

Sagicor Real Estate X Fund Limited

Report to our Stockholders | Our Q1 2015 Performance



REAL ESTATE X FUND

Directors' Statement

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

Overview

X Fund invests in the tourism sector and commercial real estates, through its investment in the Sigma Real Estate Portfolio and by its wholly owned subsidiary's direct ownership of the Hilton Rose Hall Hotel and Spa in Montego Bay (the Hilton Rose Hall). In December 2014, X Fund introduced long term borrowings as a means of further enhancing earnings and returns to stockholders. Cash inflows were used to acquire the Hilton Rose Hall in January 2015, adding another 489 rooms to the X Fund's revenue stream.

Enhanced returns were noted by end of Q1 of 2015, as X Fund generated earnings before interest tax depreciation and amortisation (EBITDA) of \$85.4 million, a 254% increase over Q1 2014 EBITDA of \$24.2 million. Consolidated net profit attributable to stockholders for Q1 2015 also reflected positive growth, closing the quarter with \$569.8 million, a 135% improvement over 2014 net profit of \$242 million. Earnings per stock unit was \$0.38 (2014 - \$0.16) and annualized return on average Stockholders' Equity was 24.55% (2014 - 11.35%).

Operations

X Fund's income earning activities during the quarter were mainly its investment in the Sigma Real Estate Portfolio and net earnings from operating the Hilton Rose Hall. Consolidated revenue grew by \$1.317 billion over Q1 2014 to \$1.559 billion, mainly reflecting a strong first quarter income of \$1.19 billion by the Hilton Rose Hall. Unrealized capital gain from investment in the Sigma Real Estate Portfolio (Portfolio) was 55% more than 2014 (\$376.5 million compared with \$242.2 million). The net earnings in the Portfolio, which forms the basis for appreciation of the Portfolio unit values, was based on Q1 revenue of \$2.12 billion, EBITDA of \$684.8 million and net profit of \$636.8 million. The Portfolio net earnings had no revaluation gain during the quarter.

Interest income contributed \$4.7 million (2014 - \$nil).

HIGHLIGHTS			
	Mar-15 Unaudited	Mar 2014 Unaudited	% Change
Total Revenue - J\$ million	1,558.9	242.2	544%
Earnings before interest tax depreciation and amortisation (EBITDA) - J\$ million	85.4	24.2	254%
Net Profit attributable to stockholders - J\$ million	569.8	242.2	135%
Earnings per stock unit - J\$	0.38	0.16	138%
Annualized return on average Stockholders' Equity (ROE)	24.55%	11.35%	116%
Total Assets - J\$ billion	21.128	8.660	144%
Stockholders' Equity J\$ billion	9.909	8.660	14%
Book value per share - J\$	6.63	5.79	15%
JSE X Fund share price - J\$	6.90	6.75	2%

SIGMA REAL ESTATE PORTFOLIO		
	Revenue \$M	Net Income \$M
Hotel sector	1,969	594
Non-hotel properties	132	100
Other	22	(57)
Total	2,123	637

Consolidated net profit attributable to stockholders was \$569.8 million, after reflecting hotel operating expenses \$667 million, depreciation of \$46 million, interest expenses of \$156 million, other expenses \$33.6 million and taxation of \$86 million. There were no similar expenses for Q1 2014.

X Fund generated cash of \$444.7 million from its operating activities for Q1 2015 (Q1 2014 - \$Nil). At March 31, 2015, X Fund had cash and cash equivalents of \$445.7 million, up from \$240.6 million at December 31, 2014 (March 2014 - \$Nil).

Balance Sheet

Total assets of X Fund grew by \$6.91 billion to \$21.13 billion at the end of March 2015, up from \$14.22 billion as at December 31, 2014. This quarter's growth of 48.6% reflects the acquisition of the Hilton Rose Hall Hotel as well as appreciation of units in the Sigma Real Estate Portfolio. The acquisition was financed by issuing a further US\$46.75 million fixed rate mortgage note in January 2015. Total long term borrowing at March 2015 stood at \$10.34 billion.

Total Stockholders' Equity as at March 31, 2015 was \$9.91 billion, up from \$9.34 billion as at December 31, 2014 (March

2014 - \$8.66 billion). The growth was driven mainly by net earnings.

Market Dynamics

Tourism Sector

According to data published by the Jamaica Tourist Board (JTB) tourist arrivals in 2015 continue the trend increase observed over the previous months. For the January to February, total stopover tourist arrivals increased 4.7% to 354,426, up from 338,608 for the similar period of 2014. This was supported by a 10% surge in the number of visitors from the UK (8% of the total market). Tourist arrivals from the two major source markets USA (55%) and Canada (27%) had varying results. Arrivals from USA market increased by 10% and offset the 4.5% fall-off in arrivals from Canada. Combined, these two source market continue to account for over 80% of the stop over arrivals.

Cruise passenger arrivals grew by 8.7% to 318,237. This largely reflected increased activities at the Montego Bay and

Ocho Rios cruise piers, as the number of passengers grew by 27.9% and 19.1%, respectively. Notwithstanding, Falmouth continues to be the leading port of call accounting for 48% of total passenger arrivals.

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. The strengthening in tourism travel is expected to facilitate the sector contributing 4.1% to Jamaica's Gross Domestic Product (GDP) performance, which is among the highest in the region.

Commercial Sector

The demand for Business Processing Outsourcing (BPO) facilities continues to drive the expansion in the Jamaica commercial leasing sector for rental space above 10,000 square feet, while small independent entrepreneurs and professionals are demanding space in the 1,000 to 2,000 square feet range. There are ongoing efforts to expand the BPO industry, with projections for the creation of an additional 2 500 jobs per year. These new developments in the BPO

sub-industry will support the continued demand for commercial real estate.

