

# Sagicor Real Estate X Fund Limited

## Report to our Stockholders | Our Q2 2015 Performance



REAL ESTATE X FUND

### Directors' Statement

On behalf of the Board of Directors of Sagicor Real Estate X Fund Limited (the Group) we are pleased to announce the financial results of the Group for the second quarter of 2015.

#### Overview

The Group invests in the tourism sector and commercial real estate, through its investment in the Sagicor Sigma Real Estate Portfolio and by its direct ownership of the Hilton Rose Hall Resort and Spa in Montego Bay (the Hilton Rose Hall).

The addition of the Hilton Rose Hall's 489 rooms to its revenue stream was funded through long term borrowings, as a means of enhancing earnings and returns to shareholders.

Improved returns were noted by end of the second quarter in 2015, as the Group generated earnings before interest tax depreciation and amortisation (EBITDA) of \$1.244 billion, a 203% increase over Q2 2014 EBITDA of \$410 million. Consolidated net profit attributable to stockholders at Q2 2015 also reflected positive growth, closing the period with \$687 million, a 67% improvement over 2014 net profit of \$410 million. Earnings per stock unit was \$0.46 (2014 - \$0.27)

and annualized return on average Stockholders' Equity was 14.76% (2014 - 9.52%).

#### Operations

During the period, the Group's income earning activities were mainly its investment in the Sagicor Sigma Real Estate Portfolio (the Portfolio) and the operating earnings from the Hilton Rose Hall. Consolidated revenue was \$2.826 billion, up from \$1.317 billion at Q1 2015 and \$410 million at Q2 2014. This reflects strong revenue from the Hilton Rose Hall of \$2.350 billion (Q1 2015 - \$1,194 billion). Unrealized capital gains from investment in the Portfolio were 42% more than 2014 (\$581.6 million when compared with \$410.2 million). The net earnings in the Portfolio, which forms the basis for appreciation of the Portfolio unit values, was based on Q2 revenue of \$4.082 billion, EBITDA of \$1.154 billion and net profit of \$1.117 billion. The Portfolio net earnings had no revaluation gain during the period.

Group Interest income contributed \$8.7 million (2014 - \$nil) to the overall performance of the Group.

Consolidated net profit attributable to shareholders was \$686.8 million, after hotel operating expenses of \$1.521 billion, depreciation of \$93 million, interest

expenses of \$323 million, taxation of \$142 million and other expenses \$60 million. Net profit at the end of the first quarter of 2015 was \$569.8 million with Q2 2014 being \$410.3 million.

The Group generated cash of \$746.3 million from its operating activities (Q1 2015 - \$444.7, Q2 2014 - \$Nil). At June 30, 2015, the Group had cash and cash equivalents of \$515.8 million, an increase from 445.7 million in Q1 2015 and \$240.6 million at December 31, 2014 (June 2014 - \$Nil).

#### Balance Sheet

The Group's Total Assets increased by \$6.97 billion to \$21.19 billion at the end of June 2015, up from \$14.22 billion as at December 31, 2014. This 2015 growth of 49% reflects the acquisition of the Hilton Rose Hall as well as appreciation of units in the Sigma Real Estate Portfolio. The Hilton Rose Hall acquisition was financed by issuing a further US\$46.75 million fixed rate mortgage note in January 2015. Total long term borrowing at June 2015 stood at \$10.52 billion.

Total Shareholder Equity as at June 30, 2015 was \$9.79 billion. This was below the \$9.91 billion at Q1 2015 due to a dividend distribution in June 2015 to stockholders of \$239.3 million. Despite the dividend payout, shareholder equity was above the \$9.34 billion as at December 31, 2014 and reflects the impact of net earnings.

#### Market Dynamics

##### Tourism Sector

According to data published by the Jamaica Tourist Board (JTB), there were higher tourist arrivals for 2015 when compared with 2014. Total stopover tourist arrivals amounted to 924,810 for the first five months of the year. This reflects an increase of 4.2% over 2014. This was also attributable to a 23.3% surge in the number of visitors from the UK and an increase of 7.2% in stopover arrivals from the USA, the major source market.

However, the growth was slowed by a fifth consecutive month of decline from the



Hilton Rose Hall Resort at Spa, Montego Bay.

Canadian market which recorded a fall of 5.4% or 11,876 less visitors than in 2014. Coupled with USA, these two markets account for approximately 83% of the stop over arrivals.

For the January to May 2015 period, cruise passenger arrivals at the three major ports amounted to 742,114; an increase of 11.5% or 77,294 more passengers than in 2014. This surpasses the previous record in 2012 by 42,448 more passengers. Montego Bay and the Ocho Rios ports recorded increases of approximately 40% and 15%, respectively.

