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

Consolidated Financial Statements for the Years Ended December 31, 2023, 2022 and 2021, and Independent Auditors' Report Dated February 26, 2024

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

Independent Auditors' Report and Consolidated Financial Statements for 2023, 2022 and 2021

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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, 2023, 2022 and 2021, the consolidated statements of income and other comprehensive income, 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 2023, 2022 and 2021, 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.

Other Matter

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

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.

Revenue Recognition for Vacation Club Memberships FAVC, LARC, and FAVC 25th Edition

The Entity recognizes revenue from Vacation Club memberships at the time the contract with the customer is formalized, as the Entity has determined that once the contract becomes effective, a right to a vacation property is granted and the performance obligation is fulfilled by transferring an enforceable right to third parties, and by transferring control of the properties to the membership buyers.

Our audit procedures regarding Vacation Club revenue included the following:

- Review of the design and implementation and operational effectiveness of relevant controls, as well as control testing and substantive testing of details to the OMS revenue system and its respective reconciliation to accounting records (OMS - Ownership Management System, by its acronym in English).

- Selection and documentary review, under statistical sampling, of contracts entered into with new clients, as well as direct tests to the different reports that served as a basis for the review.

- Review of the movements of the inventory of available points that support the amount of membership sales made during the period, cancellations, and/or renegotiations with clients; likewise, their respective reconciliation to accounting records.

During 2023, on the occasion of the 25th anniversary of the Vacation Club memberships, the Entity introduced a variant to the FAVC membership known as FAVC 25th Edition. This variant grants points called "Edition Points" which are supported by real estate inventory similar to the traditional FAVC membership as well as by gift points which, unlike the traditional membership, these gift points are not backed by real estate inventory; however, they can be used for the exchange of lodging services during the membership term.

Revenue recognition for FAVC 25th Edition memberships occurs at two times:

i. At the time of formalizing the contract, since the Entity considers that the right is granted to the client for points backed by vacation property and the performance obligation is fulfilled by transferring an enforceable right to third parties, and by transferring the control of the properties to the membership buyers. This recognition is the same as used for the traditional FAVC membership.

ii. When the member uses the Edition Points or their right to use them expires, that is, once the lodging service is provided or when the period agreed in the contract with the client for their accrual elapses. Additionally, an estimate is recognized for those points that will not be used by the members of the program upon expiration, referred to as breakage.

Our audit procedures regarding this key issue included the following:

- Understanding of the new product and review of the accounting recognition scheme defined by the Entity's Management for this product. For this, we involved accounting standards experts to verify the reasonableness of the model.

- Review of the main variables and assumptions of the model used by the Entity for the determination of deferred income, its mathematical accuracy, and support in previous experience.

- We performed recalculations, sensitivity analyses, and involved our actuarial services specialists to review and evaluate historical information on the behavior of FAVC memberships, the amount of contracted and collected services that before expiration have not been used to understand the pattern of use and abandonment.

- Review of point redemption reports that support the amount of contracted and collected services, recognized as revenue when provided to customers, with their respective costs and expenses.

- Documentary review under statistical sampling of the contracts entered into with clients, as well as direct tests to the different reports that served as a basis for the review.

Our procedures also included the review of the corresponding disclosures included in the notes to the consolidated financial statements.

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

As explained in Notes 4r and 15 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, 2023, the amount of unamortized tax losses amounts to approximately $3,143 million and would represent a deferred income tax benefit of $943 million, the realization of which is subject to the entities that individually incurred them generating sufficient taxable profits in the future to utilize the benefit of amortizing the pending tax losses before their expiration.

Our audit procedures regarding this key issue included the following:

- Assessment and review of the assumptions used by the Entity to prepare the tax estimations, which included the involvement of our specialists.

- Validation of the fulfillment of past years' estimations compared with the actual tax and financial indicators, as well as the particular review of extraordinary items included in the tax estimations.

Our procedures also included the review of the corresponding disclosures included in the notes to the consolidated financial statements.

Other Information Included in the Document Containing the Consolidated Financial Statements

The Management of the Entity is responsible for the other information. The other information shall comprise the information that will be incorporated into the Annual Report that the Entity is obligated to prepare in accordance with Article 33, Section I, subsection b) of the Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Securities Market in Mexico and the Instructions that accompany 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 on it.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it becomes available, and in doing so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or appears to contain a material misstatement. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. When we read the Annual Report, we will issue the statement regarding our reading, as required by Article 33, Section I, subsection b) subparagraph 1.2 of the Provisions. We have nothing to report in this regard.

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 2023 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.

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

C.P.C. Carlos Alberto Torres Villagómez
February 26, 2024

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

Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021
(In thousands of Mexican pesos)

Assets	Notes	2023	2022	2021
Current assets:				
Cash, cash equivalents and restricted cash	6	$ 1,841,210	$ 1,938,933	$ 1,960,118
Accounts and notes receivable - Net	7	2,848,292	2,804,519	2,700,994
Inventories		36,872	39,442	28,694
Prepaid expenses		28,752	48,224	40,195
Vacation Club inventory	8	267,329	161,031	163,526
Commissions for membership sales	12	177,670	213,135	97,493
Total current assets		5,200,125	5,205,284	4,991,020
Non-current assets:				
Long-term notes receivable	9	4,696,138	4,427,828	4,062,361
Property and equipment – Net	10	3,761,391	3,904,365	4,187,585
Prepaid expenses		-	-	6,302
Investment in associates	2p, u	129,058	129,058	1,129
Right-of-use assets	11	2,646,294	2,665,955	2,866,609
Intangible assets, sold memberships commissions and other assets, net	12	803,067	538,420	759,418
Deferred tax assets	15	1,013,860	1,077,878	1,370,057
Total non-current assets		13,049,808	12,743,504	13,253,461
Total assets		$ 18,249,933	$ 17,948,788	$ 18,244,481

Liabilities and stockholders' equity	Notes	2023	2022	2021
Current liabilities:				
Current portion of long-term debt	14	$ 100,533	$ 33,830	$ 23,521
Trade accounts payable		634,060	775,160	602,189
Other liabilities and accrued expenses		1,633,776	1,464,348	1,262,189
Income tax payable	15d	-	412,162	553,505
Current portion of long-term lease liabilities	16	419,862	424,501	398,451
Other tax payable		479,092	447,856	426,747
Deferred income from Vacation Club	17	1,105,295	1,351,010	877,723
Current portion of long-term value-added tax payable		86,695	81,076	81,886
Total current liabilities		4,459,313	4,989,943	4,226,211
Long-term liabilities:				
Debt	14	6,297,640	7,443,562	8,085,110
Lease liabilities	16	2,444,881	2,593,003	2,861,409
Accrued liabilities	18	321,590	297,011	262,178
Value-added tax payable		684,879	654,690	606,284
Deferred income from Vacation Club	17	1,774,220	715,564	807,246
Income tax payable	15g	-	-	383,750
Total long-term liabilities		11,523,210	11,703,830	13,005,977
Total liabilities		15,982,523	16,693,773	17,232,188
Stockholders' equity:	21			
Contributed capital:				
Capital stock		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		802,032	(204,154)	(421,527)
Accumulated comprehensive earnings		69,478	75,200	55,459
		1,406,510	406,046	168,932
Total controlling interest		2,076,676	1,076,212	839,098
Non-controlling interest		190,734	178,803	173,195
Total stockholders' equity		2,267,410	1,255,015	1,012,293
Total liabilities and stockholders' equity		$ 18,249,933	$ 17,948,788	$ 18,244,481

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2023, 2022 and 2021
(In thousands of Mexican pesos, except earnings (loss) per share)

	Notes	2023	2022	2021
Continuing operations:				
Revenue	23a	$ 9,209,256	$ 9,077,990	$ 7,406,734
Cost of sales	23b	6,063,022	6,275,378	5,502,143
Gross profit		3,146,234	2,802,612	1,904,591
Administrative expenses	23c	1,181,245	1,105,548	855,781
Sale and development expenses	23d	167,146	140,249	192,261
Depreciation, amortization, and leasing		981,196	899,194	916,330
Rent discounts		-	(6,396)	(261,588)
Other revenue, net	23e	(38,653)	(20,692)	(253,243)
Interest expense		659,074	631,351	573,863
Interest income		(112,832)	(59,783)	(16,988)
Extraordinary income, net	14b	(19,342)	(107,972)	(724,019)
Commissions and financial expenses		69,006	94,904	96,263
Exchange (gain) loss, net		(832,393)	(426,603)	323,934
Equity in associate		-	-	15,000
		2,054,447	2,249,800	1,717,594
Income before income tax		1,091,787	552,812	186,997
Income tax expense	15	73,886	330,072	129,058
Consolidated income for the year	¤	1,017,901	222,740	57,939
Other comprehensive (loss) income				
(Loss) income on exchange differences from translating foreign operations, which will be reclassified subsequently to income or loss		(2,534)	327	2,549
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to income or loss, - net of income tax		(3,188)	19,414	42,553
		(5,722)	19,741	45,102
Consolidated comprehensive income for the year		$ 1,012,179	$ 242,481	$ 103,041

(Continued)

	2023	2022	2021
Consolidated income for the year attributable to:			
Controlling interest	$ 1,006,186	$ 217,373	$ 63,031
Non-controlling interest	11,715	5,367	(5,092)
Consolidated income for the year	$ 1,017,901	$ 222,740	$ 57,939
Consolidated comprehensive income for the year attributable to:			
Controlling interest	$ 1,000,464	$ 237,114	$ 108,133
Non-controlling interest	11,715	5,367	(5,092)
Consolidated comprehensive income for the year	$ 1,012,179	$ 242,481	$ 103,041
Earnings per share:			
From continuing and discontinued operations -			
Basic and diluted earnings per common share (in pesos)	$ 2.05	$ 0.44	$ 0.13
Basic and diluted earnings (loss) per common share (in pesos)	$ 2.04	$ 0.48	$ 0.22
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, 2023, 2022 and 2021
(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 2021	$ 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
Change in non-controlling participation value	-	-	-	-	-	-	216	216
Consolidated comprehensive income for the year	-	-	-	-	1,006,186	(5,722)	11,715	1,012,179
Balance as of December 31, 2023	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ 802,032	$ 69,478	$ 190,734	$ 2,267,410

