244,078

Liabilities and stockholders' equity	Notes	2022	2021	2020
Current liabilities:				
Current portion of long-term debt	15	$ 33,830	$ 23,521	$ 7,748,597
Trade accounts payable		775,160	602,189	628,007
Other liabilities and accrued expenses		1,464,348	1,262,189	1,563,978
Income tax payable	16f	412,162	553,505	351,981
Current portion of long-term lease liabilities	17	424,501	398,451	401,090
Other tax payable		447,856	426,747	341,116
Deferred income from Vacation Club	4u	1,351,010	877,723	1,046,709
Current portion of long-term value-added tax payable		81,076	81,886	83,873
Total current liabilities		4,989,943	4,226,211	12,165,351
Long-term liabilities:				
Debt	15	7,443,562	8,085,110	135,058
Lease liabilities	17	2,593,003	2,861,409	3,644,212
Accrued liabilities		297,011	262,178	493,685
Value-added tax payable		654,690	606,284	568,127
Deferred income from Vacation Club	4u	715,564	807,246	616,247
Income tax payable	16f	-	383,750	712,169
Total long-term liabilities		11,703,830	13,005,977	6,169,498
Total liabilities		16,693,773	17,232,188	18,334,849
Stockholders' equity:				
Contributed capital:				
Capital stock	21	495,881	495,881	495,881
Shares repurchase reserve		16,856	16,856	16,856
Additional paid-in capital		157,429	157,429	157,429
		670,166	670,166	670,166
Earned capital:				
Shares repurchase reserve		535,000	535,000	535,000
Retained earnings		(204,154)	(421,527)	(484,558)
Accumulated comprehensive earnings		75,200	55,459	10,357
		406,046	168,932	60,799
Total controlling interest		1,076,212	839,098	730,965
Non-controlling interest		178,803	173,195	178,264
Total stockholders' equity		1,255,015	1,012,293	909,229
Total liabilities and stockholders' equity		$ 17,948,788	$ 18,244,481	$ 19,244,078

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Income (loss) and Other Comprehensive Income (loss)

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos, except earnings (loss) per share)

	Notes	2022	2021	2020
Continuing operations:				
Revenue	23a	$ 9,077,990	$ 7,406,734	$ 5,225,743
Cost of sales	23b	6,275,378	5,502,143	4,645,322
Gross profit		2,802,612	1,904,591	580,421
Administrative expenses	23c	1,105,548	855,781	767,998
Sale and development expenses	23d	140,249	192,261	131,722
Depreciation, amortization, and leasing		899,194	916,330	925,518
Rent discounts		(6,396)	(261,588)	(211,577)
Impairment of assets and technology platforms		-	-	55,000
Other revenue, net	23e	(20,692)	(253,243)	(87,871)
Interest expense		631,351	573,863	1,140,053
Interest income		(59,783)	(16,988)	(31,754)
Extraordinary income, net	15b	(107,972)	(724,019)	-
Commissions and financial expenses		94,904	96,263	82,509
Exchange (gain) loss, net		(426,603)	323,934	240,767
Equity in associate		-	15,000	-
		2,249,800	1,717,594	3,012,365
Income (loss) before income tax		552,812	186,997	(2,431,944)
Income tax expense (benefit)	16	330,072	129,058	(293,947)
Consolidated income (loss) for the year	¤	222,740	57,939	(2,137,997)
Other comprehensive income (loss)				
Income on exchange differences from translating foreign operations, which will be reclassified subsequently to income or loss		327	2,549	5,693
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to income or loss, - net of income tax		19,414	42,553	(14,827)
		19,741	45,102	(9,134)
Consolidated comprehensive income (loss) for the year		$ 242,481	$ 103,041	$ (2,147,131)

(Continued)

	2022	2021	2020
Consolidated income (loss) for the year attributable to:			
Controlling interest	$ 217,373	$ 63,031	$ (2,118,681)
Non-controlling interest	5,367	(5,092)	(19,316)
Consolidated income (loss) for the year	$ 222,740	$ 57,939	$ (2,137,997)
Consolidated comprehensive income (loss) for the year attributable to:			
Controlling interest	$ 237,114	$ 108,133	$ (2,127,815)
Non-controlling interest	5,367	(5,092)	(19,316)
Consolidated comprehensive income (loss) for the year	$ 242,481	$ 103,041	$ (2,147,131)
Earnings (loss) per share:			
From continuing and discontinued operations -			
Basic and diluted earnings (loss) per common share (in pesos)	$ 0.44	$ 0.13	$ (4.27)
From continuing operations -			
Basic and diluted earnings (loss) per common share (in pesos)	$ 0.48	$ 0.22	$ (4.29)
Weighted average number of shares	$ 495,881,988	$ 495,881,988	$ 495,881,988

(Concluded)

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

	Contributed capital			Earned capital				
	Capital stock	Shares repurchase reserve	Additional paid-in capital	Shares repurchase reserve	Retained earnings	Accumulated comprehensive earnings	Non-controlling interest	Total stockholders' equity
Balance at the beginning of 2020	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ 1,634,123	$ 19,491	$ 197,580	$ 3,056,360
Consolidated comprehensive loss for the year	-	-	-	-	(2,118,681)	(9,134)	(19,316)	(2,147,131)
Balance as of December 31, 2020	495,881	16,856	157,429	535,000	(484,558)	10,357	178,264	909,229
Change in non-controlling participation value	-	-	-	-	-	-	23	23
Consolidated comprehensive income for the year	-	-	-	-	63,031	45,102	(5,092)	103,041
Balance as of December 31, 2021	495,881	16,856	157,429	535,000	(421,527)	55,459	173,195	1,012,293
Change in non-controlling participation value	-	-	-	-	-	-	241	241
Consolidated comprehensive income for the year	-	-	-	-	217,373	19,741	5,367	242,481
Balance as of December 31, 2022	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ (204,154)	$ 75,200	$ 178,803	$ 1,255,015

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

	2022	2021	2020
Cash flows from operating activities:			
Consolidated income (loss) for the year	$ 222,740	$ 57,939	$ (2,137,997)
Adjustments for:			
Income tax expense (benefit)	330,072	129,058	(293,947)
Depreciation and amortization	878,316	897,234	914,765
Rent discount	(6,396)	(261,588)	(211,577)
Asset impairment and technology platforms	-	-	55,000
Amortization of debt issue expenses	81,757	83,644	70,800
Interest capitalization of Senior Note 2027	-	123,014	-
Extraordinary income, net	(107,972)	(724,019)	-
Participation in associates	-	15,000	-
Loss in sale of trustee rights	-	235,696	-
Income on sale of non-strategic fixed assets	-	(38,968)	(55,626)
Loss (income) on sale of fixed assets	(1,679)	1,547	(1,690)
Interest expense	631,351	573,863	1,140,054
Interest income	(59,783)	(16,988)	(31,754)
Unrealized foreign exchange income	(590,934)	308,797	549,592
	1,377,472	1,384,229	(2,380)
Transactions in working capital:			
Accounts and notes receivable – Net	(468,992)	(379,874)	515,162
Inventories	(10,748)	1,088	(2,174)
Prepaid expenses	64,179	78,358	49,310
Vacation Club inventory	2,495	98,907	32,530
Trade accounts payable	172,971	(25,818)	216,662
Other liabilities and accrued expenses	335,300	698,317	(501,636)
Vacation Club deferred income	381,605	22,012	(24,926)
Income tax payments	(557,780)	(358,986)	(342,626)
Net cash generated (used in) by operating activities	1,296,502	1,518,233	(60,078)
Cash flows from investing activities:			
Purchase of property and equipment and upgrades	(65,178)	(109,202)	(221,058)
Vacation Club inventory in construction	(124,420)	(60,635)	(53,615)
Intangible assets and other assets	(46,291)	(98,288)	(60,098)
Contributions of investment in associates	-	-	(6,284)
Collected interest	59,783	16,988	31,754
Sale of property and equipment	4,599	2,545	4,501
Cash flows from sales of non-strategic properties	-	992,243	347,876
Net cash generated (used in) by investing activities	(171,507)	743,651	43,076

(Continued)

	2022	2021	2020
Cash flows from financing activities:			
Lease liabilities payments	(692,692)	(481,614)	(695,072)
Loan obtained	-	450,000	-
Loan payments	(23,521)	(450,000)	(6,150)
Interest paid	(331,071)	(90,976)	(18,766)
Debt renegotiation costs	(98,896)	(230,908)	(826)
Net cash used in financing activities	(1,146,180)	(803,498)	(720,814)
Net increase (decrease) in cash and cash equivalents	(21,185)	1,458,386	(737,816)
Cash and cash equivalents at the beginning of the year	1,960,118	501,732	1,239,548
Cash and cash equivalents at the end of the year	$ 1,938,933	$ 1,960,118	$ 501,732

(Concluded)

See accompanying notes to consolidated financial statements.

(In thousands of Mexican pesos)

1. Activities

Grupo Posadas, S. A. B. de C. V. (Posadas) and Subsidiaries (together, the Entity) are primarily engaged in the operation and management of hotels, the granting of hotel franchises, as well as the purchase and sale of real estate within the hospitality industry. The Entity mainly operates hotels under the brands Live Aqua, Beach Resort, Live Aqua Urban Resort, Live Aqua Boutique Resort, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn, Fiesta Inn Loft, Fiesta Inn Express, IOH, One Hotels, Gamma and Curamoria Collection.

The Entity enters into long-term management contracts with all the hotels that it operates, which for purposes of these consolidated financial statements, these hotels are referred to as owned, leased and managed hotels. The number of hotels and rooms operated by the Entity as of December 31 are:

Hotels	2022	2021	2020
Owned (including vacation properties)	12	12	12
Leased	15	15	17
Managed (including lofts and franchisees)	162	159	152
Operated hotels	189	186	181
Operated rooms	29,152	28,888	28,633

Posadas receives fees pursuant to the long-term management contracts it has with all of the hotels it operates. Certain fees, including management, brand use fee, reservation services and technology usage, among others, are based on hotel revenues. Posadas also receives an incentive fee based on the hotels' operating income.

The Entity operates a Vacation Club business called Fiesta Americana Vacation Club (FAVC), as well as a product called Live Aqua Residence Club (previously, The Front Door), focused on the high-income sector, through which members purchase a vacation property opposable to third parties of “40-year- vacation property right” evidenced by an annual allocation of FAVC points. FAVC points can be redeemed to stay at the Entity's seven FAVC resorts in Los Cabos (villas and resort), Acapulco, Cancun, Cozumel, Chetumal and Puerto Vallarta, as well as any of the hotels in its portfolio. In addition, members of FAVC can also redeem their FAVC points to stay at any Resorts Condominium International (RCI), or Hilton Grand Vacation Club resorts throughout the world. Additionally, the Entity markets a product called “Kívac” consisting in sales of points, with a maturity of up to 5 years that can be redeemed for stays at any of the hotels in the Entity's portfolio, as well in some properties operated by third parties, and another product called “FAVC Access” that grants a membership with a validity of 5 years to access to have preferential rates to reserve hotel rooms, in the properties operated by the entity as well as some others operated by third parties.

In 2012, the Entity began restructuring its business with a focus towards ownership of strategic assets and the growth of its hotel management business LARC and FAVC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Note 2, subsections e), and h), and as of the date of these consolidated financial statements, the Entity continues with the organizational restructuring to reduce the number of legal entities of which it is composed.

The hotel industry is seasonal and particularly sensitive to macroeconomic and social changes, leading to volatility in revenues and the related costs during periods of twelve months. The Entity seeks to reduce the impact of seasonality on its financial performance through marketing strategies such as agreements with institutions, competitive prices and intensive promotion.

The Entity's corporate offices are located in Prolongation Paseo de la Reforma No. 1015, Floor 9, Tower A, Santa Fe, Mexico City.

2. Significant events

a. *Impact of the COVID-19 pandemic*

The emergence of the COVID-19 pandemic, which spread around the world in early 2020, triggered global flight restrictions and a health emergency declaration issued by the Government of Mexico on March 31, 2020. Restrictive measures taken to contain the pandemic adversely affected the Entity's results. The known impacts of COVID-19 on the 2022, 2021 and 2020 operation are:

- In 2020 a $3,846,965 revenue reduction representing 42% compared to the year 2019. During 2021 and 2022 a recovery of $2,180,991 and $1,671,256 in comparison the prior year, which represents 42% and 23% respectively.
- Closure of all hotels for 2 months in 2020 and selective reopening, subject to occupancy restrictions and capacity according to the epidemiological traffic light of each state from June 2021 and 2022. In 2022, the operation of the hotels stabilized.
- In 2021 lower increase of $4,156 in the impairment of accounts receivable, mainly from customers, airlines and travel agencies compared to 2020.
- In 2021 lower increase of $64,663 in the estimate of doubtful accounts of Vacation Club compared to 2020.
- During 2021, the entity generated a tax base for the quarter $409,580 which allowed it to take advantage of part of the tax loss it had reserved at the end of the year 2020, the remainder for the quarter $1,103,451 compensation wasn´t achieved because it expired at the end of 2021.
- In March 2021, the entity contracted a guarantee (secured loan) Grupo Bursátil Mexicano S.A. de C.V (GBM) for $450,000, the resources were mainly used for the payment of the eighth annuity of the agreement with the SAT of 2017 (see note 2r). The loan was settled in advance in October of the same year, paying interest of one year for $67,500 according to contractual obligations. The guarantee considered the Fiesta Americana Reforma and Fiesta Americana Guadalajara hotels.

In August 2021, a restructuring agreement was concluded with a group of bondholders representing more than 25% of the issue, called the Ad-Hoc Group. To be executed through a procedure before the New York Court within the modality of a format pre-agreed (prepackaged) under Chapter 11 of the US Bankruptcy Code. This agreement only involved the interests of bondholders known as Senior Notes Due 2022. No other counterpart was affected through this process. On December 9, 2021, the court approved the restructuring plan for the entity and on December 15, the entity restructured its debt known as Senior Notes with a new maturity on December 30, 2027. The entity committed most of its assets and the receivable portfolio of its vacation club business as part of the guarantee to the benefit of the Senior Notes Due 2027 bondholders, which ensured a satisfactory restructuring of the financial debt.

In 2020 he Entity also faced a reduction in available credit lines for $230,000. These events resulted in an operating loss of $107,701 and a decrease in operating cash flow of 61% compared to the previous year.

Additionally, during 2020 the rating agencies downgraded the overall credit rating of the Entity, with a negative perspective. During 2020, the Entity canceled Fitch Ratings and in October 2021 Moody´s withdrew the rating on request for chapter 11 by the Entity.

In December 2021 with the successful completion of the restructuring plan, the S&P Global Ratings agency changed the rating from "D" to "B-," In December 2022, the S&P Global Ratings agency ratified the "B-" rating, which is maintained at the date of issue of this financial statement.

Given the successful restructuring of the debt and to the rapid recovery of traditional levels of occupancy, once the restrictions of mobility and hotel occupancy were lifted, it is estimated that a healthy liquidity will be maintained in the Entity.

