Sagicor Real Estate X Fund Limited

REPORT TO OUR STOCKHOLDERS

Q2 2022 Performance

Sagicor

REAL ESTATE X FUND

DIRECTORS' REPORT

On behalf of the Board of Directors of Sagicor Real Estate X Fund Limited (X Fund or the Group), we present the performance of our Group of companies for the six-months ended June 2022.

OVERVIEW

In the midst of global economic challenges and adverse market conditions, Sagicor Real Estate X Fund continues on a strong pace of recovery to pre-pandemic performance. The Group recorded net profits attributable to stockholders of $110.16 million, for the period ending June 30, 2022, a marked improvement over the prior year's net loss of $47.39 million. The Group's core operations, hotel activities, continue to be the main driver of the results. The performance underlines an increase in earnings per share to $0.05 (June 2021: ($0.02)) and X Fund's share price ended the quarter at $8.22.

EARNINGS

The Group's earnings were driven by a 27% year-over-year growth in total revenues to $3.42 billion. The increase in occupancy levels and hotel bookings resulted in a $1.68 billion, or 90% improvement in hotel revenues over the prior year. This outpaced the increase of $1.09 billion or 76% in hotel expenses, resulting in an improvement in hotel margins from 23% to 29%. An increase in the Group's interest-earning assets and a decrease in finance costs contributed favourably to the Group's performance. However, market volatilities caused by rising interest rates and high inflation generated capital losses of $275.15 million (2021: $803.47 million Gain).

DIRECT HOTEL OPERATIONS

DoubleTree Orlando (DTO) recorded profits of $290.42 million, a $408.43 million improvement over the prior year's loss. This was driven by growth in hotel revenues and improvements in hotel margins, against the backdrop of an 11% increase in occupancy levels since December 2021 and 13% since June 2021 to close at 94%. The increase in booking demand and the growth in corporate and group events also gave rise to higher average daily rates. Hotel expenses continued to be efficiently monitored in line with the growth in revenues.

INDIRECT COMMERCIAL OPERATIONS

During the quarter, the Group continued its efforts to optimise operations and improve financial performance, through the wind up of Jamziv Mobay Jamaica Portfolio Limited (Jamziv), which previously held the Playa shares. The Playa shares were sold in 2021. Currently, the segment includes our holdings in the Sigma Real Estate Portfolio. The Sigma units recorded a negligible loss for the period.

OTHER OPERATIONS

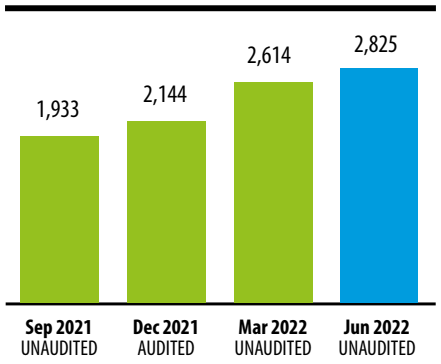
The segment recognised losses of $177.74 million (June 2021: 646.13 million profit), reflective of the adverse market conditions impacting the investment portfolio. This led to significant foreign exchange and capital losses recorded during the period. Nevertheless, the segment experienced significant improvements in net investment income of $117.55 million due to growth in its interest-bearing securities. Additionally, the retirement of debt facilities resulted in savings of $154.96 million on finance costs.