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, 2023, 2022 and 2021
(In thousands of Mexican pesos)

	2023	2022	2021
Cash flows from operating activities:			
Consolidated income for the year	$ 1,017,901	$ 222,740	$ 57,939
Adjustments for:			
Income tax expense	73,886	330,072	129,058
Depreciation and amortization	958,563	878,316	897,234
Rent discount	-	(6,396)	(261,588)
Amortization of debt issue expenses	54,578	81,757	83,644
Interest capitalization of Senior Note 2027		-	123,014
Extraordinary income, net	(19,342)	(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)
(Income) loss on sale of fixed assets	(2,058)	(1,679)	1,547
Interest expense	659,074	631,351	573,863
Interest income	(112,832)	(59,783)	(16,988)
Unrealized foreign exchange income	(1,176,880)	(590,934)	308,797
	1,452,890	1,377,472	1,384,229
Transactions in working capital:			
Accounts and notes receivable – Net	(313,451)	(468,992)	(379,874)
Inventories	2,570	(10,748)	1,088
Prepaid expenses	19,472	64,179	78,358
Vacation Club inventory	(106,298)	2,495	98,907
Trade accounts payable	(141,100)	172,971	(25,818)
Other liabilities and accrued expenses	(36,351)	335,300	698,317
Vacation Club deferred income	812,941	381,605	22,012
Income tax payments	(416,907)	(557,780)	(358,986)
Net cash generated by operating activities	1,273,766	1,296,502	1,518,233
Cash flows from investing activities:			
Purchase of property and equipment and upgrades	(293,042)	(189,598)	(169,837)
Intangible assets and other assets	(46,216)	(46,291)	(98,288)
Contributions of investment in associates		-	-
Collected interest	112,832	59,783	16,988
Sale of property and equipment	5,147	4,599	2,545
Insurance recovery for property damage	42,765	-	-
Cash flows from sales of non-strategic properties	-	-	992,243
Net cash (used in) generated by investing activities	(178,514)	(171,507)	743,651

(Continued)

	2023	2022	2021
Cash flows from financing activities:			
Lease liabilities payments	(698,316)	(692,692)	(481,614)
Loan obtained	-	-	450,000
Loan payments	(145,735)	(23,521)	(450,000)
Interest paid	(348,924)	(331,071)	(90,976)
Debt renegotiation costs		(98,896)	(230,908)
Net cash used in financing activities	(1,192,975)	(1,146,180)	(803,498)
Net (decrease) increase in cash and cash equivalents	(97,723)	(21,185)	1,458,386
Cash and cash equivalents at the beginning of the year	1,938,933	1,960,118	501,732
Cash and cash equivalents at the end of the year	$ 1,841,210	$ 1,938,933	$ 1,960,118

(Concluded)

See accompanying notes to consolidated financial statements.

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	2023	2022	2021
Owned (including vacation properties)	12	12	12
Leased	15	15	15
Managed (including lofts and franchisees)	173	162	159
Operated hotels	200	189	186
Operated rooms	30,446	29,152	28,888

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 business called Fiesta Americana Vacation Club (FAVC), as well as a product named Live Aqua Residence Club (LARC), aimed at a segment with high purchasing power, through which members purchase a right to a vacation property enforceable against third parties for a period of 40 years represented by annual points of FAVC and/or LARC. FAVC points can be used for stays at the seven FAVC and/or LARC complexes located in Los Cabos (Villas and Resort), Acapulco, Cancun, Cozumel, Chetumal, and Puerto Vallarta, as well as in the hotels operated by the Entity. Additionally, FAVC/LARC members can use their points at Resorts Condominium International (RCI) and Hilton Grand Vacation Club complexes or any affiliated complex around the world through an exchange program. Furthermore, the Entity markets a product called "Kívac" which consists of the sale of points valid for up to 5 years redeemable for lodging in the hotels operated by the Entity, as well as some properties operated by third parties, and another product called "FAVC Access" which grants a membership with a validity of 5 years to access preferential rates to book hotel rooms, in the properties operated by the Entity as well as some others operated by third parties.

Since 2012, the Entity began restructuring its businesses focusing on holding strategic assets and growing its management, hotel franchising, and vacation products business such as FAVC and LARC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Note 2 g).

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, Tower A, Floor 9, Santa Fe, Mexico City.

2. Significant events

a. *FAVC 25th Edition*

In celebration of the 25th anniversary of the vacation club, the Entity decided to issue a special membership in April 2023 called FAVC 25th Edition, which has been very well received in the market. The memberships sold from April to December 2023 was 3,585.

b. *Contingencies due to Hurricane Otis*

As a result of Hurricane "Otis" passing over the port of Acapulco, Guerrero in October 2023, the facilities of the Fiesta Americana Acapulco Villas hotel, owned by the Entity, suffered significant damage. This hotel has insurance policies with coverage for property damage and consequential losses. The Entity has filed claims with the insurance company for the aforementioned issues, which are under negotiation as of the date of the issuance of the financial statements, and from which it has received an advance of $100,000 for both concepts. Of this advance, $42,765 has been applied to property damage and the remainder for payroll payments, energy costs, debris removal, and guaranteed profits. The hotel operates under a timeshare scheme and to date, 90% of the resort has been sold. Members who purchased real estate inventory from this hotel can exercise their rights at any property operated by the Entity and other properties where the Entity has signed vacation exchange agreements.

The Entity has three management contracts in Acapulco, each with insurance policies covering property damage and consequential losses (business interruption). The One Acapulco Diamante hotel suffered minor damage and has remained operational to date, One Acapulco Costera experienced non-significant damage but is currently closed for repair and remodeling, and the Gamma Copacabana Hotel, which suffered significant damage. As a result of this, an agreement was signed to suspend the operation contract until the hotel is refurbished and reopened to the public.

c. *Repurchase of Senior Notes 2027*

During 2023, with the generation of cash flow, the company began a market buyback program for the Senior Notes due in 2027. The first buyback period took place in June for an amount of US$1,711,894, the second period was in September for an amount of US$2,300,000, the third in November for an amount of US$3,000,000, and the fourth and final period took place in December for US$523,128. The total amount repurchased and cancelled of Senior Notes was US$7,535,022 with a cash implication of US$6,440,236 plus accrued interest of US$131,658 to total US$6,571,894. These operations were conducted with the approval of the Board of Directors. After concluding this repurchase program, the outstanding balance of the Senior Notes as of December 31, 2023, was US$385,700,000.

d. *Issuance of Senior Notes 2027 and Early Redemption of Senior Notes 2022*

On December 15, 2021, the Entity issued a relevant event to the Mexican Stock Exchange, announcing that, once the conditions for the effectiveness of the Restructuring Plan were met, it would issue new Senior Notes due on December 30, 2027, for a principal amount of up to US$398,581,321 to replace its existing Notes due on June 30, 2022. Initially, a total of US$360,891,000 of the Senior Notes due on June 30, 2022, were exchanged, and the remaining balance of US$31,714,000 could be exchanged no later than June 15, 2022.

The "Senior Notes 2027" generate staggered interest rates, 4% annually for the first year, 5% for the second year, 7% for the third and fourth years, and 8% for the fifth and sixth years, payable semi-annually in June and December, starting from June 30, 2022. For the first and second years, the Entity has the option to capitalize 50% of the interest at a rate of 6% for the first year and 7% for the second year according to the application period. The principal is due on December 30, 2027. The Senior Notes issued to Qualified Holders on the Effective Date (December 15, 2021) for an amount of USD$366,384,452 received a cash interest payment on June 30, 2022. It should be noted that the interest payments made on December 30, 2022, June 30, and December 31, 2023, were made 100% in cash at the applicable interest rate.

The amount of the issuance costs amounted to $316,434, which are being amortized based on the effective interest rate method.

e. ***Cancellation of Senior Notes 2027***

On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who had requested the exchange before June 14. Of these, US$6,598,938 corresponding to non-qualified holders were exchanged, a process that concluded on July 25. As the necessary information was not presented during the Chapter 11 process under the US Bankruptcy Code, Senior Notes for a total amount of US$5,346,298 were definitively canceled. With this issuance, the Entity concludes its restructuring process. The outstanding balance of the "Senior Notes Due 2027" is US$393,235,022. This liability is presented as a long-term debt.

The new Senior Notes are secured by the Entity's subsidiaries, as well as various assets in accordance with the mentioned plan.

f. ***Impact of the COVID-19 Pandemic***

The Entity resumed its operations after a year of the pandemic, with the main effects in 2021 being:

- A recovery of $2,180,991 compared to 2020, which represents a 42% increase.
- Selective reopening, subject to occupancy restrictions and capacity limits according to the epidemiological traffic lights of each state.
- A smaller increase of $4,156 in the impairment of accounts receivable, mainly from customers, airlines, and travel agencies compared to 2020.
- A smaller increase of $64,663 in the estimate of doubtful accounts for the Vacation Club compared to 2020.
- During 2021, the Entity generated a tax base of $409,580, which allowed it to take advantage of part of the tax loss it had reserved at the end of the 2020 fiscal year; the remaining $1,103,451 could not be compensated because it expired at the end of the 2021 fiscal year.
- In March 2021, the Entity took out a secured loan with Grupo Bursátil Mexicano S.A. de C.V (GBM) for $450,000, the resources were mainly used to pay the eighth installment of the agreement with the SAT from 2017 (see note 2 f). The loan was paid off early in October of the same year, paying one year's interest of $67,500 according to contractual obligations. The guarantee considered the Fiesta Americana Reforma and Fiesta Americana Guadalajara hotels.
- The restructuring of its financial debt known as Senior Notes Due 2022 was successfully concluded with the issuance of the Senior Notes Due 2027.
- In December 2021, having successfully completed the restructuring plan, the rating agency S&P Global Ratings changed the rating from "D" to "B-". In December 2022, the agency S&P Global Ratings confirmed the "B-" rating, which is maintained as of the issuance date of this financial statement.
- In September 2023, the rating agency S&P Global Ratings informed the issuer that it had upgraded its corporate rating from 'B-' to 'B' due to continuous improvement in its operational and financial performance.

g. ***Sale of Non-Strategic Assets***

Fiesta Americana Hacienda Galindo - On June 30, 2017, a purchase agreement subject to term, suspensive conditions, and purchase option was signed with Fibra Hotel for the disposal of the hotel known as "Fiesta Americana Hacienda Galindo" under the following clauses: i) the deadline for compliance will be December 31, 2019, ii) the consideration would be the result of multiplying 10.06 times the EBITDA corresponding to the sum of the twelve months of the calendar year of 2019, resulting in a value of $355,000, less the amount of investment made in improvements of $155,000, as well as the rents paid by the buyer in its capacity as a lessee for $43,000, under the asset lease contract. At the same time as the signing of the purchase agreement, the Entity signed an Asset Lease Agreement with Fibra Hotel with a mandatory term until March 31, 2021, in which Fibra Hotel commits to investing in improvements to the leased assets. The sale of the property was recognized in March 2021, when the aforementioned clauses were met.