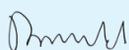
Energy efficiency is a key initiative in improving profitability and competitiveness; benefits are accruing for both property owner and tenants in the form of higher net rental yields and lower accommodation cost respectively.

Outlook

Both X Fund and 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. Our latest acquisition of the 489 rooms Hilton Rose Hall Resort and Spa in January 2015 reflects our continued commitment to Jamaica and to creating value for X Fund shareholders. The construction of the Jewel Lagoon Water Park at Jewel Runaway Bay as well as full availability of rooms at that location following refurbishing of 50% of room blocks in 2014 will also position X Fund for 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 ROHAN MILLER
 Chairman Chief Executive Officer
 11 March 2015



Hilton Rose Hall Resort & Spa is situated on 400 lush acres along the shores of Montego Bay, on what was once the site of an 18th century sugar plantation. The resort offers 489 guest rooms and suites, each with a private balcony, as well as the Caribbean's second largest water park.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As At 31 March 2015

(Expressed in thousands of Jamaican dollars)

	March 2015 Unaudited	March 2014 Unaudited	December 2014 Audited
ASSETS:			
Property plant and equipment	10,031,571	-	-
Securities purchased under agreement to resell	102,804	-	2,784,912
Financial investments	77,458	-	74,738
Investment in Sigma Real Estate Portfolio	9,779,733	8,660,403	9,403,194
Accounts receivable	628,422	-	1,956,069
Inventories	119,747	-	-
Deferred tax assets	-	1	-
Cash and bank	388,209	-	-
TOTAL ASSETS	21,127,944	8,660,404	14,218,913
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to stockholders of the company			
Share capital	7,476,016	7,476,016	7,476,016
Retained earnings	2,433,385	1,184,388	1,863,628
Total Equity	9,909,401	8,660,404	9,339,644
Liabilities			
Loan payable	10,335,242	-	4,860,374
Accounts payable	778,155	-	-
Taxation payable	13,207	-	48
Deferred income taxes	91,939	-	18,847
Total Liabilities	11,218,543	-	4,879,269
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	21,127,944	8,660,404	14,218,913



Richard Byles
Chairman
11 May 2015



Rohan Miller
Director & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

(Expressed in thousands of Jamaican dollars)

	Share Capital	Retained Earnings	Total Stockholders' Equity
Period ended 31 March 2015			
Balance as at 31 December 2014	7,476,016	1,863,628	9,339,644
Net Profit	-	569,757	569,757
Balance as at 31 March 2015	7,476,016	2,433,385	9,909,401
Period ended 31 March 2014			
Balance as at 31 December 2013	7,476,016	942,141	8,418,157
Net Profit	-	242,247	242,247
Balance as at 31 March 2014	7,476,016	1,184,388	8,660,404

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2015

(Expressed in thousands of Jamaican dollars)

	March 2015 Unaudited	March 2014 Unaudited	December 2014 Audited
Cash Flows from Operating Activities:			
Net Profit	569,757	242,247	921,487
Adjustments for:			
Items not affecting cash:			
Depreciation	46,282	-	-
Interest income	(4,708)	-	(5,637)
Interest expense	156,096	-	22,395
Income tax expense	86,251	-	18,896
Fair value gain on units held in Sagicor Sigma Funds	(376,539)	(242,247)	(985,038)
Fair value gain on other financial investments	(3,783)	-	340
Fair value loss on loan payable	-	-	33,559
	473,356	-	6,002
Changes in other operating assets and liabilities:			
Accounts receivable	(628,422)	-	-
Inventories	(119,747)	-	-
Accounts payable	778,155	-	-
Interest income received	6,241	-	4,173
Interest expense paid	(64,858)	-	-
Net cash provided by/(used in) operating activities	444,725	-	10,175
Cash Flows from Investing Activities:			
Hotel & other property, plant and equipment acquired	(8,121,784)	-	(1,931,076)
Purchase of investments	(129,237)	-	(2,699,253)
Sale of investments	2,628,791	-	108,400
Net cash used in investing activities	(5,622,230)	-	(4,521,929)
Cash Flows from Financing activities:			
Borrowings	5,362,739	-	4,761,431
Ordinary shares issued	-	-	-
Special shares issued	-	-	-
Net cash provided by financing activities	5,362,739	-	4,761,431
Effect of exchange losses/(gains) on foreign currency balances	19,844	-	(9,042)
Cash and cash equivalents at beginning of year	240,635	-	-
Cash and cash equivalents at end of year	445,713	-	240,635
Comprised of:			
Cash and bank	388,209	-	-
Securities purchased under agreement to resell	57,504	-	240,635
	445,713	-	240,635

Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2015

(Expressed in thousands of Jamaican dollars)

	March 2015 Unaudited	March 2014 Unaudited	December 2014 Audited
Revenue:			
Interest income	4,708	-	5,637
Net capital gains on financial assets and liabilities	360,447	242,247	957,141
Hotel revenue	1,193,793	-	-
Total revenue	1,558,948	242,247	962,778
Expenses:			
Hotel expenses	666,959	-	-
Depreciation	46,282	-	-
Interest expense	156,096	-	22,395
Other operating expenses	33,603	-	-
Total expenses	902,940	0	22,395
Profit before Taxation	656,008	242,247	940,383
Taxation	(86,251)	-	(18,896)
NET PROFIT	569,757	242,247	921,487
Earnings per stock unit for profit attributable to stockholders of the parent company:			
Basic and Fully diluted	\$0.38	\$0.16	\$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 69.5% 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.