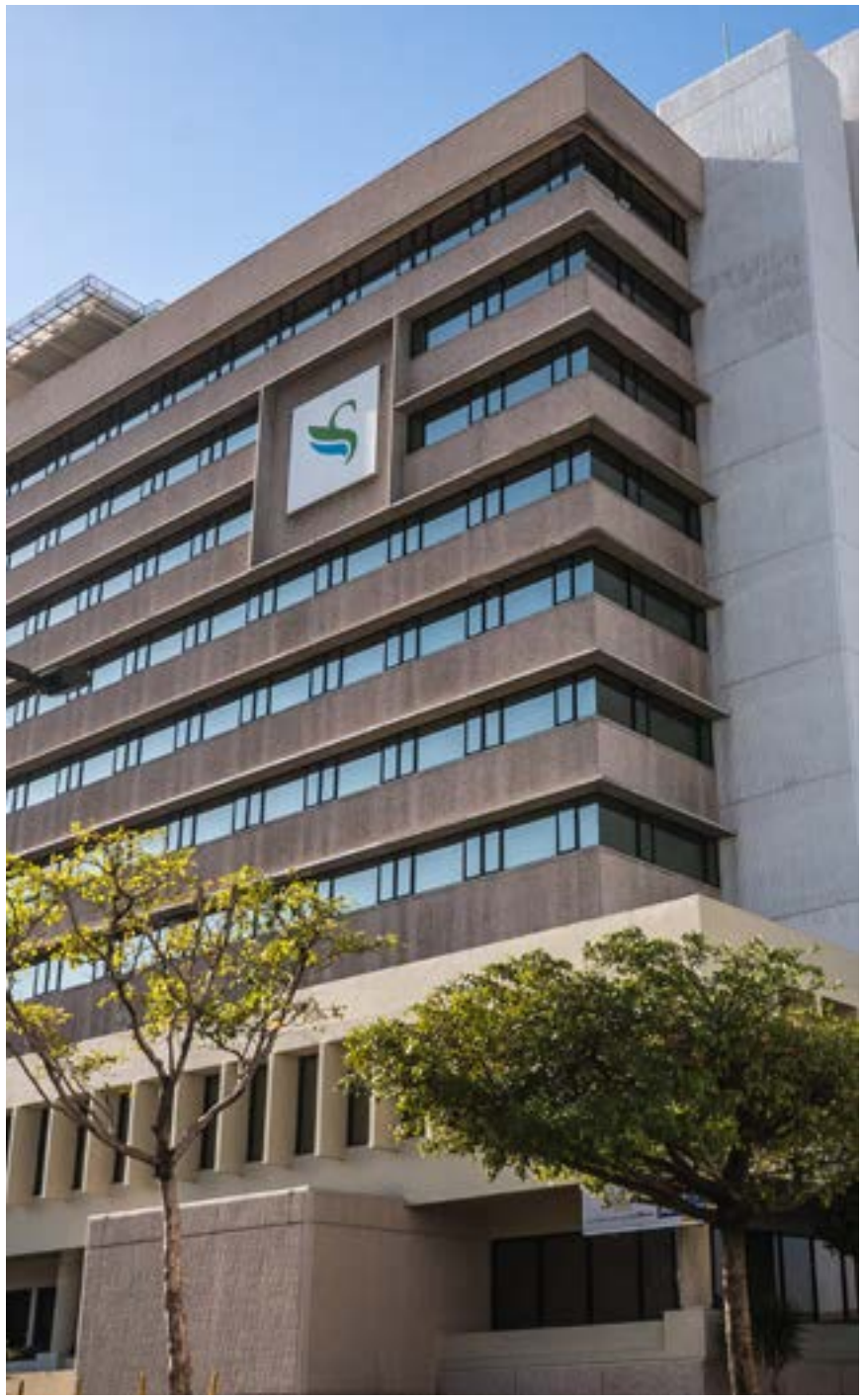
Liquidity and Solvency

The Group generated positive cash flows of $1.33 billion from its operating activities (June 2021: $328.49 million). Cash and cash equivalents excluding restricted cash were reduced to $4.87 billion (June 2021: $6.88 billion), as the funds were reinvested into higher-yielding assets.