To mitigate the financial impacts caused by the COVID-19 pandemic, the Entity has taken the following measures:

- It has successfully completed the restructuring of its financial debt known as Senior Notes Due 2022 with the issuance of Senior Notes Due 2027.
- A corporate office staff reduction plan was established as 2020, a significant payroll cost savings was realized in 2021 and 2022. In November 2022, a restructuring plan was continued with which 15% savings on payroll costs are expected for 2023.
- Investment plans were reviewed to ensure that only the investments necessary to maintain the operation, and contractually committed investments, were made.
- Credit term extensions and discounts have been negotiated with various providers of hotel supplies.
- A reduction in rent payment of leased hotels was achieved as of March 2020 and until September 30, 2022, and no income discounts are foreseen for future years.
- Spending on advertising campaigns has been deferred.

In compliance with the technical guidelines of health safety in the work environment, the Entity took the following measures to safeguard the health of guests and collaborators, and maintain the continuity of its operation:

(i) Extraordinary protocols for training employees and communication of personal care recommendations to hotel guests and visitors.
(ii) Application of special cleaning and disinfection measures in all areas of the hotels.
(iii) Modification of processes and capacity in restaurants and consumption areas.
(iv) Daily monitoring of the health status of employees and referral to their health center or quarantine if necessary.
(v) Coordination of health care for guests with symptoms.
(vi) Coordination with local health authorities, and
(vii) Set up remote working mechanisms whenever possible.

The Management considers that the measures taken are sufficient to mitigate the effects of the pandemic and has therefore prepared the Entity's financial statements on a going concern basis.

The following notes provide details of the impact of the COVID-19 pandemic in the various items of the consolidated financial statements.

b. ***Default in the interest coupon payment of "Senior Notes 2022"***

In June 2020, the Entity published a relevant event to the Mexican Stock Exchange, where it decreed a moratorium on the payment of interest in the first semester of 2020 of its "*Senior Notes 2022*", as a measure to maintain its liquidity and ensure its operation and announced its intention not to make the payment during the corresponding 30-day grace period. Also on December 30, 2020, and June 20, 2021, the Entity decreed a moratorium on the payment of interest in the second semester of 2020 and first semester 2021 under the same conditions. According to the *Indenture* of the "*Senior Notes 2022*", this action constitutes an event of default. At the end of the 2020, the debt balance for this concept amounts to US$392,605,000, which has been presented in its entirety in current liabilities, together with ordinary and default interest, pending liquidation.

c. ***Senior Notes Issue 2027 and Early Cancellation of Senior Notes 2022***

On December 15, 2021, the Entity published a relevant event to the Mexican Stock Exchange, where it announced that, once the conditions for the effectiveness of the restructuring plan have been met, it will issue new Senior Notes due December 30, 2027 for a principal amount up to US$398,581,321 in replacement of its existing Notes due June 30, 2022. Initially a total of USD$360,891,000 of the Senior Notes were initially exchanged with a maturity of June 30, 2022 and the remaining of USD$31,714.000 could be exchanged by June 15, 2022.

The “Senior Notes 2027” generate staggered interest, of 4% per year for year one, 5% for year two, 7% for years three and four, and 8% for years five and six payables biannually in June and December, as of December 30, 2022. For years one and two, the entity has the option of capitalizing 50% of interest at a rate of 6% for year one and 7% for year two according to the application period. Principal maturity is December 30, 2027. Senior Notes issued to qualified holders on the Effective Date (December 15, 2021) in the amount of USD $366,384,452 received interest payment in cash on June 30, 2022. It should be mentioned that the interest payment made on 30 December 2022 was made 100% in cash at the applicable interest rate.

The amount of issuance expenses amounted to $316,434, which is being amortized over the life of the new issue based on the effective interest rate method.

d. ***Cancellation of Senior Notes 2027***

On June 30, 2022, USD$26,850,570 of Senior Notes were signed due in 2027 for holders who made the exchange request before June 14. Of these, USD$6,598,938 were exchanged for unqualified holders, which ended on July 25. For the failure to submit the necessary information during the US Bankruptcy Code Chapter 11 process, Senior Notes were definitively canceled in the amount of USD$5,346,298. With this issue, the entity concludes its restructuring process. The unpaid balance of the “Senior Notes Due 2027” is from USD$393,235,022. This liability is presented in the long term.

The new Senior Notes are guaranteed by subsidiaries of the entity, as well as various assets according to the plan mentioned above.

e. ***Sale of non-strategic assets***

Fiesta Americana Hacienda Galindo - On June 30, 2017, a purchase-sale contract was signed subject to term, suspension conditions and purchase option with Fibra Hotel for the disposal of the hotel called “Fiesta Americana Hacienda Galindo” under the following clauses: i) The deadline for compliance shall be December 31, 2019, (ii) the compensation shall be that resulting from multiplying 10.06 times the EBITDA corresponding to the sum of the twelve months of the calendar year 2019, resulting in the value of $355,000, by subtracting the amount of the investment made to improvements by $155,000, as well as the income paid by the buyer as a tenant by $43,000, under the lease of assets. At the same time as the signing of the purchase-sale contract, the entity signed an asset lease contract with Fibra Hotel with a deadline of March 31, 2021, in the same contract Fibra Hotel undertakes to make investments in improvements to the leased property. The sale of the property was recognized in March 2021, when the aforementioned clauses were complied with.

As a result of the COVID-19 pandemic, compliance with the conditions for sale had not been possible, as they required proceedings before municipal authorities in San Juan del Rio, which suspended their activities by the emergency declaration issued on 31 March 2020. Accordingly, the entity and FibraHotel signed several extension agreements in December 2019, March 2020, June 2020 and November 2020, agreeing to postpone compliance with the conditions in question until March 31, 2021, and by granting FibraHotel the right to retain 5% of the price to guarantee compliance with the conditions of sale.

During the term of the lease and after the purchase-sale, the entity will continue to operate the hotel on the basis of a hotel operation contract and trademark license for a total term of 22.5 years. In December 2019, the entity signed an agreement with FibraHotel agreeing an incentive on this transaction, which will be determinable until February 2021, subject to the hotel's EBITDA generated in 2020 being greater than that generated in 2019. If the difference is positive, FibraHotel will pay an incentive by multiplying the differential by 0.7 and applying the multiple of 10.06 EBITDA times to the differential. Derived from the COVID-19 pandemic, the entity did not receive such an incentive because it did not meet the condition that the differential was positive.

Fiesta Americana Hermosillo - On April 29, 2016 a purchase and sale agreement was signed subject to term, precedent conditions and a purchase option with FibraHotel for the sale of the hotel "Fiesta Americana Hermosillo" in accordance with the following clauses: i) the respective term will expire on January 31, 2020, ii) the consideration will be the product of 10.06 times the average of the hotel's EBITDA for the last three years, less the investment made in leasehold improvements and disbursements, subject to a floor price of $80,500 million. At the same time as the signing of the sales contract, the Entity signed a lease agreement with FibraHotel for a non-cancellable term maturing as of January 31, 2020 for $10,000, which the Entity must invest in property improvements; also, FibraHotel agrees under the same terms to invest $75,000 in such property. The sale of the property was recognized in January 2020, when the aforementioned clauses were complied with.

Following the execution of the purchase-sale contract, the Entity conducted an impairment study for the Fiesta Americana Hermosillo hotel, and determined in 2016 an effect of $57,064, presented in "Depreciation, amortization, real estate leasing, and cost of disposal and impairment of assets", in the consolidated statement of comprehensive income or loss. During 2019 and 2018, the Entity updated the impairment study and determined an additional effect of $6,200 and $19,498, recorded in the same line of the consolidated statement of comprehensive income or loss. As a result, the profit for sale of the property was $4,128 recorded in 2020.

In December 2019, the Entity executed an agreement with FibraHotel to establish a transaction incentive in the event of the purchase-sale taking place, which will be determinable in February 2021, as long as the hotel's average EBITDA for the 2017-2020 period exceeds the average of the 2017-2019 period. If the difference is positive, FibraHotel will pay an incentive by multiplying the difference by 0.7 and applying an EBITDA multiple of 10.06 times to the result. As a consequence of the COVID-19 pandemic, the Entity does not expect to collect this incentive, as it does not meet the condition of a positive difference.

Land in Nayarit – In December 2019, the Entity executed a preliminary purchase sale agreement of 29,956 m^2 of land in Bahía de Banderas, Nayarit with Inmobiliaria Antia, S. de R.L. de C.V., subject to term and conditions precedent. The price was set at $240,000, with the buyer making a down payment of $24,000. The balance was paid on February 24, 2020, upon the execution of the final purchase sale agreement, date on which the Entity met the precedent conditions regarding the approval of its corporate Board and the issuance of the respective land deed in its name. For tax purposes, the Entity accrued the full sales price and deducted the restated acquisition cost in 2019 although, for accounting purposes, it considered it did not meet the revenue standard requirement established for recognition of the sale. Accordingly, as of December 31, 2019, it only recorded the down payment received under "Advances from Customers" and the asset under "Assets available for sale" in the consolidated statement of changes in financial position. The sale was recognized in the consolidated results of the Entity in February 2020.

Fiesta Americana Condesa Cancún - In August 2017, the Entity executed a purchase-sale contract subject to certain precedent conditions for the sale of the Fiesta Americana Condesa Cancún hotel to FibraHotel. Such conditions occurred at the beginning of 2018. The hotel was sold for $2,892,000 in February with retroactive effects as of January 2018. The net effect from the sale was $1,345,750, which is presented in the consolidated statement of comprehensive income or loss, under other (revenue) expenses, net, and generated interest income of $90,181.

Simultaneously a long-term lease agreement on that hotel became effective, and both parties agreed to give economic effect to the lease from 1 January 2018 onwards. The Entity and FibraHotel agreed each to invest approximately $60,000 to renovate public areas during 2017 and 2018; a commitment that was extended to $75,000 for the Entity through a first amending agreement dated January 17, 2020.

On February 17, 2020, both parties signed a second amending agreement, temporarily increasing fixed rent payments for 18 months from January 2020 to June 2021.

On May 28, 2020, both parties signed a third amending agreement considering the effects of the COVID-19 pandemic, as amended on June 18, 2020, by which they agreed that FibraHotel would pay the Entity the equivalent of the operating loss incurred by the hotel during the second half of 2020. That amounted to $27,835 at the end of 2020. As of December 31, 2021, this amount has been collected.

f. ***Restructuring provision***

As of October 2020, the Entity adopted the measure of reducing its staff in its corporate offices to achieve savings that would enable it to face the COVID-19 pandemic. At the end of 2020, this reduction resulted in termination of employment expenses of $53,482 and a provision of $17,874 to meet payments for the same concept. During 2022, the reduction of staff in corporate offices continued, generating costs for the completion of jobs per $63,588 and a provision per $17,417 at the end of 2022. Both provisions comply with the requirements of IAS 37 "Provisions, contingent liabilities and contingent assets": To be recognized as a restructuring provision in the existence of a detailed formal plan for such restructuring and that the Administration has generated a genuine expectation valid in those affected that the plan will be implemented.

g. ***Impairment of assets***

In 2013, a subsidiary of the Entity acquired land in Acapulco Diamante for $129,064, and the contract of sale provided for the possibility of additionally acquiring construction rights of the selling party, from the debtor La Isla Residencial, S.A. de C.V., in the amount of $60,000. That eventual acquisition was subject to suspensive condition. In 2015, the subsidiary and the selling party agreed to eliminate the suspensive condition and the subsidiary paid $55,000 for the debtor's alluded construction rights.

During 2019, the subsidiary was merged by absorption into the Entity. During 2021, the debtor's main shareholder died in the city of Puerto Vallarta, so the Entity, as the successor to the acquiring subsidiary, assessed the right of construction considering the counterparty's credit risk and determined that there was a possible impairment. The amount of $55,000 was charged to the results at the end of 2021. As of December 31, 2022 this right has expired.

Furthermore, as a result of the COVID 19 pandemic, the Entity subjected its long-term assets to impairment tests, stressing future cash flow and discount rates hypotheses. Even with these scenarios, the Entity estimates that there is no impairment effect on its properties and equipment as of December 31, 2020.

h. ***Renewal and modification of hotel operation contracts***

In May 2019, the Entity executed an amending agreement with FibraHotel involving 49 hotels operated under the Fiesta Inn and One brands to change the duration of the respective hotel management agreements and the Entity's fee percentage.

For 36 hotels operated under the Fiesta Inn brand, the fee calculated as a percentage of revenues decreases by between 2.0 and 4.8 percent, while for 13 hotels operated under the One brand, the fee percentage decreases by 2.8 percent. Similarly, the original termination date of the management agreements executed for all the hotels covered by the agreement was unified and will conclude on December 31, 2040. These agreements may be renewed for five-year periods with the agreement of the parties. This agreement takes effect on January 1, 2020.

In May 2021, the entity agreed that, for all Hotels Fibra Hotel and only during the year 2021, it shall have no obligation to the owner to constitute the reserve for major repairs, repositions, replacements and additions of furniture and operating equipment referred to in the operating contracts or the annual capital investment program investments referred to in clause sixth (b) of the lease. By common agreement, the entity and the owner shall authorize the expenses to be incurred under this heading, valuing what is strictly necessary for the proper operation of the hotels, such as investments in equipment and materials for hotels of the brand category in all hotels of this brand, or those required for hygiene and safety by the origin of significant demand for the Hotel as tour operators and up to the maximum amount, per hotel.

In July 2021 the operation of the Fiesta Americana Grand Guadalajara, Fiesta Americana Puerto Vallarta, Fiesta Americana Grand Coral Beach, One Acapulco Diamante hotels was ceded to new leasing entities, The latter acquire the contractual status of the entity in the existing operating contracts for those hotels, so with effect from 1 July 2021 the transferees acquire, Rights and Obligations respectively, the derived products, in your favor or in charge of the operation contracts and the agreement to the operation contract.

In April 2021, the entity agreed with the Fiesta Inn Tijuana Otay Hotel to amend clauses 1, 2, 8, 17 and 21 of the lease with effect from the date of signature. 1) purpose, validity and option: a forced term for both parties of 10 years, divided into 2 5-year periods, the first period of which shall begin on April 1, 2021 and expire on March 31, 2026. The second period shall begin on March 31, 2026 and shall expire on March 31, 2031. The second period shall be subject to the fact that at the end of the 5th anniversary of the extended lease term, no variable supplementary income was generated during the 3 months in a row, the lessor will have the option of proposing to the lessor an increase in fixed and/or supplementary variable rent and in the event that the lessor does not accept the proposed increase, the lease could be terminated unilaterally without penalty to the parties.

In March 2022, a contract was concluded to change from the operating model to franchise for the following hotels; Hotel Fiesta Inn Coatzacoalcos, Hotel Fiesta Inn Poza Rica and Hotel Fiesta Inn Tampico.

i. ***Performance guarantees***

Certain hotel operation agreements executed by the Entity include a minimum performance clause, consisting of annual amounts per room in pesos or dollars.