The Entity and Fibra Hotel signed various extension agreements, agreeing to postpone the fulfillment of the referred conditions until March 31, 2021, and granting Fibra Hotel the right to retain 5% of the price to guarantee the fulfillment of the sale conditions.

During the term of the lease and after the purchase sale is executed, the Entity will continue to operate the hotel based on a hotel operation and brand license agreement for a total term of 22.5 years.

h. ***Provision for Restructuring***

In 2022, a reduction of personnel in the corporate offices took place, which generated expenses due to the termination of employment amounting to $63,588 and a provision of $17,417 at the end of the year. Both provisions comply with the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" standard: to be recognized as a restructuring provision there must be a formal detailed plan for such restructuring and the Management must have created a valid genuine expectation among those affected that the plan will be implemented.

i. ***Renovation, Modification, and New Hotel Operation and Franchise Contracts***

In May 2021, the Entity agreed that, regarding all Fibra Hotel Hotels and only during the year 2021, it will have no obligation to the owner to establish the reserve for major repairs, replacements, substitutions, and additions of furniture and operating equipment referred to in the operation contracts, nor to carry out the investments of the annual capital investment program referred to in clause six, section b) of the lease. By mutual agreement, the Entity and the owner will authorize the expenses that should be incurred in this area, assessing what is strictly necessary for the proper operation of the hotels, such as investments in equipment and materials for hotels of the brand's category at all hotels of this brand, or those required for hygiene and safety by significant demand originators for the Hotel such 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 transferred to new lessee entities, which acquire the status of contractual counterpart of the Entity in the existing operation contracts for such hotels, so that with effects as of July 1, 2021, the assignees acquire the rights and obligations derived respectively, in their favor or against them from the operation contracts and the agreement to the operation contract.

In April 2021, the Entity agreed with the Hotel Fiesta Inn Tijuana Otay to modify clauses 1, 2, 8, 17, and 21 of the lease contract with effects from the date of signature. 1) Object, duration, and option: a mandatory term for both parties of 10 years, divided into 2 periods of 5 years, with the first period beginning on April 1, 2021, and expiring on March 31, 2026. The second period will start on March 31, 2026, and expire on March 31, 2031. The second period will be subject to the condition that at the end of the 5th anniversary of the extended lease term, if no variable complementary rent has been generated for three consecutive months, the lessor will have the option to propose to the lessee an increase in the fixed rent and/or variable complementary rent and if the lessee does not accept the proposed increase, the lease contract could be terminated unilaterally without any penalty for the parties.

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

During 2023, 8 franchise contracts were signed, 3 under the Gamma brand in Querétaro, Baja California Sur, and Puebla, 2 under the Curamoria Collection brand in Veracruz, and 2 under the One brand in Michoacán and Guanajuato, and 1 in Quintana Roo under the Kempinski brand.

During 2023, 3 operation contracts were signed, 2 under the One and Fiesta Inn brands in Sinaloa, and one under the Grand Fiesta Americana brand in Morelos.

During 2023, the Entity signed an amending agreement for the hotels One Guadalajara Periférico Vallarta, Fiesta Inn Celaya, Fiesta Americana Querétaro, and Fiesta Americana Satélite.

In August 2023, the lease contract for the Hotel Fiesta Inn Insurgentes was renewed for 2 periods of 5 years each.

j. ***Performance Guarantees***

Some of the hotel management contracts that the Entity has signed contain a performance guarantee clause, which consists of annual amounts per room in pesos or dollars.

If in any fiscal year the hotels with this clause do not achieve the agreed operating profit, the Entity will provide a discount on its fees, and in the case of insufficiency, the Entity will deliver the shortfall as compensation. At the end of each fiscal year, the discounts and compensations are considered final, and except for some exceptions, the Entity does not have the right to recovery.

The Entity recorded $47,408, $67,965, and $35,621 at the end of 2023, 2022, and 2021, respectively, for this concept, which correspond to the hotels Live Aqua San Miguel de Allende, Fiesta Americana Satélite, Fiesta Americana Viaducto, Live Aqua Beach Resort Punta Cana, and various hotels of Fibra Uno.

k. ***Operation Contracts Signing in the Dominican Republic***

In August 2019, the Entity signed a contract to operate a hotel under the Live Aqua brand for fifteen 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.

To carry out its obligations as a hotel operator in the Dominican Republic, the Entity has established a subsidiary in that country. This subsidiary hired the executive staff designated to operate the Live Aqua hotel in Punta Cana. The start date of operations of the Live Aqua hotel in Punta Cana, Dominican Republic was February 1, 2021.

During February 2022, the Entity signed a contract to operate a hotel under the Funneq brand for 15 years in Punta Cana, Dominican Republic, with 345 rooms adjacent to Live Aqua.

l. ***Gamma Copacabana Operation Contract***

On August 29, 2019, the Entity signed a hotel operation and license agreement with Operadora Azul Copacabana, S.A. de C.V. under the Gamma brand for a term of 20 years for a hotel with 431 rooms located in Acapulco, Guerrero, which began operations on October 29, 2020.

On January 31, 2024, an agreement was signed for the early termination of the hotel administration and operation contract and the brand usage, subject to the fulfillment of certain conditions, including the return of the unamortized part of the premium paid (Key Money) for the contract, which will take effect as of February 29, 2024.

m. ***Termination of Operation and License Contracts and Signing of Hotel Lease***

On June 15, 2021, the Entity entered into an agreement for the early termination of the lease contract for the Fiesta Americana Grand Puerto Vallarta hotel, effective as of August 15, 2021. Due to the restrictions imposed by federal and local authorities because of the COVID-19 pandemic, the hotel could not be fully used by the Lessee, for which reason, the Lessor suspended the payment for rent for the months of January to July 2021, which in total amount to $80 million.

n. ***Termination of Operation Contracts***

During 2022, the Entity prematurely terminated the operation contract for the One León hotel and the franchise contracts for hotels operating under the Curamoria Collection brand.

During 2021, the Entity prematurely terminated the operation contracts for the Gamma Cancún Centro, One Tuxtla Gutiérrez, and Fiesta Inn Toluca Aeropuerto hotels.

On January 31, 2024, the franchise contract for the Curamoria Naay Tulum hotel was terminated, which has since become a hotel operated with a guarantee.

o. ***Rent Discount Agreements***

Due to the COVID-19 pandemic, the Entity negotiated with property owners for rent discounts, which ranged between 20% and 75% of the fixed monthly rent, during 2022 and 2021 the amount of the discounts amounted to $6,396 and $261,588, respectively. Starting in 2023, no further rent discounts were obtained for that reason.

The Entity accounted for the discounts in accordance with the practical expedient published by the International Accounting Standards Board ("IASB") in April 2020, which allows lessees to record rent concessions arising from COVID-19 as a variable lease payment, provided they meet certain conditions.

Additionally, the Entity negotiated a reduction in the leased area of the Corporate Offices by 852 square meters, resulting in savings of $19.5 thousand dollars starting in March 2023, and an extension of the lease contract for 3 years, with expiration now set for June 2027.

p. ***Riviera Maya Trust***

On September 29, 2021, the Entity reported the sale of its 12.5% stake in an Administration, Guarantee, and Business Activities Trust established for the development of a hotel project consisting of two hotels with a total of 855 rooms in the Riviera Maya under the Fiesta Americana and Live Aqua brands. This transaction complemented the termination announced on July 8, 2021, of the operation and license contract for the hotels involved in this project.

As consideration, the Entity received the amount of US$72,679,707, mainly for the transfer of fiduciary rights of 12.5%, the return of commercial goodwill, real estate advisory expenses, and reimbursement of development costs.

q. ***Agreements with the Tax Administration Service (SAT) on Tax Credits***

In April 2017, various agreements were made with the SAT to resolve differences in criteria related to the amortization of brands, the deduction of interests for the acquisition of said brands, the tax treatment given by real estate investment companies (SIBRAs), the amortization of usufructs, and especially, the effects resulting from the termination of the fiscal consolidation regime. These agreements resulted in the recognition of an additional payment obligation over different fiscal years, for a total amount of $2,376,766. Of this amount, during April 2017, $523,885 were settled, and the remaining amount has been covered in annual installments between 2018 and 2023, for an approximate nominal amount of $308,686 each, subject to indexing. For this reason, as of December 31, 2021, the corresponding long-term part was presented under the taxes payable heading in the consolidated statement of financial position. As of December 31, 2022, it is presented in the short term due to the last payment to be made in 2023. The last payment of $416,065 was made on March 31, 2023.

r. ***Credit Granted to Fiesta Americana Mérida Hotel***

In June 2017, a subsidiary of the Entity, owner of the Fiesta Americana Mérida hotel, contracted a seven-year loan for $210,000 at an annual rate of 9.175% with a fiduciary guarantee with Banco Nacional de México, S.A. (Banamex). The funds were used for tax payments, remodeling of the hotel's public areas, and other corporate uses. On January 23, 2018, a capital prepayment of $10,000 was made on the loan. Starting from July 2018, the subsidiary has been paying $1,872 monthly and, as of July 2019, the amortization increased to $2,050. The Entity holds 51% of the subsidiary and is jointly and severally liable for the loan payment under certain conditions.