X Fund Cash Resources by Quarters

J$ MILLIONS





HIGHLIGHTS

	June 2022 Unaudited	June 2021 Unaudited
Total Revenue - J$ billion	3.42	2.70
Earnings before interest, tax, depreciation and amortization (EBITDA) - J$ billion	0.84	1.23
Net Profit/(Loss) attributable to stockholders – J$ billion	0.11	(0.05)
Earnings per stock unit –J$	0.05	(0.02)
Total Assets – J$ billion	25.37	29.33
Stockholders' Equity J$ billion	16.50	14.32
JSE X Fund share price – J$	8.22	8.30
Market capitalization – J$ billion	18.44	18.62

$3.42B Total Revenue | **$16.50B** Stockholders' Equity | **$25.37B** Total Assets | **$0.84B** EBITDA

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REAL ESTATE X FUND

Balance Sheet

The Group's total assets were $25.37 billion at June 2022 and $31.32 billion at December 2021. This decrease reflects the wind up of Jamziv that resulted in the cancellation of a promissory note issued by the non-controlling interest holder and the removal of the non-controlling interest from the Balance Sheet. Stockholders' Equity as at June 2022 was $16.50 billion, a decline over the $16.59 billion as at December 2021, due to translation losses on the foreign operations, recorded to equity reserves. Market capitalization at period end was $18.44 billion.

OUTLOOK

As the year paces forward, we are able to reflect on the first half of the year, which brought forth unpredictability and new economic challenges. Inflation in the US economy continues to increase, with another record-breaking inflation rate of 9.1% year-over-year recorded in June 2022, up from of 8.5% in March 2022, the largest year-over-year increase in 40 years. The Federal Reserve in an attempt to curb the elevated inflation, increased interest rates by 75 basis points in June 2022, instead of the 50 basis points initially expected. These factors have contributed to negative growth for the first quarter of the year of 1.5 percent and according to the Federal Reserve Bank of Atlanta, early estimates of the GDP for the quarter 30 June 2022, showed negative growth of 1.9%. This would represent the second quarter of negative growth for the US economy and explains the slow-down in economic activities and expected recession.

Despite inflation, recession concerns and the resultant effects on consumer spending, the latest U.S. Travel Forecast projects that travel will remain resilient. This is backed by domestic leisure travel spending, which even after being adjusted for inflation, has surpassed pre-pandemic levels. Domestic business travel is showing an improvement and volume is expected to reach 81% of pre-pandemic levels in 2022 and 96% in 2023. International inbound travel remains high, especially with the removal of restrictive pre-flight COVID-19 testing. International travel is projected to grow rapidly through the rest of the year and then slow its pace in 2023-2026.

X Fund continues to carefully monitor and assess the current economic environment. The Group is committed to the health and wellness of our team, clients, and stakeholders by implementing a multidimensional approach to safeguard health, minimize risk and ensure business continuity. We remain cautiously optimistic about the future and continue to manage the business accordingly.

We thank our stakeholders for the confidence they continue to place in us.

On behalf of The Board of Directors:

CHRISTOPHER ZACCA
Chairman

BRUCE JAMES
Director

28 July 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022
(Expressed in thousands of Jamaican dollars)

	June 2022 Unaudited	December 2021 Audited	June 2021 Unaudited
ASSETS			
Non-Current Assets			
Property, plant and equipment	14,192,927	14,964,537	12,807,009
Goodwill	-	923	923
Investment in Sigma Real Estate Portfolio	864,789	868,146	786,356
Financial investments	3,061,929	268,060	189,722
	18,119,645	16,101,666	13,784,010
Current Assets			
Inventories	41,401	30,690	30,121
Receivables	1,122,600	1,303,678	1,316,467
Securities purchased under resale agreement	2,910,782	2,888,764	4,300,698
Financial investments	350,734	8,845,860	8,238,262
Cash resources	2,825,337	2,144,347	1,665,356
	7,250,854	15,213,339	15,550,904
TOTAL ASSETS	**25,370,499**	**31,315,005**	**29,334,914**
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity attributable to:			
Stockholders' of the company			
Share capital	12,642,512	12,642,512	12,642,512
Equity Reserves	4,405,109	4,607,779	2,763,264
Retained earnings	(550,509)	(660,667)	(1,084,554)
	16,497,112	16,589,624	14,321,222
Non-controlling interests	-	5,767,623	5,767,622
Total Equity	**16,497,112**	**22,357,247**	**20,088,844**
Liabilities			
Non-Current Liabilities			
Deferred income taxes	1,266,284	1,197,169	692,561
Borrowings	6,775,706	6,982,418	6,779,055
	8,041,990	8,179,587	7,471,616
Current Liabilities			
Payables	541,394	435,441	470,643
Contractual Liabilities	105,074	140,540	86,327
Borrowings	184,929	202,190	1,217,484
	831,397	778,171	1,774,454
Total Liabilities	8,873,387	8,957,758	9,246,070
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**25,370,499**	**31,315,005**	**29,334,914**