If in any reporting period the hotels with this clause do not reach the agreed operating profit, the Entity will grant a discount on its fees, and in case of a remaining shortfall, the Entity will fund the shortfall as compensation. At the end of each financial year, the rebates and compensations are considered final, and with a few exceptions, the Entity has no right of recovery.

The Entity recorded $67,965, $35,621 and $72,594 at the end of 2022, 2021 and 2020 respectively, corresponding to the Live Aqua San Miguel de Allende, Fiesta Americana Satélite, Fiesta Americana Viaducto, Live Aqua Beach Resort Punta Cana and various Fibra Uno hotels.

j. ***Execution of management contracts in the Dominican Republic***

In August 2019, the Entity executed an agreement to operate a hotel under the Live Aqua brand for 15 years in Punta Cana, Dominican Republic, with 345 rooms. Due to the onset of the COVID-19 pandemic, the hotel delayed its opening until the first quarter of 2021.

With the purpose of fulfilling its hotel operation obligations in the Dominican Republic, the Entity has incorporated an affiliate in that country. The subsidiary hired executive staff to operate the Live Aqua hotel in Punta Cana. The start date for the Live Aqua hotel in Punta Cana, Dominican Republic was February 1, 2021.

During February 2022, the Entity entered into a contract to operate a 15-year hotel under the Funneq brand in Punta Cana, Dominican Republic, with 345 rooms adjacent to the Live Aqua. Each contract is subject to a suspension condition that the owner obtains the financing for its construction.

k. ***Gamma Copacabana management agreement***

On August 29, 2019, the Entity entered with Operadora Azul Copacabana, S.A. de C.V. a hotel operation and license agreement for a period of 20 years, subject to suspensive condition, in respect of a 431-room hotel located in Acapulco, Guerrero, which will be operated under the Gamma brand. The condition refers to refurbishments necessary to operate the hotel under the standards of this brand by March 1, 2020, when the Entity would pay a contract execution premium of $20,000.

Due to the outbreak of the COVID-19 pandemic, the suspensive condition was eliminated by agreement between the parties, by an amendment dated October 26, 2020, which extended the deadline for adaptations until 2021, with the possibility of adjusting it according to the evolution of the pandemic, and simultaneously the Entity paid the execution premium on October 29, 2020. The Gamma Copacabana Hotel began operations on October 29, 2020.

l. ***Delay in planned opening of hotels***

The COVID-19 pandemic affected the schedule of planned openings for 8 new hotels during 2020, as on the one hand construction times were affected by security measures issued by the authorities, and on the other hand, hotel occupancy restrictions forced the postponement of openings. As of the date of issuance of the financial statements, 7 hotels have already been opened.

m. ***Execution of operating contracts in Cuba***

In February 2018, the Entity signed operating contracts for two Fiesta Americana All Inclusive hotels in Cuba. The first is a hotel with 633 rooms in Playa Varadero; the second is a hotel with 749 rooms, located in Playa Pesquero, Holguín Providence, on the eastern coast of Cuba. Both hotels have local investment and started operations in January 2019. The start of the COVID-19 pandemic led to severe flight restrictions to the island of Cuba, as well as a shortage of supplies for the operation, so the Entity requested early termination from the counterparty, an application that was accepted and was effective as of May 31, 2020. Currently the Entity and the owner of the hotels are negotiating on the outstanding collection and determination of balances in order to be able to reach a settlement and terminate the agreement.

It is worth mentioning that during the period that the Entity operated both hotels, the Entity has received a notice from a third party located in the United States expressing its rights to this property; however, until the ending of both operations, the Entity is unaware of any formal claim.

n. ***Termination of operating and licensing agreements and the execution of hotel leases.***

On June 15, 2021, the Entity entered into an agreement to terminate in advance the lease agreement for the Fiesta Americana Grand Puerto Vallarta hotel with effect from August 15, 2021. Due to the restrictions established by federal and local authorities due to the COVID-19 pandemic, the hotel could not be used in its entirety by the Lessor, for that reason, The Landlord suspended the payment of rents for the months of January to July 2021, which together amount to $80 million.

On April 30, 2019, the Entity early terminated the management and licensing agreements of the Fiesta Americana Grand Puerto Vallarta hotel with Parks Operadora Hotelera, S. de R.L. de C.V. ("Parks") and at the same time executed a lease agreement involving this property for a mandatory ten-year term beginning on May 1, 2019.

This agreement obliges the Entity to segregate and pay as a supplementary rent 3.5% of the hotel's revenue for capital investments ("Capex rent"), and in order to establish a mechanism to comply with this obligation, the parties signed an amending agreement on April 30, 2020 including a subsidiary of the lessor as a representative to receive and perform on behalf of the lessor the investments that are necessary during the term of the contract from the segregated funds. The Entity recognized a Capex rent accrued from the beginning of the lease and through March 2020 for $13,943, which it paid in April 2020.

o. ***Termination of management agreements.***

During 2022, the entity prematurely terminated the operation contract of the Hotel One Leon and the franchise contracts of the hotels operating under the Curamoria Collection brand.

During 2021, the Entity terminated in advance the management contracts of the hotels Gamma Cancún Centro, One Tuxtla Gutiérrez y Fiesta Inn Toluca Aeropuerto.

During 2020, the Entity terminated in advance the management contracts of the hotels Fiesta Inn San Cristóbal de las Casas, Gamma Ciudad Obregón, Gamma León Universidad, Live Aqua Playa del Carmen and One Coatzacoalcos Forum.

In addition, in 2020 the operating contract of the Holiday Inn Mérida hotel reached the end of its term and was not renewed. The Entity charged all fees and expenses until the end of the operation of this hotel.

p. ***Rental discount agreements***

Due to the COVID-19 pandemic, the Entity negotiated with lessors, discounts on leased hotels rent payments, which fluctuated between 20% and 75% of the monthly fixed rent, during 2022, 2021 and 2020, the amount of the discounts amounted to 6.396, 261,588 and 211,577 respectively.

The Entity accounted for the discounts according to the practical expedient published by the *International Accounting Standards Board* ("IASB") in April 2020, which allows lessees to register rent forgiveness originated by COVID-19 as a variable lease payment, provided they meet certain conditions.

In addition, the Entity exercised a right to reduce the leased area for its corporate offices by 1,693 m^2 and 57 parking spaces with savings of $33,000 USD a month as of November 2020. This negotiation was accounted for as a lease modification, adjusting the value in use of that asset by $17,652 as of the date of the modification.

q. ***Mayan Riviera Trust***

During April 2017, the Entity formalized its participation in a hotel project of two hotels with 855 rooms together on the Mayan Riviera through the execution, together with other beneficiaries, to create a Business Activity Administration and Warranty Trust, with the contribution of land and cash. The amount of $225,000 in cash was contributed by the Entity in April 2017 (Trust incorporation date). On August 16, 2018, the Entity contributed an additional $225,000 to begin the construction phase.

In March 2018, the Entity also acquired a participation from one of the Trustors at $535,200. With this purchase, the Entity increased its Trust holding from 6% to 12.5%. In 2019, the Entity authorized certain amendments to the Trust agreement to enable Trustor A to obtain financing and make its contributions without compromising the property or the Entity's equity based on the payment of this financing, unless a relevant damage occurs and the property is not repaired, in which case the collection of contributions would be subordinated to the payment of the loan.

During 2019 the Entity sought and obtained an increase to the density of the original hotel project; accordingly, the parties agreed to increase the rooms of the Fiesta Americana hotel to 735, and the Live Aqua hotel to 349 rooms (previously 515 and 340, respectively), which will be operated by the Entity. Therefore, in August 2019 the Entity signed with the Trustee a first agreement amending the hotel management contract, to formalize the increase in the number of rooms, and to update the Minimum Guaranteed Profit clause, which was set at USD$13,000,000 per year. In addition, to ensure the operation of the hotels for 20 years, then counterparty of the trading contract USD$12,000,000 as key money.

In October 2020, Trustors A and C agreed to the creation of a commercial company called Tulkal Hospitality Services, S.A. de C.V., which will serve as lessee of the hotels of the project described. As a result, previous management and licensing contracts were terminated and new contracts were executed between the Entity and this new lessee.

The Entity has contributed $28,600 directly to the trust to cover pro rata expenses in the project, and has additionally disbursed $55,552 to achieve the above-mentioned increase in project density, as well as to address various environmental issues. This investment is presented under "Investment in associates" in the consolidated statements of financial position.

On September 29, 2021, the entity reported the disposal of its 12.5% stake in the investment trust of the Rivera Maya development project. This transaction complemented the completion announced on July 8, 2021, of the hotels' operating and license contract in that project.

As a compensation, the entity received the sum of USD$72,679,707, mainly for the assignment of 12.5% trust rights, return of the merchant glove, expenses for real estate advice and reimbursement of development expenses.

r. ***Agreements reached with the Tax Administration Service (SAT) regarding tax liabilities***

In April 2017, the Entity reached a series of agreements with the SAT to resolve differences of criteria regarding trademark amortization, the deduction of interest derived from the acquisition of those trademarks, the tax treatment given to real estate infrastructure companies (SIBRAs), the amortization of usufruct rights and, more specifically, the effects generated by the termination of the tax consolidation regime. The agreements resulted in the recognition of an additional payment obligation in different years, for a total amount of $2,376,766. Of this amount, during April 2017, the remaining amount was settled in annual exhibitions between 2018 and 2023, with a nominal amount of approximately 308,686 each subject to indexing. For this reason, the long-term portion of the tax payable item in the consolidated statement of financial position was submitted as of 31 December 2021 and 2020. As of December 31, 2022, it is submitted in the short term for the last payment to be made in 2023.

s. ***Credit granted to the Fiesta Americana Mérida Hotel***

In June 2017, a subsidiary of the Entity, owner of the shares of the Fiesta Americana Mérida hotel, contracted a credit for a seven-year period for $210,000, at an annual 9.175% interest rate with a fiduciary warranty with Banco Nacional de México, S. A. (Banamex). Proceeds were used to pay taxes, improve the hotel's public areas and for other corporate purposes. On January 23, 2018, a $10,000 principal prepayment was made. From July 2018, the Entity has paid monthly principal installments of $1,872 and as of July 2019 the amortization amounts to $2,050. The entity holds 51% of the subsidiary and is bound jointly to pay the credit under certain conditions.

As a result of the COVID-19 pandemic, in April 2020, the Entity requested CitiBanamex to waive and modify the conditions and obligations set forth in the credit agreement, regarding the principal and interest payment of April and May 2020, a waiver that was formalized by signing an amending agreement dated June 18, 2020. The agreement grants a deferral in the payment of interest on the credit from March 23, 2020 until March 23, 2021, and a deferral in the principal payment of the credit, so that principal payments, that according to the original amortization schedule had to be paid between April 2020 and March 2021, are accumulated and paid in a single installment on the last date of payment of the credit, which will be June 23, 2024. In addition, the agreement grants temporary exemption to financial covenants during 2020 and 2021 and assigns to the Trust the administration of the hotel's collections deposit bank accounts, which will be administered under instructions from CitiBanamex.

The third amending agreement to the amended and re-expressed contract, as of April 23, 2021, it states that interest will be paid quarterly until April 23, 2022, and on this same date the principal payment will be taken back monthly beginning with the amount of $2,458.

This secured loan is presented as long-term debt in the consolidated statements of financial position, except for the portion due within one year as per the amending agreement, in the following year in accordance with the amending conventions.

The subsidiarie foresees a working capital shortfall for the Fiesta Americana Mérida hotel during 2021 as a consequence of the COVID-19 pandemic, so it has asked CitiBanamex for a second deferral in principal payments and loan interest until April 2022, and an extension of the line of credit by $25,000. The additional credit line was not necessary and during 2022 the amortization schedule was executed in a timely manner. The balance as of December 31, 2022, of the credit amounts to $135,567 million net of debt issuance expenses (Total Debt). The balance as of December 31, 2022 of the credit amounts to $135,567 million net of debt issuance expenses (Total Debt).

t. ***Labor reform***

On April 23, 2021, a compulsory federal decree was published in Mexico, where various labor and tax regulations were amended in order to prohibit in general the subcontracting of personnel and to establish the rules under which specialized services can be subcontracted. During 2021 the entity completed all the necessary corporate actions to approve the adjustments to the constituent documents of Grupo Posadas, S.A.B. de C.V. and its Inmobiliaria del Sudeste, S.A. de C.V. in order to conform them to the established legal framework in force; similarly, it took all other actions to implement the administrative changes necessary to comply fully with the terms of the new legal framework as of its entry into force. Also, on 12 August 2021, the entity obtained its registration of the provision of specialized services or specialized work (RESPE) which allows it to) to provide contact center and interaction services through telephone and telematics communication media in customer service or service activities, telemarketing, tv sales, reservation center, collections, information services by operator, attention to order lines, conduct surveys, and in general interaction with persons for any purpose through these means, on behalf of (or for the benefit of) own or third parties, b) to provide lodging services with the aim of seeking that the establishments entrusted to them operate under standards, strategies, operational, commercial and administrative methods that are characteristic of the hotel chain to which the establishment is integrated, which includes the following:

- Senior management services, planning, consulting, supervision, organization and coordination of the establishment, in the operational, administrative, financial and treasury areas, accounting, relations with authorities, commercial, human resources, all under the guidelines, policies or standards of hotel chains.
- Implementation and monitoring of the standards, strategies, operational, commercial and administrative methods of the hotel chain to which the establishment is integrated.
- To receive and execute the powers for the management of the establishment before authorities and third parties

u. ***Corporate Restructuring***

In November 2022, the entity merged its subsidiaries, Dirección Corporativa Posadas, S. A de C. V, Promoción y Publicidad Fiesta S. A. de C. V. and Inmobiliaria Administradora del Bajío, S.A. de C.V. into Soluciones de Lealtad, S. A. de C. V. This merger had no effect on the attached consolidated financial statements.

v. ***Acapulco Diamante Trust***

In June 2022, the agreement was signed to develop a complex of apartments on land that the company acquired since 2013 in the Acapulco Diamante area of Acapulco, Guerrero. The project consists of the contribution of the land by the entity and a third as developer of a building with 128 departments, of which Posadas will retain 29 units. The entire complex will operate under the brand name Live Aqua Residence Club. The estimated opening date is 2025. During 2022, the entity granted pledge of the trustee rights to ensure compliance with the Senior Notes Due 2027.

3. Application of new and modified International Financial Reporting Standards

a. ***Application of new and revised International Financial Reporting Standards (IFRS or IAS - International Accounting Standards,) mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.,

Amendments to IFRS 3 Reference to the Conceptual Framework	The Entity has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	The Entity has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

	If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Entity has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments two standard. IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements..

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Entity has not applied the following IFRS new and modified marketing standards that have been issued but are not yet in effect.

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management does not expect the adoption of the above-mentioned standards to have a significant impact on the Entity´s consolidated financial statements in future periods, except as follows:

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The Entity´s Management anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities

- Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The entity´s management anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

4. **Significant accounting policies**

a. ***Statement of compliance***

The consolidated financial statements of the Entity have been prepared in accordance with IFRS, as issued by the IASB.