Due to the COVID-19 pandemic, in April 2020 the subsidiary requested CitiBanamex to waive and modify the conditions and obligations set forth in the credit agreement regarding the payment of principal and interest for April and May 2020, a waiver that was formalized by signing a modification agreement dated June 18, 2020. The agreement grants a deferral of interest payments on the loan from March 23, 2020, to March 23, 2021, and a deferral of principal payments on the loan, so that principal payments according to the original amortization schedule due between April 2020 and March 2021 will be accumulated and paid in a single installment on the last payment date of the loan, which will be June 23, 2024. Moreover, the agreement temporarily waives financial ratios during the years 2020 and 2021 and assigns to the Trust the management of the hotel's revenue-collecting accounts, which will be managed under the instructions of CitiBanamex.

The third modification agreement to the modified and restated contract dated April 23, 2021, establishes that interest will be paid quarterly until April 23, 2022, and on this same date, the principal payment will resume monthly, starting with the amount of $2,458.

This loan is presented as long-term debt in the consolidated financial position statements, except for the portion payable in the following year according to the modification agreements.

The subsidiary anticipated a working capital deficit for the Fiesta Americana Mérida hotel during 2021 due to the effects of the COVID-19 pandemic, so it requested CitiBanamex for a second deferral in the payment of principal and interest on the loan until April 2022, and an extension of the credit line by $25,000. The additional credit line was not necessary, and during 2023 the amortization schedule was executed on time. The balance as of December 31, 2023, of the loan amounts to $100,533 million net of debt issuance expenses, and this loan is presented as short-term debt in the consolidated financial position statements.

s. ***Labor Reform***

On April 23, 2021, a mandatory federal decree was published in Mexico, which modified various labor and tax regulations with the aim of generally prohibiting the subcontracting of personnel and establishing the rules under which specialized services may be subcontracted. During 2021, the Entity completed all the necessary corporate actions to approve the adjustments to the constitutive documents of Grupo Posadas, S.A.B. de C.V. and its subsidiary Inmobiliaria del Sudeste, S.A. de C.V. to align them with the provisions of the current legal framework; similarly, it took all other actions to implement the necessary administrative changes to fully comply with the terms of the new legal framework as of its effective date. In addition, on August 12, 2021, the Entity obtained its registration for the Provision of Specialized Services or Specialized Work (RESPE) that allows it to a) provide contact center and interaction services through telephonic and telematic communication media in the activities of customer service or attention, telemarketing, tele-sales, reservation center, collections, operator information services, attention to order lines, conducting surveys, and in general interaction with people for any purpose through these means, on its own account (or for the benefit) or that of third parties, b) provide services with the aim of ensuring that the entrusted establishments operate under the standards, strategies, operational methods, commercial and administrative of the hotel chain to which the establishment is integrated, which includes the following:

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

t. ***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 the subsidiary Soluciones de Lealtad, S.A. de C.V. This merger had no effect on the attached consolidated financial statements.

u. ***Acapulco Diamante Trust***

In June 2022, an agreement was signed to develop an apartment complex on land that the company acquired in 2013 in the Acapulco Diamante area in Acapulco, Guerrero. The project consists of the contribution of the land by the Entity and a third party as the developer of a building with 128 apartments, of which Posadas will retain 29 units. The entire complex will operate under the Live Aqua Residence Club brand. The estimated opening date is in 2025. During 2022, the Entity pledged the trust rights as a guarantee for the fulfillment of the Senior Notes Due 2027.

3. Adoption of New and Amended International Financial Reporting Standards

a. ***New and Amended International Financial Reporting Standards ("IFRS" or "IAS") that are mandatory for the current year***

During the year, the Entity has implemented the amendments to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that are mandatory for accounting periods beginning on or after January 1, 2023. Their adoption has not had a material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the amendments to IFRS 17 from June 2020 and December 2021)	The Entity has adopted IFRS 17 and the related amendments for the first time this year. IFRS 17 sets the principles for the recognition, measurement, presentation, and disclosures of insurance contracts and replaces IFRS 4 Insurance Contracts. IFRS 17 describes a general model, which is modified for insurance contracts with direct participation, described as the variable fee approach. The general model is simplified if certain criteria are met, measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing, and certainty of future cash flows and explicitly measures the cost of such uncertainty. It considers market interest rates and the impact of policyholders' options and guarantees. The Entity does not have any contracts that meet the definition of insurance contracts in accordance with IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	The Entity has adopted the amendments to IAS 1 for the first time this year. The amendment changes the requirements in IAS 1 regarding the disclosure of accounting policies. The amendment replaces all mentions 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 the financial statements, it can reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make based on those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that information related to accounting policies for immaterial transactions, other events, or conditions need not be disclosed. Accounting policy information can be material by the nature of the related transactions, other events, or conditions, even if the amounts of those items are immaterial. However, not all information related to accounting policies for material transactions, other events, or conditions is in itself material. The IASB has developed guidance and examples to explain and demonstrate the application of the four-step process described in Practice Statement 2.
Amendments to IAS 12 Income Taxes – Deferred Tax on Assets and Liabilities Arising from a Single Transaction.	The Entity has adopted the amendments to IAS 12 for the first time this year. The amendments introduce an additional exception to the initial recognition exemption. In accordance with the amendments, an entity does not apply the initial recognition exemption for transactions that result in equal taxable and deductible temporary differences for tax purposes. Depending on the applicable tax law, taxable and deductible temporary differences may arise upon the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect the accounting or taxable profit. The amendments to IAS 12 stipulate that an entity is required to recognize the related deferred tax assets and liabilities, considering that the recognition of any deferred tax asset is subject to the recoverability criteria of IAS 12.
Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar 2	The Entity has adopted the amendments to IAS 12 for the first time this year. The IASB amended the scope of IAS 12 to clarify that the standard applies to taxes that arise from laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"), including tax laws that implement additional domestic minimum taxes as described in those rules. The amendments introduce a temporary exception to the requirements for deferred taxes in IAS 12, so that an entity does not recognize or disclose information about deferred tax assets and liabilities related to taxes that arise from the application of Pillar 2. Continuing with the amendments, the Entity is required to disclose that it has applied the exception and to separately disclose its current tax expense or income related to the application of Pillar 2.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimate.	The Entity has adopted the amendments to IAS 8 for the first time this year. The amendments replace the definition of a "change in accounting estimate" with the definition of an "accounting estimate." Under the new definition, accounting estimates are monetary amounts in the financial statements that are not subject to measurement certainty. The definition of a change in accounting estimate has been removed.

IFRS Standards Issued but Not Yet Effective

As of the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective.

As of the date of authorization of these consolidated financial statements, the Entity has not applied the following new and amended IFRS Standards that have been issued but are not yet in force:

Amendments to IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current.
Amendments to IAS 1	Non-current Liabilities with Covenants of Performance and Non-performance
Amendments to IAS 7	Supplier Financing Arrangements
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback Transaction with a Leaseback.

Management does not expect the adoption of the aforementioned standards to have a significant impact on the Entity's consolidated financial statements in future periods, except as noted below:

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 address situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments clarify that gains or losses resulting from the loss of control of a subsidiary that does not constitute a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized in the parent's results only to the extent of the interests of unrelated investors in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement to fair value of any retained interest in any former subsidiary (which has become an associate or a joint venture accounted for using the equity method) are recognized in the results of the former parent, only to the extent of the interests of unrelated investors in the new associate or joint venture.

The effective date of the amendments has not yet been set by the IASB; however, early application is permitted. The Entity's management anticipates that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods if such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current and Non-current

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

The amendments clarify that the classification of liabilities as current or non-current is based on whether rights in existence at the end of the reporting period specify that the classification is not affected by the entity's expectations about whether it will exercise its right to defer settlement of a liability, it explains that rights are in place if contractual obligations (covenants) are fulfilled at the end of the reporting period and introduces the definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or other services.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments early, it is also required to apply the 2022 amendments early.

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

Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer the settlement of the liability for at least twelve months after the reporting date (and therefore must be considered when assessing the classification of a liability as current or non-current). Such covenants affect whether the rights exist at the end of the reporting period, even if compliance with the covenants is only assessed after the reporting date (for example, a covenant based on the entity's financial position at the reporting date that is assessed for compliance only subsequent to the reporting date).

The IASB also clarifies that the right to defer the settlement of a liability for at least twelve months after the reporting date is not affected if the entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer the settlement of a liability is contingent upon meeting covenants within twelve months after the reporting date, the entity discloses information that enables users of the financial statements to understand the risk that the liabilities could be settled within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities, and the facts and circumstances, if any, that indicate the entity may have difficulty in meeting those covenants.

The amendments are to be applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Early application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early as well.

The directors of the holding company anticipate that the application of these amendments may have an impact on the consolidated financial statements of the group for future periods.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Statements: Disclosures – Supplier Finance Arrangements.

The amendments add a disclosure in IAS 7 stating that an entity is required to disclose information about supplier finance arrangements, enabling the users of the financial statements to evaluate the effects of such arrangements on the entity's liabilities and cash flows. Additionally, IFRS 7 was amended to include supplier finance arrangements as an example within the requirements to disclose information about the Entity's exposure to liquidity and concentration risks.

The term "supplier finance arrangements" is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide information.

To meet the disclosure objective, an entity is required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.
- The carrying amount and other lines in the entity’s statement of financial position that present the liabilities related to the arrangements.
- The carrying amount and other lines by which the suppliers have been paid by the financing providers.

- Ranges of payment days for both, the financial liabilities that are part of the supplier finance arrangements and comparable trade payables that are not part of the supplier finance arrangements.
- Liquidity risk information.

The amendments contain specific transition considerations for the first annual reporting period in which the entity applies the amendments. It is applicable for reporting periods beginning on or after January 1, 2024.

Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback Transaction.