The United Nations World Tourism Organization (UNWTO) forecasts growth in global tourist arrivals within the range of 3% - 4% in 2015. The growth is expected to be strongest in the Americas and Asia up 4 and 5% respectively. With global tourist travel expected to increase, local economic activity for the Hotels & Restaurants industry is expected to increase during 2015. This growth is predicated on increased stopover arrivals, and higher cruise passenger arrivals stemming from the anticipated introduction of new cruise to the island during 2015.

##### Commercial Sector

The importance of the BPO sector has been increasing, as it continues to contribute positively to economic activities. A national strategic plan for the BPO industry was approved

by Parliament in March 2015 and implementation started in April 2015. This will facilitate further building out of spaces to satisfy the industry needs.

Energy efficiency is a key initiative in enhancing profitability and competitiveness and benefits are accruing for both property owner and tenants in the form of higher net rental yields and lower accommodation cost respectively.

#### Outlook

Both X Fund and Sagicor Sigma Real Estate Portfolio continue to actively seek viable investments in tourism and commercial real estate. As world tourism rebound, the Jamaica market has done well and we expect it to continue doing so for the remainder of 2015. This also provides other opportunities to the Group as we seek to increase value to shareholders.

We thank our stakeholders for the confidence they have shown in us, as we commit to serve you with professionalism and excellent customer service.

On behalf of The Board of Directors:

  
RICHARD BYLES  
Chairman  
3 August 2015

  
ROHAN MILLER  
Chief Executive Officer

#### HIGHLIGHTS

	June 2015 Unaudited	June 2014 Unaudited	% Change
Total Revenue - J\$ million	2,825.6	410.3	589%
Earnings before interest tax depreciation and amortisation (EBITDA) - J\$ million	1,244.4	410.3	203%
Net Profit attributable to stockholders - J\$ million	686.8	410.3	67%
Earnings per stock unit - J\$	0.46	0.27	70%
Annualized return on average Stockholders' Equity (ROE)	14.76%	9.52%	55%
Total Assets - J\$ billion	21.189	8.828	140%
Stockholders' Equity J\$ billion	9.787	8.828	11%
Book value per share - J\$	6.55	5.90	11%
JSE X Fund share price - J\$	7.51	6.00	25%

#### SIGMA REAL ESTATE PORTFOLIO

	Revenue \$M	Net Income \$M
Hotel sector	3,704	958
Non-hotel properties	273	211
Other	105	(52)
<b>Total</b>	<b>4,082</b>	<b>1,117</b>

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As At 30 June 2015  
(Expressed in thousands of Jamaican dollars)

	June 2015 Unaudited	June 2014 Unaudited	December 2014 Audited
<b>ASSETS:</b>			
Property plant and equipment	10,102,291	-	-
Securities purchased under agreement to resell	170,261	-	2,784,912
Financial investments	106,592	-	74,738
Investment in Sigma Real Estate Portfolio	9,984,806	8,828,440	9,403,194
Accounts receivable	374,491	-	1,956,069
Inventories	104,992	-	-
Deferred tax assets	-	1	-
Cash and bank	345,506	-	-
<b>TOTAL ASSETS</b>	<b>21,188,939</b>	<b>8,828,441</b>	<b>14,218,913</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES:</b>			
<b>Equity attributable to stockholders of the company</b>			
Share capital	7,476,016	7,476,016	7,476,016
Retained earnings	2,311,131	1,352,425	1,863,628
<b>Total Equity</b>	<b>9,787,147</b>	<b>8,828,441</b>	<b>9,339,644</b>
<b>Liabilities</b>			
Loan payable	10,516,492	-	4,860,374
Accounts payable	724,331	-	-
Taxation payable	48	-	48
Deferred income taxes	160,921	-	18,847
<b>Total Liabilities</b>	<b>11,401,792</b>	<b>-</b>	<b>4,879,269</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>21,188,939</b>	<b>8,828,441</b>	<b>14,218,913</b>

  
Richard Byles  
Chairman  
3 August 2015

  
Rohan Miller  
Director & CEO

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015  
(Expressed in thousands of Jamaican dollars)

	Share Capital	Retained Earnings	Total Stockholders' Equity
<b>Period ended 30 June 2015</b>			
Balance as at 31 December 2014	7,476,016	1,863,628	9,339,644
Net Profit	-	686,757	686,757
Dividends paid	-	(239,254)	(239,254)
<b>Balance as at 30 June 2015</b>	<b>7,476,016</b>	<b>2,311,131</b>	<b>9,787,147</b>
<b>Period ended 30 June 2014</b>			
Balance as at 31 December 2013	7,476,016	942,141	8,418,157
Net Profit	-	410,284	410,284
<b>Balance as at 30 June 2014</b>	<b>7,476,016</b>	<b>1,352,425</b>	<b>8,828,441</b>

#### CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015  
(Expressed in thousands of Jamaican dollars)

	June 2015 Year-to-date Unaudited	June 2014 Year-to-date Unaudited	December 2014 Audited
<b>Cash Flows from Operating Activities:</b>			
<b>Net Profit</b>	<b>686,757</b>	<b>410,284</b>	<b>921,487</b>
Adjustments for:			
<b>Items not affecting cash:</b>			
Depreciation	92,564	-	-
Interest income	(8,695)	-	(5,637)
Interest expense	322,961	-	22,395
Income tax expense	142,105	-	18,896
Fair value gain on units held in Sagicor Sigma Funds	(581,613)	(410,284)	(985,038)
Fair value gain on other financial investments	(4,545)	-	340
Fair value loss on loan payable	-	-	33,559
	649,534	-	6,002
Changes in other operating assets and liabilities:			
Accounts receivable	(374,491)	-	-
Inventories	(104,992)	-	-
Accounts payable	724,331	-	-
Interest income received	7,547	-	4,173
Interest expense paid	(155,618)	-	-
<b>Net cash provided by/(used in) operating activities</b>	<b>746,311</b>	<b>-</b>	<b>10,175</b>
<b>Cash Flows from Investing Activities:</b>			
Hotel & other property, plant and equipment acquired	(8,238,786)	-	(1,931,076)
Purchase of investments	(254,573)	-	(2,699,253)
Sale of investments	2,766,996	-	108,400
<b>Net cash used in investing activities</b>	<b>(5,726,363)</b>	<b>-</b>	<b>(4,521,929)</b>
<b>Cash Flows from Financing Activities:</b>			
Borrowings	5,362,739	-	4,761,431
Dividends paid	(239,254)	-	-
<b>Net cash provided by financing activities</b>	<b>5,123,485</b>	<b>-</b>	<b>4,761,431</b>
Effect of exchange losses/(gains) on foreign currency balances	131,699	-	(9,042)
Cash and cash equivalents at beginning of year	240,635	-	-
<b>Cash and cash equivalents at end of year</b>	<b>515,767</b>	<b>-</b>	<b>240,635</b>
<b>Composed of:</b>			
Cash and bank	345,506	-	-
Securities purchased under agreement to resell	170,261	-	240,635
	<b>515,767</b>	<b>-</b>	<b>240,635</b>

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015  
(Expressed in thousands of Jamaican dollars)

	June 2015 Quarter Unaudited	June 2014 Quarter Unaudited	June 2015 Year-to-date Unaudited	June 2014 Year-to-date Unaudited	December 2014 Audited
<b>Revenue:</b>					
Interest income	3,987	-	8,695	-	5,637
Net capital gains on financial assets and liabilities	106,608	168,037	467,055	410,284	957,141
Hotel revenue	1,156,053	-	2,349,846	-	-
<b>Total revenue</b>	<b>1,266,648</b>	<b>168,037</b>	<b>2,825,596</b>	<b>410,284</b>	<b>962,778</b>
<b>Expenses:</b>					
Hotel expenses	854,111	-	1,521,070	-	-
Depreciation	46,282	-	92,564	-	-
Interest expense	166,865	-	322,961	-	22,395
Other operating expenses	26,536	-	60,139	-	-
<b>Total expenses</b>	<b>1,093,794</b>	<b>0</b>	<b>1,996,734</b>	<b>0</b>	<b>22,395</b>
<b>Profit before Taxation</b>	<b>172,854</b>	<b>168,037</b>	<b>828,862</b>	<b>410,284</b>	<b>940,383</b>
Taxation	(55,854)	-	(142,105)	-	(18,896)
<b>NET PROFIT</b>	<b>117,000</b>	<b>168,037</b>	<b>686,757</b>	<b>410,284</b>	<b>921,487</b>
<b>Earnings per stock unit for profit attributable to stockholders of the parent company:</b>					
Basic and Fully diluted	\$0.08	\$0.11	\$0.46	\$0.27	\$0.62

#### Explanatory Notes

##### Identification

The Sagicor Real Estate X Fund Limited (X Fund), the Company, is incorporated as an

international business company under the International Business Companies Act, 1999 (as amended) of Saint Lucia. The X Fund is 69.24% owned by the Sagicor Pooled Pension Investment Funds, which are administered by

Sagicor Life Jamaica Limited.

The Company is the parent of X Fund Properties Limited, a wholly owned subsidiary incorporated and domiciled in Jamaica.

##### Basis of preparation

These condensed financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and the

accounting policies as set out in note 2 of the December 31, 2014 audited financial statements.