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis, as it explained in the accounting polices listed below.

i. *Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date The fair value for purposes of measuring and/or revealing these consolidated financial statements is determined in such a way, with the exception of share-based payment transactions that are within the scope of IFRS 2, leasing operations that are within the scope of IFRS 16, and valuations that have some fair value similarities, but are not fair value, such as the net performing value of IAS 2 or the value in use of IAS 36.

c. ***Going concern***

The consolidated financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern.

d. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Posadas and entities controlled by the Entity and its subsidiaries. Control is achieved when Posadas:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When Posadas has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. Posadas considers all relevant facts and circumstances in assessing whether or not the Posadas' voting rights in an investee are sufficient to give it power, including:

- The percentage of Posadas' holding of voting rights relative to the percentage and dispersion of voting rights of the other vote holders;
- Potential voting rights held by Posadas, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that Posadas has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when Posadas loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income (loss) from the date Posadas gains control until the date when it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (loss) are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Posadas' accounting policies.

The percentage in the share capital of the subsidiaries is as follows:

Entity	**Participation (%) 2022, 2021 and 2020**
Inmobiliaria del Sudeste, S.A. de C.V.	51%
Dirección Corporativa Posadas, S.A. de C.V. (1)	100%
Posadas USA, Inc.	100%
Inmobiliaria Administradora del Bajío, S.A. de C.V. (1)	100%
Soluciones de Lealtad, S.A. de C.V.	100%
Promoción y Publicidad Fiesta, S.A. de C.V. (1)	100%
Kohunlich Adventures, S.A. de C.V.	100%
Operadora del Golfo de México, S.A. de C.V.	100%
PSDS Operadora del Caribe, S.R.L. (2)	100%

(1) Subsidiary entities merged into Soluciones de Lealtad during 2022.

(2) Subsidiary incorporated in 2019 in the Dominican Republic.

All intragroup balances, transactions and cash flows between members of the Entity are eliminated on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

e. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f. ***Financial assets***

All ordinary purchases or sales of financial assets are recognized and derecognized on a trade date basis. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the above, the Entity may make the following irrevocable choice/designation in the initial recognition of a financial asset:

- It may irrevocably choose to make subsequent changes in the fair value of a capital investment in other comprehensive results if certain criteria are met; and
- It may irrevocably designate a debt instrument that meets the amortized or fair value cost criteria through other comprehensive results if doing so significantly eliminates or reduces an accounting asymmetry.

i) *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included as "interest income".

ii) *Impairment of financial assets*

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

iv) *Measurement and recognition of expected credit losses*

Measuring expected credit losses is a function of the probability of default, the loss given the default (i.e. the magnitude of the loss if there is a default), and exposure to non-compliance. The default assessment of the probability of non-compliance and loss is based on historical data adjusted for forward-looking information as described above. With regard to exposure to non-compliance, for financial assets, this is represented by the gross book value of the assets on the reporting date; for financial guarantee contracts, the exposure includes the amount set on the reporting date, along with any additional amount expected in the future by default date determined based on historical trend, the Entity's understanding of debtors' specific financial needs, and other future-relevant information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows owed to the Entity under the contract and all cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine expected credit losses are consistent with the cash flows used in the measurement of the receivables lease in accordance with IFRS 16 Leases.

For a financial guarantee contract, where the Entity is required to make payments only in case of non-compliance by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss forecast is the expected payment to reimburse the holder for a loss of credit incurred less than any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected lifetime credit loss in the reporting period prior, but determines on the current filing date that the conditions for expected lifetime credit loss are no longer met, the Entity measures the margin of loss by an amount equal to 12 months expected credit loss at the current report date, except for the assets for which the simplified approach was used.

The Entity acknowledges a impairment loss or loss on the outcome of all financial instruments with an adjustment corresponding to their book value through a loss provision account, except for investments in debt instruments measured at fair value through other comprehensive results, for which the provision for losses in other comprehensive and cumulative results in the investment revaluation reserve is recognized , and does not reduce the amount in books of the financial asset in the financial position statement.

v) *Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

g. ***Cash, cash equivalents, investments in securities and restricted cash***

Cash consists of cash on hand and demand deposits. Cash equivalents are maintained to meet cash commitments rather than short term for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and subject to insignificant risk of changes in value.

Therefore, an investment normally qualifies as a cash equivalent when it has a short maturity of generally three months or less from the date of acquisition. Investments in securities are not included in cash equivalents unless they are, in substance, cash equivalents. Otherwise, they are presented as investments in securities. Cash is stated at nominal value and cash equivalents are measured at fair value, the changes in value are recognized in profit or loss.

The restricted cash in 2022 and 2021 corresponds to lines destined to productive chains and reserves of the Real Estate credit of Inmobiliaria del Sudeste S. A. de C. V, and in 2020 to the remaining resources obtained by the sale of the Fiesta Americana Condesa Cancun hotel.

h. ***Inventories***

Inventories are stated at average cost, which does not exceed their net realizable value.

i. ***Vacation Club inventory***

Vacation Club inventories are recorded at cost of construction. Cost of sales is recorded at the time of sales.

When there are long-term vacation club inventories, they are recorded in the long term and correspond to the cost of converting hotel buildings that are under renovation to provide the vacation club service. Short-term Vacation Club units represent hotel buildings approved for sale by Management that are expected to be sold within one year; therefore, they are classified as current assets even though their business cycle could be longer.

j. ***Property and equipment***

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of improvements, renovations and replacements to hotel rooms are capitalized within the property and equipment caption and are amortized over a period of 3 to 5 years. The costs of minor repairs and maintenance are expensed as they are incurred.

Properties in the course of construction for exploitation, production or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The average percentage rate of depreciation of the components of property and equipment are:

	(%)
Buildings – Construction	2 to 5
Buildings - Installation, finishing and improvements	5 to 10
Furniture and equipment	10
Vehicles	25
Computer	30
Operating equipment	33

Land is not depreciated.

Depreciation is recognized to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, which is 24% for buildings, as determined by the independent valuation agents, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Property and equipment committed for sale refers to properties for which purchase-sale contracts have been executed and which will take effect within a period exceeding 12 months as of the date of the consolidated statements of financial position.

k. ***Intangible assets and other assets***

This item includes all direct costs, primarily commissions on Kívac sales, which are recognized in the consolidated statements of comprehensive income (loss) once the service is rendered and accordingly revenue is recognized. An estimate of amounts expected to be utilized over the following 12 months is determined and classified within current assets. In addition, it also includes relative commissions of the FAVC Access product, which are amortized in the consolidated state in a straight line in 60 months.

1. *Internally-generated intangible assets - research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2. *Derecognition of intangible assets*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

l. ***Impairment of tangible and intangible assets***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

m. ***Assets classified as held for sale***

Non-current assets and groups of assets for disposal are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification, or a longer period as long as the criteria continue to be met.

When the Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Entity will retain a non-controlling interest in its former subsidiary after the sale.

After the disposal takes place, the Entity accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Entity uses the equity method (see the accounting policy regarding investments in associates).

Non-current assets (and groups of assets for disposal) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

n. ***Investments in associates***

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Usually, these entities are those in which a shareholding between 20% and 50% of the voting rights are held. The results, assets, and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

o. ***Leases***

The entity as lessee

The Entity assesses whether an agreement originally includes a lease. The Entity recognizes a right-of-use asset and a lease liability for all the lease agreements in which it acts as the lessee, except for short-term leases (12 months or less) and low-value assets (such as tablets, personal computers, small office furniture items and telephones). For these leases, the Entity recognizes lease payments as an operating expense by using the straight-line method throughout the lease duration, unless another method is more representative of the time pattern of the economic benefits obtained from the consumption of the leased assets.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted by the rate implied in the agreement. If this rate cannot be readily determined, the Entity uses incremental borrowing rates.

Lease payments included in the lease liability measurement consist of:

- Fixed lease payments (including fixed payments in-kind), less any lease incentive received
- Variable lease payments which depend on an index or rate, initially measured by using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain it will exercise the options; and
- Penalty payments resulting from lease termination if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate item in the consolidated statement of changes in financial position.

The lease liability is subsequently measured with the book value increase to reflect interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect lease payments made.

The Entity restates the lease liability (and makes the respective adjustment to the related right-of-use asset) when:

- The lease term is modified or there is a significant change in lease circumstances, thereby resulting in a change of the purchase option exercise assessment, in which case the lease liability is measured by discounting restated lease payments based on a restated discount rate.
- Lease payments are amended as a consequence of changes in indexes or rates or a change in the expected payment under a guaranteed residual value, in which case the lease liability is restated by discounting restated lease payments based on the same discount rate (unless the change in lease payments is due to a variable interest rate change, in which case a restated discount rate is used)
- A lease agreement is amended and the lease amendment is not recorded as a separate lease, in which case the lease liability is restated based on the amended lease term by discounting restated lease payments based on a discount rate restated as of the effective amendment date

The Entity booked some of these adjustments during the periods presented.

Right-of-use assets consist of the initial measurement of the respective lease liability, lease payments made on or before the commencement date, less any lease incentive received and any initial direct cost. The subsequent valuation is based on cost less accumulated depreciation and impairment losses

If the Entity acquires an obligation arising from the costs of dismantling and removing a leased asset, restoring the place where it is located or restoring the asset underlying the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37 must be recognized. To the extent that the costs relate to a right-of-use asset, they are included in the related right-of-use asset unless they are incurred to generate inventory

Right-of-use assets are depreciated over the shorter of the lease period and the useful life of the underlying asset. If a lease transfer’s ownership of the underlying asset or the cost of the right-of-use asset indicates that the Entity intends to exercise a purchase option, the right-of-use asset will be depreciated over the useful life. Depreciation begins on the lease commencement date.

Right-of-use assets are presented as a separate item in the consolidated statement of changes in financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Real estate and equipment' policy Variable rent leases which do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. Related payments are recognized as an expense in the period in which the event or condition generating the payment occurs and are included under "Other expenses" in the consolidated income statement.

As a practical expedient, IFRS 16 offers the possibility of not separating non-lease components and accounting for any lease and its respective non-lease components as a single agreement. The Entity has not applied this practical expedient. In the case of contracts with lease components and one or more lease components or additional non-lease components, the Entity assigns the contract payment to each lease component according to the relative stand-alone selling price method and the aggregate of standalone selling prices for all non-lease components.

The entity as a lessor

The entity does not maintain lease contracts as a lessor.

p. ***Foreign currencies transactions***

In preparing the financial statements of each entity, transactions in currencies other than the Entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

The reporting and functional currencies of the foreign operation are as follows:

Country	Recording and functional currencies
United States of America	US dollar
Dominican Republic	Dominican peso

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period.

q. ***Employee benefits***

Retirement benefits costs from termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. The results of the defined plan will be recognized when the agreement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the Entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing (PTU)

The PTU is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statements of comprehensive income (loss).

As result of the 2014, Income Tax Law, on December 31, 2021 and 2020 PTU is determined based on taxable income, according to Section I of Article 9 of such Law. As a result of the amendment to the Federal Labor Act in 2021, the amount of profit-sharing shall be limited to a maximum of three months of the worker's salary or the average participation received in the last three years; the amount that is most favorable to the worker shall be applied

r. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. *Current tax*

Current income tax (ISR) is recognized in the results of the year in which is incurred.

Current tax is payable on the taxable basis for the year. Taxable profit differs from the net income as it is reported in profit or loss because it excludes components of revenues or expenses that are accruable or deductible in other years and excludes components, which have never been accruable or deductible. The Entity's liabilities for current taxes are calculated using the tax rates that were established at the end of the reporting period.

A provision is recognized accordingly where the determination of the tax is uncertain, but it is considered likely to result in a future outlay of funds for a tax authority. Provisions are valued at the best amount that is expected to be payable. The evaluation is based on the judgment of tax experts supported by the Entity's previous experiences in this type of activity, and in certain cases, the opinion of an independent tax specialist.

2. *Deferred income tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination the tax effect is included in that recognition.

s. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructuring

A restructuring provision is recognized when the Entity has developed a detailed formal plan to carry out the restructuring, and a valid expectation has been created among those affected, that the restructuring will take place, either because the implementation of the plan has begun or because it has announced its main characteristics to those affected by it. The restructuring provision should include only direct disbursements arising from it, which include the amounts necessarily arising from the restructuring; and that are not associated with the Entity's ongoing activities.

t. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

u. ***Revenue recognition***

The Entity recognizes its revenues as follows:

i. Revenues from the hotel operation, which includes the operation of owned and leased hotels, are recognized as the hotel services are rendered to guests, which include the rental of guestrooms and rooms for events, sale of food and beverages, etc.; in the case of leased hotels, the Entity determines whether it is acting as agent or principal by assessing whether it provides hospitality services on its own account or for a third party, whether it assumes the risk of the available rooms inventory, whether it assumes the credit risk for the amounts collected from customers, and whether the consideration for its services is equivalent to a fee for hotel operation and management contract. Based on this determination, the Entity concluded that for leased hotels it could recognize the revenues from hotel services for the gross amount it expects to collect for such services, except for the hotel Fiesta Americana Condesa Cancún, where the Entity concluded that it is acting as an agent of the lessor.

ii. Revenues from the Vacation Club business are recognized as revenue at the time of the sale, because the Entity believes that, when it sells the vacation property right, it has fulfilled its performance obligation, by transferring a right before third parties, and by transferring the control of the real properties to the buyers of memberships, who may then remove the Entity from the operation under certain normal business conditions.

iii. Revenues from the sale of Kívac points are recognized once the hospitality service is rendered, including an estimate of those points that will not be used by the program members at their expiration date. The amount of the unused services contracted is presented under the heading "Deferred income from Vacation Club", as short-term and long-term in the consolidated statements of financial position.

iv. Revenues from the sale of FAVC Access are recognized in 60 months. The amount of the contracted service is presented under the heading "Deferred revenue timings by Club Vacacional" in short and long terms in the consolidated statement of financial position.

v. Revenues from management and brand fees are recognized as they are accrued based on a percentage of the revenues and the profit from hotel operation, as established in the respective contracts; and

vi. Other revenues (expenses) from the sale of no strategic assets are recognized when control of the assets has been transmitted to the to the buyer and/or the precedent conditions of the purchase-sale contracts are fulfilled.

v. ***Classification of costs and expenses***

Costs and expenses presented in the consolidated statements of comprehensive income (loss) were classified according to their function.

w. ***Statements of cash flows***

The Entity reports cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest paid is usually classified as financing activities and interest and dividends received are usually classified as investing activities.

x. ***Loyalty programs***

The fair value of the awards is recognized as a reduction to revenues and recognized as deferred income until the benefits are delivered to the client. The liability is presented under the heading of "other liabilities and accrued expenses" in the consolidated statements of financial position.

y. ***Earnings (loss) per share of the controlling interest***

Basic earnings (loss) per share are calculated by dividing the net income (loss) attributable to the controlling interest by the weighted average number of shares outstanding during the period. As of December 31, 2022, 2021 and 2020, the Entity does not have ordinary shares with potential dilution effects.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 0, the Entity's Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. ***Critical judgment in implementing accounting policies***

The following are the critical judgments and important sources of uncertainty that the Entity's Management has determined an estimate at the date of the consolidated financial statements that could have a significant impact on the carrying amounts of assets and liabilities during the subsequent financial periods:

- *The evaluation of the Entity's role as agent or principal in the real property leases.*

  Complex situations are assessed regarding property leases where both lessor and lessee may take decisions about an identified asset, and the way in which each party benefits from such assets, in order to determine whether the Entity act as an agent or principal, which affects the recognition of revenues, operating costs and expenses, and the decision to record assets from use rights and their respective payment obligation for the lease term.