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine lease payments or revised lease payments such that the seller-lessee does not recognize a gain or loss related to the right of use retained by the seller-lessee after the commencement date of the lease.

The amendments do not affect the gain or loss recognized by the seller-lessee related to the partial or full termination of a lease. Without these new requirements, a seller-lessee might have recognized a gain on the right of use retained, solely from the remeasurement of the lease liability (for example, after a modification to a lease or a change in the term of a lease) by applying the general requirements in IFRS 16. This could have particularly occurred in the case of sale and leaseback transactions that include lease payments that do not depend on an index or rate.

As part of the amendments, the IASB modified an illustrative example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and a lease liability in a sale and leaseback transaction with variable payments that do not depend on an index or rate. The illustrative examples also clarify that the liability arising from a sale and leaseback transaction that qualifies as a sale in accordance with IFRS 15, is a lease liability.

Early application is permitted. If a seller-lessee applies the amendments early, this fact must be disclosed.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 for sale and leaseback transactions entered into after the initial application date, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Entity's management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods if 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:

	Participation (%) 2023, 2022 and 2021
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 2023, 2022, and 2021 corresponds to lines dedicated to productive chains and credit reserves of Inmobiliaria del Sudeste S.A. de C.V., and in 2020 to the remaining funds obtained from the sale of the Fiesta Americana Condesa Cancún 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 al 5
Buildings - Installation, finishing and improvements	5 al 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 twelve months as of the date of the consolidated statements of financial position.

k. ***Intangible assets, sold memberships commissions and other assets***

1. *Membership Sale Commissions and Others*

This line item includes all capitalized direct expenses, mainly commissions related to the sales of the Kívac product and FAVC 25th Edition, recognized in the consolidated statement of comprehensive income once the service is provided. A short-term estimate of the commissions and others to be amortized within the next 12 months, and a long-term portion for the remaining period associated with the future use of the membership. Additionally, it also includes commissions related to the FAVC Access product, which are amortized in the consolidated statement of comprehensive income on a straight-line basis over 60 months.

2. *Internally Generated Intangible Assets - Research and Development Expenditure*

Expenditures arising from research activities are recognized as an expense in the period in which they are incurred.

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

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is an intention to complete the intangible asset for use or sale;
- There is an ability to use or sell the intangible asset;
- There is a way in which 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; and
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The initial amount recognized for an internally generated intangible asset is the sum of the expenditures incurred from the time when the intangible asset first meets the recognition criteria outlined above. When an internally generated intangible asset cannot be recognized, development expenditures are charged to the income statement in the period in which they are incurred.

Subsequent to initial recognition, an internally generated intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses, on the same basis as separately acquired intangible assets.

3. *Derecognition of Intangible Assets*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the income statement 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 (profit sharing) 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, 2022 and 2021 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. Revenue from hotel operations, which includes the operation of owned and leased hotels, is recognized as hotel services are provided to guests. These services include the rental of rooms and event spaces, sales of food and beverages, etc. In the case of leased hotels, the Entity determines whether it acts as an agent or principal by assessing whether it provides lodging services on its own behalf or on behalf of a third party, whether it assumes the risk of the inventory of available rooms, whether it assumes the credit risk for the amounts charged to customers, and whether the consideration for its services is equivalent to a fee for hotel operation and management contracts. Based on this determination, the Entity concludes that for leased hotels it can recognize revenue from hotel services for the gross amount it expects to charge for such services, except for the case of the Fiesta Americana Condesa Cancún hotel, where the Entity concludes that it acts as an agent for the lessor.

ii. Revenue from the operation of FAVC and LARC Vacation Club memberships is recognized at the time of sale, as the Entity considers that, by selling a right to a vacation property, it has fulfilled its performance obligation by transferring an enforceable right against third parties, and by transferring control of the properties to the membership buyers, who acquire the possibility of removing the Entity from management under certain normal business conditions. However, the Entity creates a reserve to adjust the sale price to consider the effect of the financing component of these revenues.

iii. Revenue recognition for FAVC 25th Edition memberships occurs at two points: at the time of contract formalization, as the Entity considers that upon the contract's signature and once it comes into effect, the right is granted to the customer for points backed by a vacation property and the performance obligation is fulfilled by transferring an enforceable right against third parties, and by transferring control of the properties to the membership buyers. This recognition is the same as that used for the traditional FAVC membership. The second point is when the member uses the Edition Points as a gift or when their right to use expires, that is, once the lodging service is provided or when the period agreed upon in the contract with the customer for its accrual elapses. Additionally, a provision is recognized, plus an estimate of those points that will not be used by members of the program upon expiration, known as breakage.

iv. Revenue from the sale of Kívac points is recognized once the lodging service is provided, plus an estimate of those points that will not be used by members of the program upon expiration. The amount of the contracted but unused services is presented under the line item "Deferred Revenue from Vacation Club" in short and long terms in the consolidated statement of financial position;

v. Revenue from the sale of FAVC Access is recognized over 60 months. The amount of the contracted service is presented under the line item "Deferred Revenue from Vacation Club" in short and long terms in the consolidated statement of financial position.

vi. Revenue from management and brand fees, and franchise revenue is recognized as it is earned based on a percentage of the revenues and the operating profit of the hotel operation as established in the respective contracts; and

vii. Other income (expenses) from the sale of non-strategic assets are recognized when control of the assets has been transferred to the buyer and/or the suspensive clauses of the purchase and 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, 2023, 2022 and 2021, 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.

  For the FAVC 25th Edition membership, considering that the points awarded create a performance obligation, a deferred revenue must be recognized.

- *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

	2023	2022	2021
Cash	$ 217,317	$ 120,246	$ 61,635
Cash equivalents:			
Overnight investments and restricted cash	1,581,656	1,789,671	1,880,056
Other	42,237	29,016	18,427
Total	$ 1,841,210	$ 1,938,933	$ 1,960,118

As of December 31, 2023, 2022 and 2021 the amount of cash equivalents includes $211,376, $184,904 and $110,796, respectively, restricted cash that in 2023, 2022 and 2021 correspond to lines for production chains (supply chains) and reserves of the secured loan of Inmobiliaria del Sudeste, S.A. de C.V.

7. Accounts and notes receivable

	2023	2022	2021
Notes receivable from Vacation Club (a)	$ 1,486,821	$ 1,454,778	$ 1,399,885
Kivac and FAVC Access (a)	628,538	587,800	593,672
Other receivables from Vacation Club (c)	124,047	192,114	328,524
Clients and agencies (b)	724,604	748,983	599,950
Others	47,462	53,466	39,943
	3,011,472	3,037,141	2,961,974
Less - Allowance for doubtful accounts	(163,180)	(232,622)	(260,980)
	$ 2,848,292	$ 2,804,519	$ 2,700,994

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:

	2023	2022	2021
Maturity of notes receivable from Vacation Club, Kívac y FAVC Access			
Less than 90 days	$ 467,483	$ 452,095	$ 403,058
Between 91 and 330 days	748,465	708,288	624,852
Between 331 and 365 days	899,411	882,195	965,647
	$ 2,115,359	$ 2,042,578	$ 1,993,557

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 2023, 2022 and 2021 the Entity identified and wrote-off $13,715, $2,918 and $14,002, respectively, of the reserve for doubtful accounts, since it was determined that such amounts did not have possibility of being recovered.

	2023	2022	2021
Clients and agencies-			
Less than 90 days	$ 643,636	$ 644,035	$ 487,117
Over 90 days	80,968	104,948	112,833
	$ 724,604	$ 748,983	$ 599,950
Allowance for doubtful accounts-			
Clients and agencies	$ (51,726)	$ (58,287)	$ (66,494)
Notes receivable from Vacation Club	(111,454)	(174,335)	(194,486)
	$ (163,180)	$ (232,622)	$ (260,980)

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

	2023	2022	2021
Vacation Club inventory	$ 243,541	$ 137,243	$ 139,689
Villas and residential lots	23,788	23,788	23,837
	$ 267,329	$ 161,031	$ 163,526

Vacation Club inventories recognized in cost of membership sales during the period in respect of continuing operations was from de $(50,336), $119,764 and $98,932, on December 31, 2023, 2022 and 2021, respectively.

During 2023 and 2022, an inventory of $55,963 and $128,899, respectively, was recognized, resulting from the recovery and repurchase of inventory due to the early termination of Vacation Club membership contracts with defaults in the payment of maintenance fees.

9. 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:

	2023	2022	2021
Long-term notes receivable:			
Vacation Club memberships	$ 3,696,703	$ 3,987,850	$ 3,937,459
Kívac and FAVC Access	1,268,612	758,534	457,918
	4,965,315	4,746,384	4,395,377
Less:			
Reserve for Vacation Club returns	(268,455)	(293,563)	(272,749)
Allowance for Kívac's doubtful accounts	(722)	(24,993)	(60,267)
Total	$ 4,696,138	$ 4,427,828	$ 4,062,361

The maturities of the long-term Vacation Club memberships on December 31, 2023 are as follows:

To collect during	Amount
2025	$ 1,355,477
2026	1,139,323
2027	746,798
2028 onwards	455,105
Total long-term notes receivable	$ 3,696,703

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.