Christopher Zacca
Chairman
28 July 2022

Bruce James
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2022
(Expressed in thousands of Jamaican dollars)

	Q2 2022 Unaudited	Q2 2021 Unaudited	YTD June 2022	YTD June 2021	December 2021 Full Year Audited
Revenues:					
Net investment income	72,232	13,035	139,806	22,256	147,554
Net capital (losses)/gains on financial assets	(273,374)	472,229	(275,146)	803,468	1,193,844
Hotel revenue	1,835,668	1,149,718	3,551,985	1,870,741	4,432,018
Other income	-	-	4,561	-	19,871
Total revenues	**1,634,526**	**1,634,982**	**3,421,206**	**2,696,465**	**5,793,287**
Expenses:					
Hotel expenses	1,306,976	815,107	2,527,814	1,434,057	3,367,409
Depreciation	218,259	198,219	437,056	395,001	811,018
Interest and other financing costs	90,544	182,974	182,542	347,479	529,449
Other operating expenses	27,946	16,244	57,508	35,856	94,811
Total expenses	**1,643,725**	**1,212,544**	**3,204,920**	**2,212,393**	**4,802,687**
Operating (loss)/profit	**(9,199)**	**422,438**	**216,286**	**484,072**	**990,600**
Loss on sale of interest in associate	-	-	-	(233,089)	(233,089)
(Loss)/profit before taxation	(9,199)	422,438	216,286	250,983	757,511
Taxation	(62,257)	77,743	(106,128)	45,996	(36,646)
Net (loss)/profit	(71,456)	500,181	110,158	296,979	720,865
Net (loss)/profit attributable to:					
Stockholders of the Company	(71,456)	154,724	110,158	(47,385)	376,501
Non-controlling interests	-	345,457	-	344,364	344,364
	(71,456)	500,181	110,158	296,979	720,865
Earnings per stock unit for (loss)/profit attributable to stockholders of the Company:					
Basic and fully diluted	($0.03)	$0.07	$0.05	($0.02)	$0.17
Net (loss)/profit	(71,456)	500,181	110,158	296,979	720,865
Other comprehensive (loss)/income, net of taxes:					
Items that may be subsequently reclassified to profit or loss					
Re-translation of foreign operation	(165,785)	88,970	(202,670)	245,431	658,987
Re-translation of foreign operation recycled to the Income Statement on sale of associated company	-	-	-	(2,534,159)	(2,534,160)
Share of interest rate swap recycled to the Income Statement on sale of associated company	-	-	-	526,436	526,436
Items that will not be subsequently reclassified to profit or loss					
Unrealised gains on revaluation of property, plant and equipment	-	-	-	174,957	1,605,919
Total other comprehensive (loss)/income recognised in stockholders' equity, net of taxes	(165,785)	88,970	(202,670)	(1,587,335)	257,182
Total comprehensive (loss)/income	(237,241)	589,151	(92,512)	(1,290,356)	978,047
Total comprehensive (loss)/income attributable to:					
Stockholders of the Company	**(237,241)**	**243,693**	**(92,512)**	**(847,959)**	**1,420,443**
Non-controlling interests	-	345,458	-	(442,397)	(442,396)
	(237,241)	589,151	(92,512)	(1,290,356)	978,047