- *Vacation Club revenue recognition*

  Management makes judgments to decide when the performance obligations in the membership contracts of Vacation Club, such as the transfer of an enforceable right with regard to third parties, and upon transferring control over real property to membership buyers which have an effect on revenue recognition.

- *Classification criteria of the Entity's operating segments*

  The Entity classifies its businesses into four operating segments, based on internal reports prepared under a managerial approach.

- *The estimated amount of investments in securities other than cash equivalents*

  At the date of preparation of the consolidated statement of financial position, the Entity estimates the amount of its cash needs in the short-term considering its operating cycle, the debt service of the following year, and the budget authorized by the Investment Committee for capital investments. The surplus is presented as Investments in securities, other than cash equivalents.

- *The discount rates and terms of the hotels leased by the Entity*

  The Entity values leased assets and defines which are of low-value. Those for which usage rights are recorded are analyzed to determine contractual terms, renewal possibilities based on economic benefits, committed payment projections and the discount rates used for each asset type to determine the amount to be recorded.

b. ***Key sources of uncertainty in estimates***

The key assumptions regarding the future and other key sources of uncertainty in the end-of-period estimates are explained below, which have a significant risk of resulting in significant adjustments in the book values of assets and liabilities over the coming year.

- *The allowance for doubtful accounts and returns related with Vacation Club.*

  Estimates are used to determine the allowances for doubtful accounts, mainly considering collection arrears according to the financing plans established. The allowance for Vacation Club returns is determined based on a percentage of probability that memberships will be canceled.

- *The presentation of deferred revenues and other Kívac assets, current and long-term*

  Kivac points that are expected to be utilized during the following 12 months from the date of the consolidated statement of financial position are classified as current, considering the expected Kívac collection, which is the trigger that entitles the purchasers to use the hospitality service of this product.

- *Long term asset impairment*

  If there is evidence of impairment, the Entity conducts a review to determine whether the carrying amount exceeds its recoverable value of its assets. During this analysis, it is necessary to make estimates regarding the value in use assigned to the buildings. Value-in-use calculations require the Entity to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value. The Entity uses projections of cash flows, estimating the historical performance, the related market conditions, and determination of occupancy levels and rates.

- *The future benefit of tax losses*

  In order to determine whether these losses can be carried forward, the Entity projects earnings and taxable income that will be generated individually in the following years through a detailed business plan at the Business Unit level, which includes the sale of non-strategic assets, new investment projects, and the reorganization of entities within the group, among others, which would generate sufficient profits and provide possibilities to utilize tax losses before they expire.

- *The effects of the contingencies faced by the Entity*

  The Entity is subject to legal proceedings in the ordinary course of business, for which it assesses the likelihood of an unfavorable outcome, considering the status of the legal process at the date of the estimate and the opinion of legal advisers; said evaluations are periodically reviewed.

- *The useful life and residual value of properties and equipment*

  The Entity uses independent appraisers to estimate the useful life and the residual value of its assets, which considers the useful life according to engineering studies and construction costs and components (foundations, electrical, hydro sanitary and air conditioning installations).

6. Cash, cash equivalents and restricted cash

	2022	2021	2020
Cash	$ 120,246	$ 61,635	$ 62,506
Cash equivalents:			
Overnight investments and restricted cash	1,789,671	1,880,056	423,667
Other	29,016	18,427	15,559
Total	$ 1,938,933	$ 1,960,118	$ 501,732

As of December 31, 2022, 2021 and 2020 the amount of cash equivalents includes $184,904, $110,796 and $113,559, respectively, restricted cash that in 2022 and 2021 correspond to lines for production chains and reserves of the credit of Inmobiliaria del Sudeste, S.A. de C.V., In 2020 it represents the remaining resources obtained by the sale of the Fiesta Americana Condesa Cancun Hotel (See note 2e).

7. Accounts and notes receivable

	2022	2021	2020
Notes receivable from Vacation Club (a)	$ 1,454,778	$ 1,399,885	$ 1,457,119
Kivac and FAVC Access (a)	587,800	593,672	608,079
Other receivables from Vacation Club (c)	192,114	328,524	270,797
Clients and agencies (b)	748,983	599,950	483,750
Others	53,466	39,943	13,923
	3,037,141	2,961,974	2,833,668
Less - Allowance for doubtful accounts	(232,622)	(260,980)	(264,926)
	$ 2,804,519	$ 2,700,994	$ 2,568,742

a. *Notes receivable from Vacation Club, Kivac and FAVC Access*

The Vacation Club membership sales are normally recognized when at least a 10% deposit is received and five-year financing is granted for the remaining portion, with interest charged at market rates. The Entity anticipates that, after the implementation of certain business strategies, those accounts that are at most 12 months old may be reactivated; accounts aged greater than 12 months are normally cancelled. However, estimates of the reserve for doubtful accounts are recorded based on the entire portfolio.

Composition of the trading portfolio:

	2022	2021	2020
Maturity of notes receivable from Vacation Club, Kívac y FAVC Access			
Less than 90 days	$ 452,096	$ 403,058	$ 417,636
Between 91 and 330 days	708,288	624,852	646,707
Between 331 and 365 days	882,195	965,647	1,000,855
	$ 2,042,579	$ 1,993,557	$ 2,065,198

b. *Accounts receivable from clients and agencies*

The average credit term related to amounts owed for hotel services is 16 days. The Entity does not charge interest on outstanding amounts. Normally, amounts owed within this portfolio are not aged significantly. During 2022, 2021 and 2020 the Entity identified and wrote-off $2,918, $14,002 and $24,168, respectively, of the reserve for doubtful accounts, since it was determined that such amounts did not have possibility of being recovered.

	2022	2021	2020
Clients and agencies-			
Less than 90 days	$ 644,035	$ 487,117	$ 300,865
Over 90 days	104,948	112,833	182,885
	$ 748,983	$ 599,950	$ 483,750
Allowance for doubtful accounts-			
Clients and agencies	$ (58,287)	$ (66,494)	$ (52,893)
Notes receivable from Vacation Club	(174,335)	(194,486)	(212,033)
	$ (232,622)	$ (260,980)	$ (264,926)

a. Other Accounts receivable from Vacation Club

The other accounts receivable from Vacation Club are made up of account receivable the maintenance fees, club fees, interest on financing and other debtors.

The Entity faces a risk of concentration of the owners of hotels it operates, as four investors represent 45% of Inventory process the trading of rooms. This concentration may affect the ability to operate under policies freely established by the entity, and may press operating margins..

8. Vacation Club inventory

	2022	2021	2020
Vacation Club inventory	$ 137,243	$ 139,689	$ 238,621
Villas and residential lots	23,788	23,837	23,812
	$ 161,031	$ 163,526	$ 262,433

Vacation Club inventories recognized in cost of membership sales during the period in respect of continuing operations was from $119,764, $98,932 and $32,574, on December 31, 2022, 2021 and 2020, respectively.

During 2022, $117,318 Inventory was recognized from the early termination of Club Vacational membership contracts as a result of non-compliance with the payment of maintenance fees

9. Property and equipment committed for sale

	2022	2021	2020
Short-term:			
Property and equipment – Net			
Hotel Fiesta Americana Hacienda Galindo	$ -	$ -	$ 113,686

10. Long-term notes receivable

The balance of the long-term portion of accounts receivable from sales of Vacation Club memberships (FAVC and LARC), Kívac and FAVC Access are as follows:

	2022	2021	2020
Long-term notes receivable:			
Vacation Club memberships	$ 3,987,850	$ 3,937,459	$ 3,733,163
Kívac and FAVC Access	758,534	457,918	385,757
	4,746,384	4,395,377	4,118,920
Less:			
Reserve for Vacation Club returns	(293,563)	(272,749)	(242,986)
Allowance for Kívac's doubtful accounts	(24,993)	(60,267)	(61,196)
Total	$ 4,427,828	$ 4,062,361	$ 3,814,738

The maturities of the long-term Vacation Club memberships on December 31, 2022 are as follows:

To collect during	Amount
2024	$ 1,345,519
2025	1,142,175
2026	757,687
2027 onwards	742,469
Total long-term notes receivable	$ 3,987,850

The Entity performs an analysis of the sales of Vacation Club memberships to identify revenues whose transactional status is associated with an element of uncertainty about uncollected memberships. In accordance with IFRS 9, an allowance for returns is recorded based on the Entity's experience, calculated according to the expected impact of the future flows associated with the transaction.

11. Property and equipment

	2022	2021	2020
Buildings	$ 5,018,729	$ 4,987,147	$ 4,897,044
Furniture and equipment	1,186,557	1,186,715	1,159,352
Computers	95,329	116,474	106,518
Vehicles	24,777	20,449	20,778
	6,325,392	6,310,785	6,183,692
Less - Accumulated depreciation	(3,455,882)	(3,281,611)	(3,097,730)
	2,869,510	3,029,174	3,085,962
Land	958,546	1,087,600	1,087,600
Construction in progress	76,309	70,811	233,321
	$ 3,904,365	$ 4,187,585	$ 4,406,883

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost:							
Balance at the beginning of 2020	$ 1,087,600	$ 4,780,412	$ 1,144,775	$ 102,817	$ 26,649	$ 237,475	$ 7,379,728
Additions and improvements	-	37,847	31,580	307	-	182,129	251,863
Transfers to assets classified as held for sale	-	-	-	-	83	-	83
Transfers of prepayments	-	8,952	10,949	3,598	(2,885)	4,409	25,023
Transfers from construction in progress	-	74,553	30,540	119	-	(135,692)	(30,480)
Disposals	-	(4,720)	(58,492)	(323)	(3,069)	(55,000)	(121,604)
Balance as of December 31, 2020	1,087,600	4,897,044	1,159,352	106,518	20,778	233,321	7,504,613
Additions and improvements	-	18,090	47,770	8,606	695	80,008	155,169
Transfers of prepayments	-	12,311	11,886	894	187	962	26,240
Transfers from construction in progress	-	181,984	47,856	1,049	-	(243,480)	(12,591)
Disposals	-	(122,282)	(80,149)	(593)	(1,211)	-	(204,235)
Balance as of December 31, 2021	1,087,600	4,987,147	1,186,715	116,474	20,449	70,811	7,469,196
Additions and improvements	-	32,205	49,604	1,193	3,923	102,478	189,403
Transfers of prepayments	-	7,000	9,415	97	597	(10,807)	6,302
Transfer to trust investment (See Note 2v)	(129,054)	-	-	-	-	-	(129,054)
Transfers from construction in progress	-	17,974	52,587	3,289	-	(86,173)	(12,323)
Disposals	-	(25,597)	(111,764)	(25,724)	(192)	-	(163,277)
Balance as of December 31, 2022	$ 958,546	$ 5,018,729	$ 1,186,557	$ 95,329	$ 24,777	$ 76,309	$ 7,360,247

Accumulated depreciation and impairment	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Balances at the beginning of 2020	$ -	$ (2,249,676)	$ (495,252)	$ (101,015)	$ (20,630)	$ -	$ (2,866,573)
Depreciation expense	-	(139,532)	(150,405)	(3,271)	(903)	-	(294,111)
Transfers to assets classified as held for sale	-	-	-	-	(47)	-	(47)
Disposals	-	4,633	7,134	163	2,690	-	14,620
Disposals of assets completely depreciated	-	-	48,381	-	-	-	48,381
Balance as of December 31, 2020	-	(2,384,575)	(590,142)	(104,123)	(18,890)	-	(3,097,730)
Depreciation expense	-	(223,810)	(157,102)	(1,897)	(987)	-	(383,796)
Disposals	-	120,597	21,892	568	1,211	-	144,268
Disposals of assets completely depreciated	-	-	55,647	-	-	-	55,647
Balance as of December 31, 2021	-	(2,487,788)	(669,705)	(105,452)	(18,666)	-	(3,281,611)
Depreciation expense	-	(187,745)	(139,731)	(3,986)	(1,010)	-	(332,472)
Disposals	-	25,306	5,656	-	-	-	30,962
Disposals of assets completely depreciated	-	-	101,323	25,724	192	-	127,239
Balance as of December 31, 2022	-	(2,650,227)	(702,457)	(83,714)	(19,484)	-	(3,455,882)
Total net investment as of December 31, 2022	$ 958,546	$ 2,368,502	$ 484,100	$ 11,615	$ 5,293	$ 76,309	$ 3,904,365

12. The Entity as a lessee

The Entity leases three types of assets: computer equipment, vehicles and real property. In the case of computer equipment, the Entity applies the low value exception and continues to record the expense as an operating lease. The average lease term for real estate is 10 years and 3 years for car leases.

During 2022, 2021 and 2020 there were new asset leases, as well as indexing updates to existing contracts resulting in the addition of usage rights assets for $270,659, $269,465 and $260,556, respectively. In August 2021, in order to agree with both parties, it was agreed to terminate the lease with Fiesta Americana Grand Vallarta early, which caused a decrease in the value of the use of this asset by $715,625. In November 2020, a reduction in the leased area of corporate offices was effected, which was recorded as a lease modification, resulting in a $17,652 reduction in the value in use of that asset.

The analysis of the maturity of lease liabilities is presented in Note 17.