10. Property and equipment

	2023	2022	2021
Buildings	$ 5,047,533	$ 5,018,729	$ 4,987,147
Furniture and equipment	1,188,627	1,186,557	1,186,715
Computers	99,249	95,329	116,474
Vehicles	33,871	24,777	20,449
	6,369,280	6,325,392	6,310,785
Less - Accumulated depreciation	(3,686,576)	(3,455,882)	(3,281,611)
	2,682,704	2,869,510	3,029,174
Land	958,546	958,546	1,087,600
Construction in progress	120,141	76,309	70,811
	$ 3,761,391	$ 3,904,365	$ 4,187,585

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost:							
Balance at the beginning of 2021	$ 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 to assets classified as held for sale	-	12,311	11,886	894	187	962	26,240
Transfers of prepayments	-	181,984	47,856	1,049	-	(243,480)	(12,591)
Transfers from construction in progress	-	(122,282)	(80,149)	(593)	(1,211)	-	(204,235)
Disposals							
	1,087,600	4,987,147	1,186,715	116,474	20,449	70,811	7,469,196
Balance as of December 31, 2021							
	-	32,205	49,604	1,193	3,923	102,478	189,403
Additions and improvements	-	7,000	9,415	97	597	(10,807)	6,302
Transfers of prepayments (See Note 2u)	(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
Additions and improvements		58,867	75,871	3,086	7,739	130,724	276,287
Transfers of prepayments	-	50,254	14,336	142	4,111	(68,843)	-
Transfer to trust investment (See Note 2u)	-	13,383	3,022	1,644	-	(18,049)	-
Transfers from construction in progress	-	(24,261)	(59,405)	-	(165)	-	(83,831)
Disposals	-	(69,439)	(31,754)	(952)	(2,591)	-	(104,736)
Balance as of December 31, 2023	$ 958,546	$ 5,047,533	$ 1,188,627	$ 99,249	$ 33,871	$ 120,141	$ 7,447,967

Accumulated depreciation and impairment	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Balances at the beginning of 2021	$ -	$ (2,384,575)	$ (590,142)	$ (104,123)	$ (18,890)	$ -	$ (3,097,730)
Depreciation expense	-	(223,810)	(157,102)	(1,897)	(987)	-	(383,796)
Transfers to assets classified as held for sale	-	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

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Balance as of December 31, 2022	-	(2,650,227)	(702,457)	(83,714)	(19,484)	-	(3,455,882)
Depreciation expense	-	(219,252)	(148,040)	(5,204)	(2,292)	-	(374,788)
Disposals	-	-	5,727	29	120	-	5,876
Disposals by damage	-	7,831	33,173	-	62	-	41,066
Disposals of assets completely depreciated	-	70,346	24,695	-	2,111	-	97,152
Balance as of December 31, 2023	$ -	$ (2,791,302)	$ (786,902)	$ (88,889)	$ (19,483)	$ -	$ (3,686,576)
Total net investment as of December 31, 2023	$ 958,546	$ 2,256,231	$ 401,725	$ 10,360	$ 14,388	$ 120,141	$ 3,761,391

11. 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 2023, 2022 and 2021 there were new asset leases, as well as indexing updates to existing contracts resulting in the addition of usage rights assets for $483,938, $270,659 and $269,465, 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.

The analysis of the maturity of lease liabilities is presented in Note 16.

Right-of-use asset	Real property	Vehicles	Total
January 1, 2021	$ 4,733,008	$ 49,492	$ 4,782,500
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
Additions	439,539	36,666	476,205
Disposals	-	(49,151)	(49,151)
December 31, 2023	$ 4,712,454	$ 50,481	$ 4,762,935

Accumulated depreciation	Real property	Vehicles	Total
January 1, 2021	$ (995,949)	$ (25,179)	$ (1,021,128)
Period movements	(430,261)	(18,342)	(448,603)
Disposals	268,384	-	268,384
December 31, 2022	(1,157,826)	(43,521)	(1,201,347)
Period movements	(457,882)	(12,258)	(470,140)
Disposals	-	1,561	1,561
December 31, 2023	(1,615,708)	(54,218)	(1,669,926)
Period movements	(483,525)	(11,649)	(495,174)
Disposals	-	48,459	48,459
December 31, 2023	$ (2,099,233)	$ (17,408)	$ (2,116,641)

Book value	Real property	Vehicles	Total
December 31, 2023	$ 2,613,221	$ 33,073	$ 2,646,294
December 31, 2022	$ 2,657,207	$ 8,748	$ 2,665,955
December 31,2021	$ 2,851,017	$ 15,592	$ 2,866,609

Amounts recognized in the consolidated statement of income	2023	2022	2021
Asset depreciation expense for usage rights	$ 495,174	$ 470,140	$ 448,603
Financial expense caused by lease liability	279,680	293,402	346,826
Lease payments	698,316	692,692	481,614
Spending related to low-value asset leases	42,336	45,165	66,061
Loss will change to dollar contracts	(210,330)	(107,199)	59,571

The Entity has commitments of $92,911, $73,407, and $34,023 as of December 31, 2023, 2022 and 2021, respectively, for leases of computer equipment considered low value.

The additions made during the periods 2023, 2022, and 2021 did not require cash flows.

12. Intangible Assets, Commissions from Membership Sales, and Other Assets

	2023	2022	2021
Kívac's sales commissions	$ 502,785	$ 178,801	$ 292,478
Expenditures for technology projects	190,669	213,668	218,713
Guarantee deposits	18,027	22,407	102,519
Development expenses and other	27,938	37,376	46,856
Other assets	63,648	86,168	98,852
	$ 803,067	$ 538,420	$ 759,418
Amortizable Intangible Assets (a)	$ 903,298	$ 857,024	$ 807,261
Amortization	(684,691)	(605,980)	(541,692)
	$ 218,607	$ 251,044	$ 265,569

a. Commissions from the Sale of Kívac, FAVC Access, and FAVC 25th Edition

These correspond to all direct expenses related to the sale of Vacation Club memberships, mainly commissions pertaining to sales of the Kívac product and FAVC 25th Edition, recognized in the consolidated statement of comprehensive income once the service is provided.

As of December 31, 2023, 2022, and 2021, there is a current portion for these commissions amounting to $177,670, $213,135, and $97,493, respectively.

b. Amortizable Intangible Assets

Amortizable intangible assets are mainly comprised of expenses for technological projects, development expenses, and others. As of December 31, 2023, 2022, and 2021, the amortization is $78,762, $75,704, and $64,835, respectively.

13. Trade accounts payable

The Entity has credit lines contracted with the following banks: Banca Mifel, S.A., for an amount of $75,000 with collateral of 1.0x, BBVA, S.A. for an amount of $50,000 without collateral, and Monex S.A. for an amount of $30,000 without collateral. The purpose of the credit lines is to carry out financial factoring transactions with suppliers with a maximum payment term of 90 days. For each financial factoring operation, interest is accrued to the suppliers 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:

	2023	2022	2021
Banca Mifel, S.A.	$ 75,000	$ 100,000	$ 100,000
BBVA Bancomer, S.A.	50,000	50,000	-
Monex, S.A.	30,000	-	-
	$ 155,000	$ 150,000	$ 100,000

14. Short and Long-term debt

a. **It is as follows:**

	2023	2022	2021
US dollar-denominated:			
"Senior Notes 2027", 4% - 8% step-up rate	6,297,640	7,343,598	7,951,884
Signed in Mexican pesos:			
Loan, 9.175% annual fixed rate	100,533	133,794	156,747
	6,398,173	7,477,392	8,108,631
Less - Current portion	100,533	33,830	23,521
Long-term debt	$ 6,297,640	$ 7,443,562	$ 8,085,110

The maturities of long-term debt as of December 31, 2023, are as follows:

Payable during	Thousands of American dollars	Thousands of Mexican pesos
2027	US$ 385,700	$ 6,515,823
Less - debt issuance costs		(218,183)
		$ 6,297,640

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. The most significant restrictions and obligations contained in debt agreements as of December 31, 2023, 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, 2023, 2022, and 2021, the restrictions and covenants not to do of the Senior Notes 2027 have been complied with.

At the end of 2023, 2022, and 2021, the Entity reports an amount of $211,376, $184,904, and $110,796 of restricted cash within the balance of cash equivalents, as mentioned in Note 6.

e. Below is detail of key financial items of the Entity and the subsidiary guarantors of the "Senior Notes 2027":

	2023		2022		2021	
	Guarantors	Total consolidated	Guarantors	Total consolidated	Guarantors	Total consolidated
Total revenues	$ 8,918,520	$ 9,209,256	$ 8,826,517	$ 9,077,990	$ 7,258,205	$ 7,406,734
Depreciation, amortization and impairment	928,740	958,563	854,336	884,712	864,028	897,234
Lease expense	22,633	22,633	14,482	14,482	(242,492)	(242,492)
Consolidated income (loss)	994,030	1,017,901	211,321	222,740	47,517	57,939
Total assets	17,685,106	18,249,933	17,367,100	17,948,788	17,644,564	18,244,481
Total liabilities	$ 15,846,544	$ 15,982,523	$ 16,511,279	$ 16,693,773	$ 17,030,347	$ 17,232,188

15. Income taxes

The standard income tax rate applied to the reported tax income is 30% for 2023, 2022 and 2021, 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:

	2023	2022	2021
Current tax -			
Current ISR (1) (2)(3)	$ -	$ 1,347	$ (1,710)
ISR previous years	8,500	36,546	21,844
	8,500	37,893	20,134
Deferred ISR (benefit)	65,386	292,179	108,924
Total income tax (benefit)	$ 73,886	$ 330,072	$ 129,058

(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 for $200, generated by entity subsidiaries based in Mexico.
(3) During 202 Posadas USA, Inc., a subsidiary of the Entity reflects an ISR for the year of $ (2,210), 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:

	2023	2022	2021
	%	%	%
Statutory Rate	30%	30%	30%
(Less) Plus:			
Non-deductible Expenses	10	23	71
Annual Inflation Adjustment	(1)	10	29
Movements of Tax Losses	(19)	(25)	(164)
Income Tax from Deconsolidation	1	7	12
Others	(13)	(16)	(90)
Effective Rate	7	60	69

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

	2023	2022	2021
Notes receivable	$ (1,309,827)	$ (1,371,230)	$ (1,332,076)
Allowance for doubtful accounts	135,288	180,594	196,982
Real estate inventory	(88,763)	(56,874)	(57,608)
Property and equipment	375,635	317,034	263,772
Intangible assets and other assets	(79,699)	(162,061)	(207,010)
Reserves and deferred income	1,003,349	699,887	717,955
Tax loss carryforwards reserve	912,221	1,499,086	1,798,271
Interest pending to be deducted	121	118	5,937
Right-of-use assets - net	65,535	105,465	117,975
Unrealized exchange rate fluctuation	-	(134,141)	(134,141)
Deferred ISR asset	$ 1,013,860	$ 1,077,878	$ 1,370,057

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, 2023, 2022 and 2021, the tax loss carryforwards amounted to $3,142,578, $5,116,581 and $7,209,363, respectively. As of December 31, 2023, 2022 and 2021, the entity has decided not to recognize an active deferred tax on outstanding tax losses of$101,845, $119,627 and $1,215,127, respectively.

e. As a result of the conclusive agreement reached between Grupo Posadas and the General Administration of Large Taxpayers of the Tax Administration Service, conducted during the review that the latter carried out for the closure of the fiscal year 2016. It was agreed to regularize the result of said fiscal year by accumulating the amount of $409,400 for deferred foreign exchange gains, which is why the company's deferred income tax is reduced. Said gain was amortized against tax losses from previous years.

f. Tax loss carryforwards

Expiration dates and restated amounts of tax loss carryforwards as of December 31, 2023 are:

Year	Amount
2024	$ 142
2025	929,753
2026	13,775
2027	8,995
2028	17,019
2029	560,765
2030	1,574,195
2031	11,792
2032	16,173
2033	9,969
	$ 3,142,578

g. Tax credits:

As a result of various agreements with the Tax Administration Service (SAT) made in April 2017, the Entity recognized a provision for Income Tax (ISR) payable in the current portion as of December 31, 2022, in the amount of $412,162, which was settled in 2023.