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022
(Expressed in thousands of Jamaican dollars)

	Share Capital	Currency Translation Reserve	Fair Value and Other Reserves	Retained Earnings	Total	Non-controlling Interests Total	Total Stockholders' Equity Audited
Period ended 30 June 2022							
Balance as at 31 December 2021	12,642,512	2,067,643	2,540,136	(660,667)	16,589,624	5,767,623	22,357,247
Total comprehensive (loss)/income for the period	-	(202,670)	-	110,158	(92,512)	-	(92,512)
Wind up of Jamziv	-	-	-	-	-	(5,767,623)	(5,767,623)
Balance as at 30 June 2022	**12,642,512**	**1,864,973**	**2,540,136**	**(550,509)**	**16,497,112**	**-**	**16,497,112**
Period ended 30 June 2021							
Balance as at 31 December 2020	12,642,512	2,949,762	708,789	(1,131,882)	15,169,181	6,210,019	21,379,200
Total comprehensive (loss)/income for the period	-	(1,295,675)	495,101	(47,385)	(847,959)	(442,397)	(1,290,356)
Transfer between reserves	-	-	(94,713)	94,713	-	-	-
Period ended 30 June 2021	**12,642,512**	**1,654,087**	**1,109,177**	**(1,084,554)**	**14,321,222**	**5,767,622**	**20,088,844**

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION
for the six months ended 30 June 2022
(Expressed in thousands of Jamaican dollars)

Six months ended June 30, 2022	Direct Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group Unaudited
Operating results:					
External revenues	3,551,985	-	139,806	-	3,691,791
Net capital losses on financial assets and liabilities	-	(3,357)	(267,228)	-	(270,585)
Total revenue	3,551,985	(3,357)	(127,422)	-	3,421,206
Operating expenses	(2,527,814)	-	(57,508)	-	(2,585,322)
Depreciation	(437,056)	-	-	-	(437,056)
Finance costs	(182,542)	-	-	-	(182,542)
Profit/(loss) before taxation	404,573	(3,357)	(184,930)	-	216,286
Taxation	(114,155)	839	7,188	-	(106,128)
Net profit/(loss)	290,418	(2,518)	(177,742)	-	110,158
Segment assets:					
Total assets	17,640,875	868,371	6,863,531	(2,278)	25,370,499
Segment liabilities:					
Total liabilities	8,638,492	-	237,173	(2,278)	8,873,387
Other Segment items:					
Capital expenditure: Property, plant and equipment					112,211

Geographical Information	Jamaica	United States of America	Total
Revenue	(130,779)	3,551,985	3,421,206
Total Assets	7,729,624	17,640,875	25,370,499

Six months ended June 30, 2021	Direct Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group Unaudited
Operating results:					
External revenues	1,870,741	-	22,256	-	1,892,997
Net capital gains on financial assets and liabilities	-	2,612	800,856	-	803,468
Total revenue	1,870,741	2,612	823,112	-	2,696,465
Operating expenses	(1,434,057)	-	(35,856)	-	(1,469,913)
Depreciation	(395,001)	-	-	-	(395,001)
Finance costs	(192,524)	-	(154,955)	-	(347,479)
Operating (Loss)/profit	(150,841)	2,612	632,301	-	484,072
Loss on sale of interest in associate		(233,089)	-	-	(233,089)
(Loss)/profit before taxation	(150,841)	(230,477)	632,301	-	250,983
Taxation	32,825	(653)	13,824	-	45,996
Net (Loss)/profit	(118,016)	(231,130)	646,125	-	296,979
Segment assets:					
Total assets	14,925,640	787,279	22,570,895	(8,948,900)	29,334,914
Segment liabilities:					
Total liabilities	7,888,833	-	10,306,137	(8,948,900)	9,246,070
Other Segment items:					
Capital expenditure: Property, plant and equipment					5,526