Right-of-use asset	Real property	Vehicles	Total
January 1, 2020	$ 4,536,715	$ 50,280	$ 4,586,995
Additions	253,736	6,820	260,556
Disposals	(57,443)	(7,608)	(65,051)
December 31, 2020	4,733,008	49,492	4,782,500

Right-of-use asset	Real property	Vehicles	Total
Additions	259,844	9,621	269,465
Disposals	(984,009)	-	(984,009)
December 31, 2021	4,008,843	59,113	4,067,956
Additions	264,072	6,587	270,659
Disposals	-	(2,734)	(2,734)
December 31, 2022	$ 4,272,915	$ 62,966	$ 4,335,881
Accumulated depreciation			
January 1, 2020	$ (490,825)	$ (10,115)	$ (500,940)
Period movements	(544,915)	(21,078)	(565,993)
Disposals	39,791	6,014	45,805
December 31, 2020	(995,949)	(25,179)	(1,021,128)
Period movements	(430,261)	(18,342)	(448,603)
Disposals	268,384	-	268,384
December 31, 2021	(1,157,826)	(43,521)	(1,201,347)
Period movements	(457,882)	(12,258)	(470,140)
Disposals	-	1,561	1,561
December 31, 2022	$ (1,615,708)	$ (54,218)	$ (1,669,926)

Book value	Real property	Vehicles	Total
December 31, 2022	$ 2,657,207	$ 8,748	$ 2,665,955
December 31, 2021	$ 2,851,017	$ 15,592	$ 2,866,609
December 31,2020	$ 3,737,059	$ 24,313	$ 3,761,372

Amounts recognized in the consolidated statement of income	2022	2021	2020
Asset depreciation expense for usage rights	$ 470,140	$ 448,603	$ 565,993
Financial expense caused by lease liability	293,402	346,826	410,531
Lease payments	692,692	481,614	695,072
Spending related to low-value asset leases	45,165	66,061	87,962
Loss will change to dollar contracts	(107,199)	59,571	126,812

The Entity has commitments of $73,407, $34,023 and $97,550 as of December 31, 2022, 2021 and 2020, respectively, for leases of computer equipment considered low value.

13. Intangible assets and other assets

	2022	2021	2020
Kívac's sales commissions	$ 178,801	$ 292,478	$ 238,222
Expenditures for technology projects	213,668	218,713	248,618
Guarantee deposits	22,407	102,519	99,642
Development expenses and other	37,376	46,856	25,559
Other assets	86,168	98,852	300,650
	$ 538,420	$ 759,418	$ 912,691
Amortizable Intangible Assets (a)	$ 857,024	$ 807,261	$ 754,406
Amortization	(605,980)	(541,692)	(480,229)
	$ 251,044	$ 265,569	$ 274,177

a. Amortizable intangible assets.

Amortizable intangible assets are composed mainly of technology project expenses, development expenses and emission expenses. As of December 31, 2022, 2021 and 2020, Amortization the serves are of the $75,704, $64,835 and $54,661, respectively.

14. Trade accounts payable

The Entity has lines of credit contracted with. Banca Mifel, S.A., and BBVA, S.A up to the amount of $100,000 with collateral of 1.1x and 1.0x and $50,000 with collateral of 1.1x respectively. The purpose of these credit lines is to provide financial factoring for the Entity´s suppliers over a maximum payment term of 90 days. For each financial factoring transaction, interest is accrued at a fixed rate agreed between the suppliers and the financial institutions.

As of December 31, the amount of suppliers' invoices, which agreed to financial factoring, is as follows:

	2022	2021	2020
Banca Mifel, S.A.	$ 100,000	$ 100,000	$ 50,000
BBVA Bancomer, S.A.	50,000	-	50,000
	$ 150,000	$ 100,000	$ 100,000

15. Short and Long-term debt

a. **It is as follows:**

	2022	2021	2020
US dollar-denominated:			
"Senior Notes 2022", 7.875% fixed rate	$ -	$ -	$ 7,727,116
"Senior Notes 2027", 4% - 8% tiered rate	7,343,598	7,951,884	-
Signed in Mexican pesos:			
Loan, 9.175% annual rate	133,794	156,747	156,539
	7,477,392	8,108,631	7,883,655
Less - Current portion	33,830	23,521	7,748,597
Long-term debt	$ 7,443,562	$ 8,085,110	$ 135,058

The maturities of long-term debt as of December 31, 2022, are as follows:

Payable during	Thousands of American dollars	Thousands of Mexican pesos
2024		$ 101,736
2025 and therefore	US$ 393,235	7,613,620
		7,715,356
Less - debt issuance costs		(271,794)
		$ 7,443,562

b. On December 9, 2021, The US New York State Court approved the restructure plan (pre-Packaged) and on December 15 the restructured entity was indebted known as Senior Notes due December 30, 2027 for a total amount of US$398,581,321, It consists of US$392,605,000 plus 4% per year on the US$5,976,321 principal for the period August 1, 2021 to December 15, 2021. The Senior Notes Due 2022 ceased to be enforceable. Initially a total of US$360, 891,000 of Notes for Senior Notes due June 2022 exchanged and the remaining by US$31,714,000 would be exchanged no later than June 15, 2022. As part of the restructure plan approved on June 30, 2022, USD $26,850,570 of Senior Notes due in 2027 for Senior Notes Due 2022 holders who made the exchange request before June 14. Of these, USD $6,598,938 were sold from unqualified holders, a process that ended on July 25. For not submitting the necessary information during the US Bankruptcy Code Chapter 11 process in December 2021 and second instance by June 14, 2022, Senior Notes 2027 in the amount of USD $5,346,298 was definitively canceled. The outstanding “Senior Notes Due 2027” is USD $393,235,022. This liability is presented in the long term. As part of this agreement, certain conditions were modified with respect to the previous debt, establishing a step-up interest payment scheme starting at 4% per year for year one, 5% for year two, 7% for year three and four and 8% for years five and six. In addition, for years one and two, 50% of interest can be capitalized (paid in kind) by applying a rate of 6% and 7%, respectively, for the capitalizable portion which is at the option of the issuer. As of December 15, 2021, the holders of the Senior Notes Due 2022 did not pre-expire the principal's payment term, nor did they exercise their collection rights for accrued interest plus outstanding delinquent interest as of July 31, 2021 and December 31, 2020 for $413,553 and $724,019, respectively, once and as a result of the restructuring, The entity canceled the liability and its effect is presented in the consolidated statement of results and other integral results, under the heading of net extraordinary income.

The Entity committed most of its assets and the receivable portfolio of its vacation club business as part of the guarantee to the benefit of the Senior Notes Due 2027 bondholders. These assets that were contributed to a Guarantee and Administration Trust consist of the complex of three properties that integrate Fiesta Americana Reforma hotel, Fiesta Americana Guadalajara hotel and the following properties intended for the vacation club business: Grand Fiesta Americana Los Cabos, Live Aqua Residence Club Los Cabos, Fiesta Americana Acapulco, Fiesta Americana Cozumel, Fiesta Americana Cancun, Explorean Kohunlich and 16 apartments known as Nima Bay located in Puerto Vallarta, as well as the vacation property business portfolio for collection. The following subsidiaries are also guarantors of the Senior Notes: Posadas USA, Inc, Inmobiliaria Administradora del Bajío, S. A. de C. V, Soluciones de Lealtad, S. A. de C. V, , Promoción y Publicidad Fiesta, S. A. de C. V, Kohunlich Adventures, S. A. de C. V., Operadora del Golfo de México, S. A. de C. V, Administradora Profesional de Hoteles, S. A. de C. V., Dirección Corporativa Posadas, S. A. de C. V., Dirección Estratégica Posadas, S. A. de C. V., Desarrollo Arcano, S. A de C. V., and PSDS Operadora del Caribe, S. R. L. Also, a pledge contract was concluded between the entity as a debtor for the calendar and Banco Nacional de México, S.A., member of Grupo Financiero Banamex, División Fiduciaria, as a creditor, for which a pledge was constituted on the rights of the entity in the bank accounts where the entity itself receives the payments of the portfolio receivable from the business of vacation properties. During 2022, a pledge contract was concluded on trust rights arising from the entity's participation in the Acapulco Diamante project.

c. On June 22, 2017, a subsidiary of the Entity contracted a fiduciary warranty loan (based on the hotel's collection through credit cards) with Banamex for an amount of $210 million at an annual 9.175% interest rate, and maturity in 2024.

d. On June 30, 2015, the Entity completed a debt issuance for US$350 million in notes known as "Senior Notes 2022" through the Luxembourg Stock Exchange. The intention was to substitute the issuance of US$310 million known as "Senior Notes 2017" held by the Entity as of December 31, 2014. As a result, it was possible to buy back US$271.7 million of the "Senior Notes 2017", leaving a balance pending payment of US$38.3. The "Senior Notes 2022" accrue interest at the annual rate of 7.875%, with principal maturing on June 30, 2022. The interest is payable semiannually, beginning on December 30, 2015.

On May 16, 2016, an additional issuance was made for US$50 million as part of the "Senior Notes 2022" program, accruing interest at an annual rate of 7.875%, maturing in 2022. With this additional issuance of "Senior Notes 2022", in November 2016 the balance of US$38.3 million of the debt known as "Senior Notes 2017", with maturity in 2017, was paid in advance. With the additional issuance, the "Senior Notes 2022" program achieved the total amount of US$400 million.

In February 2019, the Entity made an offer to repurchase up to $515,000 of its "Senior Notes 2022" at par plus interest accrued as of the settlement date, by using the net surplus derived from the sale of its hotel Fiesta Americana Condesa Cancún. On March 22, 2019, following the expiration of the offer, the Entity paid US$7.4 million to the holders of repurchased bonds, plus interest. After this transaction, the "Senior Notes 2022" program balance was US$392,605,000. The "Senior Notes 2022" program was replaced by the "Senior Notes 2027" program.

e. The most significant restrictions and obligations contained in debt agreements as of December 31, 2022, prohibit the Entity from:

- Incurring additional indebtedness.
- Granting guarantees.
- Making certain restricted payments or investments.
- Selling assets over US$1,000,000.
- Declaring dividends.
- Making certain intercompany transactions.
- Merging with other companies.

As of December 31, 2022 and 2021, the Entity has complied with the restrictions and covenants of the "Senior Notes 2027".

The Entity is in breach of the financial covenants of the "Senior Notes 2022", as of December 31, 2020, it has breached the interest coverage ratio of 2.5 times, and has failed to pay semi-annual interest in June and December 2020 for US$30,917,644. For this reason, the Entity recorded default interest on the basis of the terms of the credit. At the end of 2020, the entity reclassified in the short term the amount of principal and interest in the consolidated statement of financial position.

As discussed in Note 2f, the Entity sold the Fiesta Americana Condesa Cancún hotel. This transaction generates an obligation under "Senior Notes 2022", which consists of investing the net surplus resources from the cash consideration received for the sale, within a term of 365 days after the sale.

At the end of 2022, 2021 and 2020, the entity presents an amount for $184,904, $110,796 and $113,559 of restricted cash within Account Balance the cash equivalents unit of the same amount as mentioned in Note 6.

f. Below is detail of key financial items of the Entity and the subsidiary guarantors of the “Senior Notes 2022, 2027”:

	2022		2021		2020	
	Guarantors	Total consolidated	Guarantors	Total consolidated	Guarantors	Total consolidated
Total revenues	$ 8,826,517	$ 9,077,990	$ 7,258,205	$ 7,406,734	$ 5,054,379	$ 5,225,743
Depreciation, amortization and impairment	854,336	884,712	864,028	897,234	882,138	914,765
Lease expense	14,482	14,482	(242,492)	(242,492)	(200,824)	(200,824)
Consolidated income (loss)	211,321	222,740	47,517	57,939	(2,041,941)	(2,137,997)
Total assets	17,367,100	17,948,788	17,644,564	18,244,481	18,468,663	19,244,078
Total liabilities	$ 16,511,279	$ 16,693,773	$ 17,030,347	$ 17,232,188	$ 18,007,404	$ 18,334,849

16. Income taxes

The standard income tax rate applied to the reported tax income is 30% for 2022, 2021 and 2020, respectively.

Taxation in the United States of America - The subsidiary that operated in that country was subject to income taxes at a rate of 21%.

Taxation in the Dominican Republic – The subsidiary that operated in that country was subject to income taxes at a rate of 27%.

a. Income tax expense recognized in profit or loss:

	2022	2021	2020
Current tax -			
Current ISR (1) (2)(3)	$ 1,347	$ (1,710)	$ (3,773)
ISR previous years	36,546	21,844	40,735
	37,893	20,134	36,962
Deferred ISR (benefit)	292,179	108,924	(330,909)
Total income tax (benefit)	$ 330,072	$ 129,058	$ (293,947)

(1) ISR of the years 2022 and 2021 of $1,347 and $300, respectively, generated by PSDS Operadora del Caribe, S. R. L., entity subsidiary based in Dominican Republic.
(2) ISR of the year 2021 and 2020 for $200, and $1,561, respectively, generated by entity subsidiaries based in Mexico.
(3) During 2021 and 2020 Posadas USA, Inc., a subsidiary of the Entity reflects an ISR for the year of $ (2,210) and $(5,334) respectively, derived from applying during the same financial year the stimulus known as "tax losses carry back" from which a tax refund from previous years is expected.

b. The reconciliation of the legal income tax rate and the effective rate expressed as a percentage of profit (loss) before income taxes is:

	2022	2021	2020
Statutory rate	30%	30%	30%
Less:			
Effects of permanent differences and tax effects of inflation and actualization	55	202	3
Reserve and actualization of tax loss carryforward benefit	(25)	(163)	(20)
Effective rate	60%	69%	13%

As a result of adopting IFRS 16, earnings before tax include the amount of $251,464 in 2020, for this adoption. Without these effects, earnings before tax would be $(2,180) and an effective rate of 13% for the mentioned exercises.

c. The main items originating the balance of the deferred ISR asset (liability) as of December 31, are:

	2022	2021	2020
Notes receivable	$ (1,371,230)	$ (1,332,076)	$ (1,315,081)
Allowance for doubtful accounts	180,594	196,982	174,314
Real estate inventory	(56,874)	(57,608)	(26,564)
Property and equipment	317,034	263,772	143,551
Intangible assets and other assets	(162,061)	(207,010)	(75,639)
Reserves and deferred income	699,887	717,955	613,729
Tax loss carryforwards reserve	1,499,086	1,798,271	1,768,969
Interest pending to be deducted	118	5,937	329,843
Right-of-use assets - net	105,465	117,975	-
Unrealized exchange rate fluctuation	(134,141)	(134,141)	(134,141)
Deferred ISR asset	$ 1,077,878	$ 1,370,057	$ 1,478,981

d. The benefit of restated tax loss carryforwards for which the deferred ISR asset has been partially recognized, can be recovered subject to certain conditions. As of December 31, 2022, 2021 and 2020, the tax loss carryforwards amounted to $,5,116,581, $7,209,363 and $7,473,249, respectively. As of December 31, 2022, 2021 and 2020, the entity has decided not to recognize an active deferred tax on outstanding tax losses of $119,627, $1,215,127 and $1,576,687, respectively.

e. Tax loss carryforwards

Expiration dates and restated amounts of tax loss carryforwards as of December 31, 2022 are:

Year	Amount
2023	$ 23,516
2024	566,670
2025	2,408,315
2026	13,118
2027	8,567
2028	16,288
2029	535,536
2030	1,518,641
2031	25,842
2032	88
	$ 5,116,581

f. Tax credits:

As a result of several agreements reached with SAT in April 2017, the Entity recognized an ISR liability to be paid on the current portion that will be paid in 2023 by $412,162.