16. Lease liabilities

	2023	2022	2021
Circulating	$ 419,862	$ 424,501	$ 398,451
Non-circulating	2,444,881	2,593,003	2,861,409
Lease liabilities	$ 2,864,743	$ 3,017,504	$ 3,259,860

Maturity analysis

	2023	2022	2021
Year 1	$ 675,530	$ 678,150	$ 661,734
Year 2	658,641	617,783	644,407
Year 3	597,608	590,227	583,458
Year 4	510,115	539,645	560,565
Further	1,623,098	1,839,474	2,267,130
Less: Not accrued interest	(1,200,249)	(1,247,775)	(1,457,434)
Total lease liabilities	$ 2,864,743	$ 3,017,504	$ 3,259,860

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.

17. Short-term and long-term deferred income for Vacation Club

	2023	2022	2021
Short-term deferred income from Vacation Club:			
Income to be amortized from FAVC Access contracts	$ 456,450	$ 507,276	$ 211,706
Income to be recognized from Kívac contracts	175,891	345,692	269,082
Income to be recognized from FAVC 25th Edition contracts	15,522	-	-
Income to be amortized from maintenance fees	372,436	406,599	321,950
Income to be amortized from club fees	84,996	91,443	74,985
	$ 1,105,295	$ 1,351,010	$ 877,723
Long-term deferred income from Vacation Club:			
Income to be amortized from FAVC Access contracts	$ 1,428,929	$ 425,558	$ -
Income to be recognized from Kívac contracts	106,346	290,006	807,246
Income to be recognized from FAVC 25th Edition contracts	238,945	-	-
	$ 1,774,220	$ 715,564	$ 807,246

18. Employee benefits and other accrued liabilities

	2023	2022	2021
Employee benefits	$ 295,152	$ 265,944	$ 249,177
Other accrued liabilities	26,438	31,067	13,001
	$ 321,590	$ 297,011	$ 262,178

19. Employee Benefit Plans

The Entity sponsors funded defined benefit plans for qualifying employees. These defined benefit plans are managed by a fund that is legally separate from the Entity. The pension fund is administered by Valmex based on predefined investment profile criteria. There is a Pension Fund Management Committee that defines the fund's statutes for qualifying employees. The Management Committee is responsible for setting investment criteria in relation to the plan's assets.

The Entity operates a plan that also covers seniority premiums, which consist of a one-time payment of 12 days for each year worked based on the last salary, limited to twice the minimum wage established by law. 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 manages defined benefit plans for employees who qualify in the Entity and its subsidiaries. According to these plans, employees are entitled to retirement benefits that range from 40% to 45% of the final salary upon reaching the retirement age of 65, in addition, there is an option for early retirement under certain conditions. No other post-retirement benefits are provided.

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 valuations of the plan's assets and the present value of the defined benefit obligation were carried out as of December 31, 2023, by independent actuaries. The present value of the defined benefit obligation, the current service cost, and the past service cost were calculated using the projected unit credit method.

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

	2023 %	2022 %	2021 %
Discount rate(s)	9.70	9.45	7.75
Expected rate(s) of salary increase	5.00	5,.00	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	
	2023	2022	2021
Service cost:			
Current services cost:	$ 10,718	$ 10,475	$ 9,490
Net interest expense:	7,513	6,000	4,852
Components of defined benefit costs recognized in profit or loss	$ 18,231	$ 16,475	$ 14,342

	Pension plan		
	2023	2022	2021
Service cost:			
Current services cost:	$ 12,800	$ 14,203	$ 22,037
Net interest expense:	19,723	17,941	16,560
Components of defined benefit costs recognized in profit or loss	$ 32,523	$ 32,144	$ 38,597
Total of defined benefit plan recognized in income	$ 50,754	$ 48,619	$ 52,939

	Seniority premium		
	2023	2022	2021
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (5,193)	$ (9,106)	$ (8,423)
Actuarial (gains) and losses arising from experience adjustments	(6,846)	(4,256)	1,164
Defined benefit cost items recognized in other comprehensive income	$ (12,039)	$ (13,362)	$ (7,259)

	Pension premium		
	2023	2022	2021
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (4,096)	$ (28,410)	$ (19,286)
Actuarial (gains) and losses arising from experience adjustments	19,470	16,758	(19,007)
The return on plan liability (excluding amounts included in net interest expense)	1,219	5,600	2,999
Defined benefit cost items recognized in other comprehensive income	$ 16,593	$ (6,052)	$ (35,294)
Total of defined benefit plan recognized ir other comprehensive income	$ 4,554	$ (19,414)	$ (42,553)

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 $295,152, $265,944, and $249,177, as of December 31, 2023, 2022 and 2021, respectively.

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

	Seniority premium		
	2023	2022	2021
Opening balance defined benefit obligation	$ 82,402	$ 79,858	$ 74,262
Current service cost	10,718	10,475	9,490
Past service cost losses	41	(23)	(843)
Interest cost	7,513	6,000	4,852
Remeasurement (gains) losses:			
Actuarial (gains) and losses arising from changes in financial assumptions	(5,193)	(9,106)	(8,423)
Actuarial (gains) and losses arising from experience adjustments	(6,846)	(4,256)	1,164
Liabilities assumed in a business combination	-		-
Benefits paid	(394)	(546)	(644)
Defined benefit obligation total before present value	$ 88,241	$ 82,402	$ 79,858

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

	2023	2022	2021
Contributions from the employer	$ 394	$ 546	$ 644
Benefits paid	(394)	(546)	(644)
Total plan assets at fair value	-	-	-
Closing balance defined benefit obligation	$ 88,241	$ 82,402	$ 79,858

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

	Pension plan		
	2023	2022	2021
Opening balance defined benefit obligation	$ 213,879	$ 250,667	$ 253,354
Current service cost	12,800	14,203	22,037
Interest cost	19,723	17,941	16,560
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in financial assumptions	(4,096)	(28,410)	(19,286)
Actuarial gains and losses arising from experience adjustments	19,470	16,758	(19,007)
Cost of past services including losses/(gains) for adjustments	1,234	(385)	55
Past services reduction	(6,959)	(6,549)	-
Benefits paid	(4,143)	(50,346)	(3,046)
Defined benefit obligation total before present value	$ 251,908	$ 213,879	$ 250,667

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

	2023	2022	2021
Opening fair value of plan assets	$ 30,337	$ 81,348	$ 81,866
Interest income	2,522	4,934	5,526
Remeasurement (gains)/losses:			
The return on plan assets (excluding amounts included in net interest expense)	(1,219)	(5,599)	(2,998)
Contributions from the employer	17,500	-	-
Benefits paid	(4,143)	(50,346)	(3,046)
Total plan assets at fair value	$ 44,997	$ 30,337	$ 81,348
Closing defined benefit obligation	$ 206,911	$ 183,542	$ 169,319
Defined benefit obligation total as of December 31	$ 295,152	$ 265,944	$ 249,177

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 2023, 2022 and 2021, was of earnings (losses), $15,764, $18,952 and $(462), respectively.

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 2023 overall strategy of the Entity has not been changed compared to 2022 and 2021.

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:

	2023	2022	2021
Debt (i)	$ 6,398,173	$ 7,477,392	$ 8,108,631
Leasing	2,864,743	3,017,504	3,259,860
Cash, banks and investments in securities	1,841,210	1,938,933	1,960,118
Net debt	7,421,706	8,555,963	9,408,373
Stockholders' equity (ii)	$ 2,267,410	$ 1,255,015	$ 1,012,293
Net debt to equity index	3.27	6,82	9.29

(i) Debt is defined as short and long-term borrowings in national and foreign currency, as described in Note 14.
(ii) Stockholders' equity includes all capital stock and reserves that are managed as capital.

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

	2023	2022	2021
Financial assets:			
Cash	$ 217,317	$ 120,246	$ 61,635
Cash equivalents	1,623,893	1,818,687	1,898,483
Account and notes receivable	7,544,430	7,232,347	6,763,355
Financial liabilities:			
Trade accounts payable	$ 634,060	$ 775,160	$ 602,189
Debt	6,617,560	7,749,186	8,363,286
Other liabilities and accrued expenses	1,192,421	1,048,735	916,205
Lease liabilities	2,864,743	3,017,504	3,259,860

d. ***Market risk***

The Entity's activities primarily expose it to financial risks due to fluctuations in exchange rates. There have been no changes in the Entity's exposure to market risks or the way in which these risks are managed and valued.

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

The Entity believes that the risk is material because as of December 31, 2023, 98% of its debt is denominated in US dollars. Considering the net monetary position in US dollars as of December 31, 2023, 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 $342,529.