Geographical Information	Jamaica	United States of America	Total
Revenue	825,724	1,870,741	2,696,465
Total Assets	14,409,274	14,925,640	29,334,914

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2022
(Expressed in thousands of Jamaican dollars)

	June 2022 Unaudited	June 2021 Unaudited	December 2021 Audited
Cash Flows from Operating Activities:			
Net Profit	110,158	296,979	720,865
Adjustments for:			
Items not affecting cash:			
Depreciation and amortisation	437,056	395,001	811,018
Amortisation of franchise fees	1,215	1,100	2,291
Interest income	(139,806)	(22,256)	(147,554)
Interest expense	182,542	347,479	529,449
Income tax charges	106,128	(45,996)	36,646
Loss on disposal of property, plant and equipment	-	-	17,422
Effect of exchange losses/(gains) on foreign currency balances	125,078	(804,973)	(1,089,295)
Loss on disposal of interest in associate	-	233,089	233,089
Fair value losses/(gains) on units held in Sagicor Sigma Funds	3,357	(2,612)	(84,403)
Fair value losses/(gains) on other financial investments	145,868	(779)	12,604
	971,596	397,032	1,042,132
Changes in other operating assets and liabilities:			
Accounts receivable	291,385	(227,977)	(236,134)
Inventories	(11,671)	(1,831)	(970)
Accounts payable	92,544	161,268	159,440
Income taxes paid	(13,946)	-	-
Net cash generated from operating activities	**1,329,908**	**328,492**	**964,468**
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment, net	(112,211)	(5,526)	(36,628)
Proceeds from disposal of property, plant and equipment	-	11,820	-
Restricted cash	(170,727)	(347,990)	(344,781)
Net purchase of investments	(3,110,869)	(6,299,580)	(5,739,232)
Proceeds from sale of interest in associate	-	13,604,064	13,604,064
Interest income received	212,885	14,878	54,415
Net cash (used in)/provided by investing activities	**(3,180,922)**	**6,977,666**	**7,537,838**
Cash Flows from Financing Activities:			
Borrowings, net	(76,039)	(1,862,234)	(2,986,424)
Interest expense paid	(174,576)	(266,705)	(468,436)
Net cash used in financing activities	**(250,615)**	**(2,128,939)**	**(3,454,860)**
Cash and cash equivalents:			
(Decrease)/increase in cash and cash equivalents	(2,101,629)	5,177,219	5,047,446
Foreign exchange (losses)/gains on cash and cash equivalents	(102,335)	841,000	1,168,149
Cash and cash equivalents at beginning of period	7,076,534	860,939	860,939
Cash and cash equivalents at end of period	**4,872,570**	**6,879,158**	**7,076,534**
Comprising:			
Cash and bank	1,737,853	760,454	1,202,721
Investment securities	350,734	2,470,810	3,078,400
Securities purchased under resale agreement	2,783,983	3,647,894	2,795,413
	4,872,570	**6,879,158**	**7,076,534**

Explanatory Notes

Identification

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 largest shareholder is the Sagicor Pooled Pension Investment Funds, which are administered by Sagicor Life Jamaica Limited. The other significant shareholder in X Fund is Sagicor Group Jamaica Limited.

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

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, 2021 audited financial statements.

Standards, interpretations and amendments to published standards effective in the current year.

There are several new standards and amendments to published standards that came into effect 1 January 2022. No significant impact to the financial statements has been determined from the adoption of these standards.

Impact of COVID-19

The roll-out of vaccines and progressive relaxation of restrictions have generated optimism and increase in consumer confidence, and key sectors of the economy particularly, tourism, manufacturing, transportation, logistics and related sectors have continued to show growth but are generally below pre-COVID levels. For the quarter ending 30 June 2022, the Group experienced improved performance from its shift in strategy and business model which has cushioned some of the adverse financial results amidst variants and global supply chain issues.