17. Lease liabilities

	2022	2021	2020
Circulating	$ 424,501	$ 398,451	$ 401,090
Non-circulating	2,593,003	2,861,409	3,644,212
Lease liabilities	$ 3,017,504	$ 3,259,860	$ 4,045,302

Maturity analysis

	2022	2021	2020
Year 1	$ 678,150	$ 661,734	$ 762,652
Year 2	617,783	644,407	728,393
Year 3	590,227	583,458	709,770
Year 4	539,645	560,565	656,638
Further	1,839,475	2,267,130	3,192,206
Less: Not accrued interest	(1,247,775)	(1,457,434)	(2,004,357)
Total lease liabilities	$ 3,017,504	$ 3,259,860	$ 4,045,302

The discount rate consists of the U.S. Treasury rate, increased by a spread according to the Entity's rating in effect at the beginning of each lease, and adjusted by the real estate guarantee, in the case of real estate. For leases of properties containing term renewal options, the Entity considers on a case-by-case basis whether it will exercise the option to renew at the end of the initial compulsory period, based on the economic benefits it expects to obtain.

18. Employee benefits and other accrued liabilities

	2022	2021	2020
Employee benefits	$ 265,944	$ 249,177	$ 245,750
Other accrued liabilities	31,067	13,001	247,935
	$ 297,011	$ 262,178	$ 493,685

19. Employee benefits

The Entity sponsors funded defined benefit plans for qualifying employees. The defined benefit plans are administered by an independent Fund that is legally separated from the entity. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The Entity manages a plan, which also covers seniority premiums, consisting of one payment equal to 12 days' wages for each year worked based on the latest wage, limited to twice the legal minimum wage. The related liability and the annual benefit cost are calculated by an independent actuary in accordance with the bases defined in the plans, using the projected unit credit method.

The Entity has defined benefit plans for its qualifying employees and those of its subsidiaries. In conformity with these plans, employees are entitled to retirement benefits, which range from 40% to 45% of the final wage upon reaching the retirement age of 65 years; similarly, there is an early retirement option under certain conditions. Post-retirement benefits are not granted.

The defined benefit plans do not require contributions from employees.

The plans typically expose the Entity to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate that is determined based on the yields of the high quality corporate bonds; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2022 by independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022 %	2021 %	2020 %
Discount rate(s)	9.45	7.75	6.75
Expected rate(s) of salary increase	5,.00	4.75	4.75
Others *(Applies for males and females)*	Early retirement 60 years age and 20 years of service Normal retirement 65 years age		

Amounts recognized in comprehensive income in regard to these defined benefit plans are as follows:

	Seniority premium		
	2022	2021	2020
Service cost:			
Current services cost:	$ 10,475	$ 9,490	$ 8,636
Net interest expense:	6,000	4,852	4,377
Components of defined benefit costs recognized in profit or loss	$ 16,475	$ 14,342	$ 13,013

	Pension plan		
	2022	2021	2020
Service cost:			
Current services cost:	$ 14,203	$ 22,037	$ 20,935
Net interest expense:	17,941	16,560	10,725
Components of defined benefit costs recognized in profit or loss	$ 32,144	$ 38,597	$ 31,660
Total of defined benefit plan recognized in income	$ 48,619	$ 52,939	$ 44,673

	Seniority premium		
	2022	2021	2020
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (9,106)	$ (8,423)	$ 5,416
Actuarial (gains) and losses arising from experience adjustments	(4,256)	1,164	2,103
Defined benefit cost items recognized in other comprehensive income	$ (13,362)	$ (7,259)	$ 7,519

	Pension premium		
	2022	2021	2020
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (28,410)	$ (19,286)	$ 13,187
Actuarial (gains) and losses arising from experience adjustments	16,758	(19,007)	(6,854)
The return on plan liability (excluding amounts included in net interest expense)	5,600	2,999	975
Defined benefit cost items recognized in other comprehensive income	$ (6,052)	$ (35,294)	$ 7,308
Total of defined benefit plan recognized ir other comprehensive income	$ (19,414)	$ (42,553)	$ 14,827

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the entity's obligation in regard to its defined benefit plans is $265,944, $249,177 and $245,750, as of December 31, 2022, 2021 and 2020, respectively.

Movements in the present value of the defined benefit obligation in the period:

	Seniority premium 2022	2021	2020
Opening balance defined benefit obligation	$ 79,858	$ 74,262	$ 59,979
Current service cost	10,475	9,490	8,636
Past service cost losses	(23)	(843)	-
Interest cost	6,000	4,852	4,377
Remeasurement (gains) losses:			
Actuarial (gains) and losses arising from changes in financial assumptions	(9,106)	(8,423)	5,416
Actuarial (gains) and losses arising from experience adjustments	(4,256)	1,164	1,943
Liabilities assumed in a business combination		-	-
Benefits paid	(546)	(644)	(6,089)
Defined benefit obligation total before present value	$ 82,402	$ 79,858	$ 74,262

Movements in present value of the plan assets in the period:

	2022	2021	2020
Contributions from the employer	$ 546	$ 644	$ 6,089
Benefits paid	(546)	(644)	(6,089)
Total plan assets at fair value	-	-	-
Closing balance defined benefit obligation	$ 82,402	$ 79,858	$ 74,262

Movements in present value of defined benefit obligation in the period:

	Pension plan 2022	2021	2020
Opening balance defined benefit obligation	$ 250,667	$ 253,354	$ 215,437
Current service cost	14,203	22,037	20,935
Interest cost	17,941	16,560	15,680
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in financial assumptions	(28,410)	(19,286)	13,187
Actuarial gains and losses arising from experience adjustments	16,758	(19,007)	(6,812)
Cost of past services including losses/(gains) for adjustments	(385)	55	-
Past services reduction	(6,549)	-	-
Benefits paid	(50,346)	(3,046)	(5,073)
Defined benefit obligation total before present value	$ 213,879	$ 250,667	$ 253,354

Movements in present value of the plan assets in the period:

	2022	2021	2020
Opening fair value of plan assets	$ 81,348	$ 81,866	$ 73,255
Interest income	4,934	5,526	4,955
Remeasurement (gains)/losses:			
The return on plan assets (excluding amounts included in net interest expense)	(5,599)	(2,998)	(975)
Contributions from the employer	-	-	9,704
Benefits paid	(50,346)	(3,046)	(5,073)
Total plan assets at fair value	30,337	81,348	81,866
Closing defined benefit obligation	$ 183,542	$ 169,319	$ 171,488
Defined benefit obligation total as of December 31, 2022	$ 265,944	$ 249,177	$ 245,750

The significant actuarial assumptions for the determination of the defined obligation are the discount rate, the expected wage increase and mortality. The rest of the revelations were considered to be insignificant.

The consolidation of defined profit obligations, which will not be reclassified subsequently to results and which are presented within the cumulative total results accumulated in the consolidated statements of changes in the capital of accounts for the years 2022, 2021 and 2020, was of earnings (losses), respectively $18,952, $(462) and $(43,015) Account Balance.

20. Financial instruments

a. ***Classes and categories of financial instruments and their reasonable values.***

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics.
- The book values of financial instruments;
- Reasonable values of financial instruments (except financial instruments when the book value approaches Fair Value Measurement its market); and
- The levels of the Fair Value Measurement equity hierarchy of the financial assets and liabilities for which Fair Value Measurement the market was disclosed.

The levels of the hierarchy from Fair Value Measurement 1 to 3 are based on the degree to which Fair Value Measurement the item is observable:

- Level 1: Fair Value Measurement the measurements of the market are those derived from quoted (unadjusted) prices on active markets, for identical assets or liabilities;
- Level 2: Level Fair Value Measurement 2 measurements are those derived from inputs other than the listed prices included in Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as price derivatives); and
- Level 3: Fair Value Measurement level 3 metric measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (non-observable entries).

The Entity is exposed to market risks (including interest rate risks and exchange rate risk), credit risk and liquidity risk, which are all managed centrally.

b. ***Capital risk management***

The Entity manages its capital to ensure that it will continue as a going concern, while striving to maximize the return to stockholders through the optimization of debt and equity structure. During 2022 overall strategy of the Entity has not been changed compared to 2021 and 2020.

During 2021 and 2020 the management of the entity reviewed its capital structure due to the liquidity limitation caused by the COVID-19 pandemic, modeling the impacts on the financial projections it presented to the senior management, the Board of Directors and shareholders of the entity. As part of this review, the Board considered the cost of capital and its associated risks.

The Entity analyzes the capital structure for each project independently, in order to minimize the risk for the Entity and optimize stockholder returns.

The Entity's Management, on a monthly basis, reviews the net debt and accrued interest and its relation to the EBITDA. This review is carried out when the Entity's financial projections are presented as part of the business plan to the Board of Directors and stockholders of the Entity.

The Entity is incorporated as a S.A.B. de C.V. in accordance with the Mexican Securities Law and the General Corporate Law.

Debt index

The debt index at the end of the reporting period was as follows:

	2022	2021	2020
Debt (i)	$ 7,477,392	$ 8,108,631	$ 7,883,655
Leasing	3,017,504	3,259,860	4,045,302
Cash, banks and investments in securities	1,938,933	1,960,118	501,732
Net debt	8,555,963	9,408,373	11,427,225
Stockholders' equity (ii)	$ 1,255,015	$ 1,012,293	$ 909,229
Net debt to equity index	6,82	9.29	12.57

(i) Debt is defined as short and long-term borrowings in national and foreign currency, as described in Note 15.

(ii) Stockholders' equity includes all capital stock and reserves that are managed as capital.

c. ***Categories of financial instruments***

	2022	2021	2020
Financial assets:			
Cash	$ 120,246	$ 61,635	$ 62,506
Cash equivalents	1,818,687	1,898,483	439,226
Account and notes receivable	7,232,347	6,763,355	6,383,480
Financial liabilities:			
Trade accounts payable	$ 775,160	$ 602,189	$ 628,007
Debt	7,749,186	8,363,286	7,991,046
Other liabilities and accrued expenses	1,048,735	916,205	1,359,343
Lease liabilities	3,017,504	3,259,860	4,045,302

d. ***Market risk***

The activities performed by the Entity expose it mainly to financial risks due to variations in the exchange rates. Periodically, depending on prevailing market conditions, the Entity subscribes financial derivatives to handle its exposure to exchange risk, including foreign currency forward contracts to cover the exchange risk derived from liabilities in foreign currency with short-term maturities.

There were no changes in the Entity's exposure to market risks or in the way that these risks are managed and valued.

e. ***Foreign currency risk management***

The Entity believes that the risk is material because as of December 31, 2022, 98% of its debt is denominated in US dollars. Considering the net monetary position in US dollars as of December 31, 2022, a 10% appreciation (or appreciation) of the Mexican peso against the US dollar would cause an exchange loss or (gain) in results and in the stockholders' equity of the Entity of approximately $497,188.

The current exchange rates in Mexican pesos are as follows:

		December 31,		February 22,
	2022	**2021**	**2020**	**2023**
Mexican pesos per US dollar	$ 19,3615	$ 20.5835	$ 19.9487	$ 18.3970

f. ***Interest rate risk management***

The Entity is exposed to low market risks related to fluctuations in interest rates, because its debt on December 31, 2022 accrue interest at fixed rates. Therefore, an increase in interest rates does not result in a significant risk to the Entity.

g. ***Credit risk management***

Credit risk refers to the risk that the counterparties will default on their contractual obligations, resulting in a loss for the Entity. The Entity's principal credit risk stems from cash and cash equivalents, investments in securities and accounts and notes receivable.

The Entity has a policy of maintaining cash and cash equivalents only with recognized, prestigious institutions with a high credit rating. Additionally, investments are limited to instruments with high credit quality. In the case of accounts and notes receivable, the credit risk mainly stems from the Vacation Club portfolio; otherwise, the respective guarantees are obtained in accordance with established credit policies.

The maximum exposure to credit risk is represented by the amounts shown in the consolidated statement of financial position.

h. ***Liquidity risk management***

During 2021 and 2020, as a result of the impact on revenues from the COVID-19 pandemic, a liquidity risk materialized for short-term debt of the Entity. The restructuring plan was approved by the New York City Court on December 9, 2021 and implemented with Senior Notes Due 2022 holders on December 15,2021 The main sources of liquidity of the entity have been the Statement of cash flows assets of the operating activities mainly by the operating income of own and leased hotels, the administration income, the sale and financing of Vacation Club memberships, Items that have been affected by the COVID-19 pandemic, the proceeds of the sale of non-strategic assets and a financing that was used to bridge certain payments that needed to be made in the first quarter of 2021 as was the eighth annuity of ISR, loan that in October was liquidated before its maturity with the proceeds of the sale of assets mentioned above.

In 2022, a recovery in revenues of 23% was observed from its previous year and a higher generation of cash flow from the operation with an Account Balance cash unit of $1,938, similar to that of 2021, after paying with cash the two semestrialities (Payments in June and December 2022) Senior Notes interest due in 2027.

As of December 31, 2022	Weighted average effective interest Rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	4.1%Usd / 9.175%MN	$ 18,739	$ 201,309	$ 218,919	$ 1,300,114	$ 8,295,613	$ 10,044,693
Suppliers		775,160	-	-	-	-	775,160
Leasing		167,849	163,181	316,624	1,189,788	1,928,151	3,765,593
Other liabilities and accrued expenses		1,048,735	-	-	-	-	1,048,735
Total		$ 2,010,483	$ 364,490	$ 545,542	$ 2,489,902	$ 10,223,764	$ 15,634,181

As of December 31, 2021	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	4%Usd / 9.175%MN	$ 3,971	$ 191,156	$ 199,121	$ 604,815	$ 9,774,265	$ 10,773,328
Suppliers		602,189	-	-	-	-	602,189
Leasing		171,322	171,130	333,277	1,203,200	2,385,538	4,264,467
Other liabilities and accrued expenses		916,205	-	-	-	-	916,205
Total		$ 1,693,687	$ 362,286	$ 532,398	$ 1,808,015	$ 12,159,803	$ 16,556,189

As of December 31, 2020	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875 / 9.175%	$ 8,523,472	$ 10,371	$ 37,455	$ 116,472	$ 75,904	$ 8,763,674
Suppliers		628,007	-	-	-	-	628,007
Leasing		203,066	188,443	371,195	1,438,470	3,848,867	6,050,041
Other liabilities and accrued expenses		1,359,343	-	-	-	-	1,359,343
Total		$ 10,713,888	$ 198,814	$ 408,650	$ 1,554,942	$ 3,924,771	$ 16,801,065

The amounts included as Debt accrue interest at a fixed rate. The Entity expects to fulfill its obligations with the cash flows from operations and any resources received from the maturity of financial assets.

i. ***Fair value of financial instruments:***

Valuation techniques and assumptions applied to determine fair value - The fair value of the financial assets and liabilities is determined as follows:

- The fair value of the financial assets and liabilities with standard terms and conditions, and negotiated in active liquid markets, are determined based on the prices quoted in the market.

- The fair value of the other assets and liabilities is determined in accordance with generally accepted price determination models, which are based on the analysis of discounted cash flows.

Fair value of the financial assets and liabilities -– Except for what is mentioned later, the Entity's Management consider that the carrying amounts of the current financial assets (including investments in securities) and financial liabilities recognized at amortized cost in the consolidated statement of financial position, approximate their fair values since they are short-term.