The current exchange rates in Mexican pesos are as follows:

	December 31,			February 26,
	2023	2022	2021	2024
Mexican pesos per US dollar	$ 16.8935	$ 19,3615	$ 20.5835	$ 17.1210

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, 2023 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 decrease in income due to the COVID-19 pandemic, a liquidity risk materialized due to the amount of short-term debt held by the Entity. On December 9, 2021, the restructuring plan was approved by the court of New York City, and on December 15, 2021, this plan was executed with the holders of Senior Notes Due 2022. The main sources of liquidity for the Entity have been the cash flows from operating activities, primarily from the operating income of owned and leased hotels, management income, the sale and financing of Vacation Club memberships, areas that were affected by the COVID-19 pandemic, the proceeds from the sale of non-strategic assets, and financing that was used to bridge certain payments that needed to be made in the first quarter of 2021, such as the eighth annual installment of ISR (Income Tax), a loan that was paid off early in October with the proceeds from the aforementioned asset sale.

In 2022, a 23% recovery in revenue was observed compared to the previous year, along with a higher generation of cash flow from operations, with a cash balance of $1,938, an amount similar to that of 2021, this after paying in cash the two semi-annual payments (in June and December of 2022) of interest on the Senior Notes due in 2027.

In 2023, a recovery in revenue of 23% was observed compared to the previous year, and a greater generation of cash flow from operations, with a cash balance of $1,841, which is a comparable amount $108 million higher than in 2022, this after paying in cash the two semi-annual payments (in June and December of 2023) of interest on the Senior Notes due in 2027 and adjusting the end-of-period exchange rate and the repurchase of senior notes for US$7.5 million.

As of December 31, 2023	Weighted average effective interest Rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	5.3%Usd / 9.175%MN	$ 19,355	$ 323,036	$ 239,228	$ 1,022,676	$ 7,100,699	$ 8,704,994
Suppliers		634,060	-	-	-	-	634,060
Leasing		171,296	167,928	335,413	1,258,290	2,128,692	4,061,619
Other liabilities and accrued expenses		1,192,421	-	-	-	-	1,192,421
Total		$ 2,017,132	$ 490,964	$ 574,641	$ 2,280,966	$ 9,229,391	$ 14,593,094

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	$ 8,295,612	$ 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	$ 545,543	$ 2,489,902	$ 10,223,763	$ 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

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, 2023, 2022 and 2021, the fair value of the Vacation Club long-term receivables is $3,377,893, $3,530,770 and $3,706,869 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 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:

		2023		**2022**		**2021**
Thousands of US dollars:						
Senior Notes 2027	US$	324,567	US$	304,861	US$	325,725
Thousands of Mexican pesos						
Senior Notes 2027	$	5,483,065	$	5,899,565	$	6,704,561
Banamex	$	85,730	$	113,002	$	129,415

On December 31, 2023, 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 nominal shares:

	Number of shares 2023, 2022 and 2021
Authorized capital	512,737,588
Less:	
Repurchase of shares	(16,855,600)
	495,881,988

b. As of December 31, 2023, 2022 and 2021, the share capital is composed solely of Series "A" ordinary stocks, representative of fixed capital, free-to-subscribe.

c. The Ordinary General Assemblies on March 28, 2023, April 5, 2022, and April 19, 2021, resolved to maintain the maximum amount of resources for the purchase of treasury shares at $535,000.

d. As of December 31, 2023, 2022, and 2021, the reserve fund is presented in the accumulated results and amounts to $99,187 (at nominal value), representing 20% of the nominal share capital. This fund cannot be distributed to shareholders except in the form of stock dividends.

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	$	$ 4,779,342

22. Balances and transactions in foreign currency

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

	2023	2022	2021
Thousands of US dollars:			
Current:			
Monetary assets	$ 109,718	$ 98,216	$ 108,640
Monetary liabilities	(8,145)	(11,074)	(11,535)
	101,573	87,142	97,105
Long-term:			
Monetary assets	81,369	49,300	41,495
Monetary liabilities	(385,700)	(393,235)	(398,581)
	(304,331)	(343,935)	(357,086)
Net liability position	(202,758)	(256,793)	(259,981)
Equivalent in thousands of Mexican pesos	$ (3,425,299)	$ (4,971,888)	$ (5,351,314)

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:**

	2023	2022	2021
Hotel operation	$ 3,225,454	$ 2,908,951	$ 2,181,583
Vacation Club	4,079,012	4,507,159	4,092,835
Management fee, brand and other expenses	1,904,790	1,661,880	1,132,316
	$ 9,209,256	$ 9,077,990	$ 7,406,734

b. **Cost of sales:**

	2023	2022	2021
Hotel operation	$ 1,606,864	$ 1,443,591	$ 1,138,727
Vacation Club	3,470,824	3,840,031	3,328,529
Management fee, brand and other expenses	985,334	991,756	1,034,887
	$ 6,063,022	$ 6,275,378	$ 5,502,143

c. **Administrative expenses:**

	2023	2022	2021
Salaries, employee benefits and other	$ 435,366	$ 503,710	$ 427,166
PTU	219,654	138,298	36,659
Electricity	159,794	149,458	136,239
Maintenance	104,738	98,951	74,760
Professional fees	89,843	78,400	62,632
Credit card commissions	51,858	47,635	35,865
Property taxes and duties	33,496	32,003	29,660
Office rentals	4,352	4,321	4,277
Services and supplies	18,825	16,999	22,114
Insurance and bonds	13,023	9,403	9,216
Equipment leasing	910	930	927
Others	49,386	25,440	16,266
	$ 1,181,245	$ 1,105,548	$ 855,781

d. **Sale and development expenses:**

	2023	2022	2021
Marketing and publicity	$ 101,325	$ 85,029	$ 146,988
Salaries, employee benefits and other	56,465	46,507	39,916
Travel expenses	891	1,136	440
Subscription fees	187	296	2
Others	8,278	7,281	4,915
	$ 167,146	$ 140,249	$ 192,261

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

	2023	2022	2021
Other (revenues) expenses, net			
Real estate selling	$ -	$ -	$ 38,968
Fiduciary rights	-	-	(235,696)
Recoverable expenses	-	-	434,574
Others	38,653	20,692	15,397
	$ 38,653	$ 20,692	$ 253,243

24. Related party transactions

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

	2023	2022	2021
Direct, short and long-term benefits	$ 115,681	$ 109,530	$ 140,200

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.

2023

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Total revenues	$ 3,256,056	$ 4,083,989	$ 1,947,074	$ 9,287,119	$ -	$ (77,863)	$ 9,209,256
Cost and general expenses	2,342,030	3,316,119	1,251,482	6,909,631	-	(77,863)	6,831,768
Corporate expenses	-	-	-	-	602,277	-	602,277
Depreciation, and amortization	-	-	-	-	958,563	-	958,563
Other expenses	-	-	-	-	(38,653)	-	(38,653)
Operating income (loss)	$ 914,026	$ 767,870	$ 695,592	$ 2,377,488	$ 1,522,187	$ -	$ 855,301
					Financial expenses, net		(236,487)
					Equity in associate		-
					Income before income taxes		$ 1,091,787

2022

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
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

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
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

26. Commitments

a. As of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, lease expense amounted to $40,393, $35,755 and $66,061, respectively. The estimated rental payments for the following years is shown below:

Years		Amount
2024	$	44,307
2025		35,796
2026		12,808

27. Contingencies

a. The Entity filed an annulment lawsuit against a tax credit determined by the International Audit Administration of the SAT for the alleged omission in the payment of ISR (Income Tax) corresponding to the fiscal year 2006 for $767,248. By a judgment issued by the Superior Chamber of the Federal Administrative Justice Tribunal, the partial annulment of the tax credit was declared, which was confirmed by the Twelfth Collegiate Tribunal in Administrative Matters of the First Circuit in its session of September 4, 2020, thus the lawsuit has been definitively resolved.

On March 24, 2021, the Entity was notified of the administrative resolution contained in the official letter of March 22, 2021, issued by the Central Administration of International Audit, attached to the General Administration of Large Taxpayers, of the Tax Administration Service, through which a tax credit for $222,896 was determined for income tax, surcharges, and fines corresponding to the fiscal year 2006 in compliance with the definitive judgment mentioned in the previous paragraph.

Against this credit, the Entity filed an annulment lawsuit which was admitted by the First Metropolitan Regional Chamber of the Federal Administrative Justice Tribunal. In its interest, the Entity presented a written withdrawal which was ratified on September 1, 2021, leading to the dismissal of the lawsuit.

Furthermore, against the official letter described above, a complaint for defect in the fulfillment of the definitive judgment issued by the Superior Chamber was filed with the Superior Chamber of the Federal Administrative Justice Tribunal. In its interest, the Entity presented a written withdrawal of the complaint, and by a judgment of December 1, 2021, the Superior Chamber accepted the Entity's withdrawal from the complaint for defect filed.

On March 30, 2022, the Entity made the payment of the tax obligation for $174,062 by obtaining the benefit of Article 70-A of the Federal Fiscal Code, so the matter has concluded definitively.

As of December 31, 2023, 2022, and 2021, the Entity has created a reserve to cover contingencies for $2,685, $3,922, and $2,872, respectively, recorded under the item "long-term accrued 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.

On September 14, 2023, a notice was received from the State Legal Department of the Tax Administration Service of the State of Quintana Roo, which nullifies the tax credit contained in the official letter dated January 18, 2021, issued by the State Director of Fiscal Audit of the Tax Administration Service of the State of Quintana Roo. This official letter had determined a total tax credit of $9,545 against the entity for alleged omissions in the payment of payroll taxes corresponding to the fiscal years of 2017 and 2018, including updates, surcharges, fines, and execution expenses. As a result, the matter has been definitively concluded.

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.

d. The Entity is involved in a series of legal proceedings arising from the normal course of its operations. Due to the status of these proceedings and the difficulty in determining a probable contingent amount, no reserves have been established for these purposes.

e. There are labor lawsuits corresponding to different fiscal years, which the Entity, together with its external advisors in the field, believes have sufficient arguments to obtain favorable outcomes.

28. Authorization to issue the financial statements

The accompanying consolidated financial statements as of December 31, 2023 were authorized to be issued on February 26, 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, 2022 and 2021 were approved in General Stockholders Meetings held on April 26, 2023 and April 5, 2022, respectively.

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