As of December 31, 2022, 2021 and 2020, the fair value of the Vacation Club long-term receivables is $3,530,770, $3,706,869 and $4,437,094 which is greater than its carrying amount. The Fair Value Measurement entity uses a present value technique using a discount rate to measure the time-to-value of these receivable documents. This is done through the use of a (zero) curve of interest rates on government bonds. This curve is obtained from the integral price provider "PIP".

The entity considers that the book value of the lease liability is close to Fair Value Measurement its market.

The financial instruments measured after the initial recognition to Fair Value Measurement TASs, grouped at level 1, are those derived from quoted (unadjusted) prices in active markets for identical assets or liabilities, the Fair Value Measurement long-term debt is as follows:

The fair value of long-term debt is as follows:

	2022	2021	2020
Thousands of US dollars:			
Senior Notes 2022	US$ -	US$ -	US$ 392,605
Senior Notes 2027	US$ 304,861	US$ 325,725	US$ -
Thousands of Mexican pesos			
Senior Notes 2022	$ -	$ -	$ 7,831,959
Senior Notes 2027	$ 5,899,565	$ 6,704,561	$ -
Banamex	$ 113,002	$ 129,415	$ 145,283

On December 31, 2022, a portion of the Entity's revenues, generally around 30%, has been directly or indirectly denominated in US dollars. This is because room rates at beach hotels (primarily Cancun and Los Cabos) maintain rates in US dollars. Furthermore, a portion of the sales and financing of Vacation Club memberships have been historically denominated in US dollars.

Given that part of the Entity's revenues is directly or indirectly denominated in US dollars and to minimize its exposure to interest rates denominated in Mexican pesos, the Entity's policy has been to maintain a significant portion of its debt in US dollars. This has been achieved through contracting debt in US dollars when allowed by market conditions.

21. Stockholders' equity

a. As of December 31, stockholders' equity is comprised of the following shares without par value:

	Number of shares 2022, 2021 and 2020
Authorized capital	
Less:	512,737,588
Repurchase of shares	(16,855,600)
	495,881,988

b. As of December 31, 2022, 2021 and 2020, the share capital is composed solely of Series “A” ordinary stocks, representative of fixed capital, free-to-subscribe.

c. A Stockholders’ Ordinary General Meeting also held on April 5, 2022, April 19, 2021 and June 25, 2020 decided to keep the maximum amount of resources for the purchase of own shares at $535,000.

d. As of December 31, 2022, 2021 and 2020, the legal reserve fund, presented within retained earnings, amounts to $99,187 (nominal value) and represents 20% of the nominal capital. This reserve fund may not be distributed to stockholders except in the form of a stock dividend.

e. Stockholders’ equity, except for restated paid-in capital and tax retained earnings, will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

Dividends paid from profits generated from January 1, 2014 to residents in Mexico and residents abroad, could be excisable of an additional profit income (ISR) of to 10%, which must be retained by the Entity.

The following are the accumulated earnings that could be subject to withholding up to 10% ISR on distributed dividends:

Year	Amount that could be subject to withholding	Amount not subject to withholding
Retained earnings through December 31, 2013	$ -	$ 4,566,541

22. Balances and transactions in foreign currency

Significant monetary position in foreign currencies as of December 31 is:

	2022	2021	2020
Thousands of US dollars:			
Current:			
Monetary assets	98,216	108,640	46,034
Monetary liabilities	(11,074)	(11,535)	(432,478)
	87,142	97,105	(386,444)
Long-term:			
Monetary assets	49,300	41,495	36,240
Monetary liabilities	(393,235)	(398,581)	-
	(343,935)	(357,086)	36,240
Net liability position	(256,793)	(259,981)	(350,204)
Equivalent in thousands of Mexican pesos	$ (4,971,888)	$ (5,351,314)	$ (6,986,112)

Foreign currency transactions entered by entities located in Mexico are mainly income from hotel operations, certain sales of Vacation Club memberships and interest expense.

23. Revenue, cost of sales and operating expenses

a. ***Revenue:***

	2022	2021	2020
Hotel operation	$ 2,908,951	$ 2,181,583	$ 1,494,422
Vacation Club	4,507,159	4,092,835	3,070,258
Management fee, brand and other expenses	1,661,880	1,132,316	661,063
	$ 9,077,990	$ 7,406,734	$ 5,225,743

b. ***Cost of sales:***

	2022	2021	2020
Hotel operation	$ 1,443,591	$ 1,138,727	$ 1,152,904
Vacation Club	3,840,031	3,328,529	2,492,825
Management fee, brand and other expenses	991,756	1,034,887	999,593
	$ 6,275,378	$ 5,502,143	$ 4,645,322

c. ***Administrative expenses:***

	2022	2021	2020
Salaries, employee benefits and other	$ 503,710	$ 427,166	$ 423,198
PTU	138,298	36,659	260
Electricity	149,458	136,239	111,152
Maintenance	98,951	74,760	63,160
Professional fees	78,400	62,632	23,605
Credit card commissions	47,635	35,865	24,585
Property taxes and duties	32,003	29,660	29,614
Office rentals	4,321	4,277	3,171
Services and supplies	16,999	22,114	20,956
Insurance and bonds	9,403	9,216	14,762
Equipment leasing	930	927	14,449
Doubtful accounts	-	-	18,332
Others	25,440	16,266	20,754
	$ 1,105,548	$ 855,781	$ 767,998

d. ***Sale and development expenses:***

	2022	2021	2020
Marketing and publicity	$ 85,029	$ 146,988	$ 88,760
Salaries, employee benefits and other	46,507	39,916	40,199
Travel expenses	1,136	440	800
Subscription fees	296	2	325
Others	7,281	4,915	1,638
	$ 140,249	$ 192,261	$ 131,722

e. ***Other (revenues) expenses, net:***

	2022	2021	2020
Other (revenues) expenses, net			
Real estate selling	$ -	$ 38,968	$ 55,627
Fiduciary rights	-	(235,696)	-
Recoverable expenses	-	434,574	-
Others	20,692	15,397	32,244
	$ 20,692	$ 253,243	$ 87,871

24. Related party transactions

Employee benefits granted to key management personnel (and/or directors) of the Entity, were as follows:

	2022	2021	2020
Direct, short and long-term benefits	$ 109,530	$ 140,200	$ 94,158

25. Operating segments

Information condensed by operating segments is presented according to Management's criteria. Given that Management evaluates the performance of each segment based on the EBITDA, the Entity does not segregate the amount of depreciation and amortization between different segments. In addition, as the Entity centrally manages the segments' cash flows to cover investment and financing needs, therefore it does not separately report cash flows by segment. The main long-term assets and related investment cash flows made by the Hotel operation and Vacation Club are those presented in the consolidated statements of financial position and consolidated statements of cash flows.

a. ***Hotel operation*** - Revenues generated by this segment are represented by the rental of hotel rooms, the sale of food, beverages and related services (laundry, telephones, spa, etc.) to guests. The expenses incurred by the segment are related to the payroll of the personnel that attend guests in hotels, the cost of food, beverages, and hotel operating expenses, including sales and administrative personnel, office expenses, electricity, insurance and property taxes. In the case of leased hotels, an additional rent expense is generated.

b. ***Vacation Club*** - Revenues generated by this segment include the sale of memberships, interest income generated by financed sales, annual membership fees and income from the effective use of the "Kivac" and "FAV Access" programs. Costs and expenses include the value of real property sold under FAVC and LARC regime, marketing expenses incurred for prospective clients, collection expenses, payroll of personnel located at the sites where Vacation Club operates, including electricity and insurance, the payroll and office expenses of sales and administrative personnel, along with the cost of hotel exchanges.

c. ***Hotel management, brand and other*** - Revenues generated by this segment include fees billed to hotels under the terms of hotel management contracts; brand use and franchise fees, as well as billing of different centralized services. The costs and expenses incurred by this segment primarily involve payroll of the personnel that supervise hotel operations, the cost of the reservation services, centralized accounting, purchasing and technology service expenses and the recovery of GDS (Global Distribution System) costs.

2022	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Statement of comprehensive income (loss):							
Total revenues	$ 2,936,098	$ 4,511,651	$ 1,698,481	$ 9,146,230	$ -	$ (68,240)	$ 9,077,990
Cost and general expenses	2,092,624	3,727,496	1,207,243	7,027,363	-	(68,240)	6,959,123
Corporate expenses	-	-	-	-	576,534	-	576,534
Depreciation, and amortization	-	-	-	-	878,316	-	878,316
Other expenses	-	-	-	-	(20,692)	-	(20,692)
Operating income (loss)	$ 843,474	$ 784,155	$ 491,238	$ 2,118,867	$ 1,434,158	$ -	$ 684,709
Financial expenses, net							131,897
Equity in associate							-
Income before income taxes							$ 552,812

2021	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Statement of comprehensive income (loss):							
Total revenues	$ 2,198,466	$ 4,096,282	$ 1,154,491	$ 7,449,239	$ -	$ (42,505)	$ 7,406,734
Cost and general expenses	1,503,729	3,221,505	1,227,738	5,952,972	-	(42,505)	5,910,467
Corporate expenses	-	-	-	-	397,226	-	397,226
Depreciation, and amortization	-	-	-	-	897,234	-	897,234
Other expenses	-	-	-	-	(253,243)	-	(253,243)
Operating income (loss)	$ 694,737	$ 874,777	$ (73,247)	$ 1,496,267	$ 1,041,217	$ -	$ 455,050
Financial expenses, net							253,053
Equity in associate							15,000
Income before income taxes							$ 186,997

2020	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Statement of comprehensive income (loss):							
Total revenues	$ 1,504,763	$ 3,071,972	$ 675,843	$ 5,252,578	$ -	$ (26,835)	$ 5,225,743
Cost and general expenses	1,174,786	2,469,593	1,364,994	5,009,373	-	(26,835)	4,982,538
Corporate expenses	-	-	-	-	361,680	-	361,680
Depreciation, and amortization	-	-	-	-	914,765	-	914,765
Other expenses	-	-	-	-	(32,871)	-	(32,871)
Operating income (loss)	$ 329,977	$ 602,379	$ (689,151)	$ 243,205	$ 1,243,574	$ -	$ (1,000,369)
Financial expenses, net							1,431,575
Equity in associate							-
Income before income taxes							$ (2,431,944)

26. Commitments

a. As of December 31, 2022, 2021 and 2020, the Entity has entered into lease contracts for computer equipment and other, which usually have a term of three years. Lease payments are based on the value of the leased equipment and vary in function with the requirements of the Entity's operational departments. For the years ended December 31, 2022, 2021 and 2020, lease expense amounted to $35,755, $66,061 and $87,962, respectively. The estimated rental payments for the following years is shown below:

Years	Amount
2023	$ 32,831
2024	25,925
2025	14,651

27. Contingencies

a. The Entity faces a tax lawsuit for the year 2006, for an unpaid liability assessed by the SAT's International Tax Inspection Office in the amount of $767,248. By judgment given by the High Chamber of the Federal Court of Administrative Justice, the partial invalidity of the tax credit was declared, which the Tenth Collegiate Tribunal in Administrative Matters of the First Circuit confirmed in session of September 4, 2020, so that the trial has been finally decided. The Entity is awaiting the tax authority to issue a decision determining a new tax credit in compliance with the judgment, the amount of which has yet to be determined.

On 24 March 2021, the administrative decision contained in the Office of 22 March 2021, issued by the Central International Audit Administration, attached to the General Administration of Major Contributors, of the Tax Administration Service, was notified, through which a tax credit for the income tax for $222,896, surcharges and fines for the fiscal year 2006 was determined in compliance with the final judgment referred to in the previous paragraph.

Against this credit, the entity filed a petition for nullity, which was lodged with the First Metropolitan Regional Chamber of the Federal Court of Administrative Justice. In order to agree to its interests, the entity submitted a letter of withdrawal itself, which was ratified on 1 September 2021, so the dismissal of the trial was decreed.

In addition, against the Office described above, a complaint was filed before the Superior Chamber of the Federal Court of Administrative Justice by default in compliance with the final judgment rendered by the Superior Chamber. In order to agree to its interests, the entity filed a written waiver of the complaint appeal, so by judgment of December 1, 2021, the Superior Chamber had the entity by discontinuance of the default complaint filed.

On March 30, 2022, the entity paid the tax liability for $174,062 for the benefit of section 70-A of the Federation Tax Code for the purposes of obtaining the tax liability, and the matter has therefore been finally concluded.

As of December 31, 2022, 2021 and 2020, the entity has created a reserve to cover contingencies for the period $3,922, $2,872 and $3,027, respectively, registered under the heading "Long-Term Accumulated Liabilities" in the consolidated statement of financial position.

b. On January 29, 2021, the decision contained in the Office of January 18, 2021, issued by the State Director of Service auditor the Tax Unit of the Tax Administration Service of the State of Quintana Roo, was notified, through which it determines to the entity a tax credit in the total amount of $9,545, for alleged omissions in the payment of payroll tax for the 2017 and 2018 financial years, updates, surcharges, fines and execution expenses.

On March 11, 2021, the entity filed an appeal for revocation against the aforementioned office, which is currently pending resolution.

c. During 2003 a former subsidiary of the Entity, named Posadas de Argentina, S.A. signed a contract to operate a hotel in the city of Mendoza, Argentina. The counterparty undertook to build a hotel within two years from the contract signing date. However, the counterparty rescinded the contract, for this reason, Posadas de Argentina, S.A. filed a provisional claim to safeguard its rights.

   At the time of the sale of the South American operation to Accor, S.A. in October 2012, the Entity was uncertain about the success of the current lawsuit, and undertook with Accor, S.A. to assume any costs arising therefrom. Once the lawsuit was over, the Argentinean courts acquitted the defendant and ordered Accor, S.A. to pay costs, which the Entity was obligated to cover. The Entity settled US$563,000 in 2018 and US$1,101,200 in 2019 of legal costs, which it recorded in the consolidated statement of comprehensive income as a discontinuous transaction, and after obtaining confirmation that there is no longer any outstanding debt, in 2020 it canceled US$503,800 of provision exceeded to deal with such litigation.

d. The Entity is engaged in a series of legal actions derived from the regular course of its operations. Given their status and the difficulty of determining a probable contingent amount, no reserves have been established in this regard.

28. Authorization to issue the financial statements

The accompanying consolidated financial statements as of December 31, 2022 were authorized to be issued on February 22, 2023 by the Board of Directors with the prior opinion of Audit committee and authorized for issue, by Ing. José Carlos Azcárraga Andrade, Chief Executive Officer, Ing. Arturo Martínez del Campo Saucedo, Corporate Chief Financial Officer; consequently, they do not reflect events after this date, and are subject to the approval of the Ordinary Stockholders Meeting of the Entity, who may modify them in accordance with the provisions of the Securities Market Law.

The consolidated financial statements as of December 31, 2021 and 2020 were approved in General Stockholders Meetings held on April 5, 2022 and April 19, 2021, respectively.

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