Sagicor Real Estate X Fund Limited

REPORT TO OUR STOCKHOLDERS

Q3 2019 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 are pleased to report on the performance of our Group of companies for the nine months ended September 2019.

OVERVIEW

The Group generated net loss attributable to stockholders of $64 million compared to a net profit of $552 million reported for the corresponding nine months period last year. The primary factors contributing to the outcome are:

1. The performance of the hotels which were directly owned for the first five months in 2018 produced better results than our share of earnings from investment in Playa Hotels & Resorts N. V. (Playa) so far. Though there is a noticeable improvement in the performance of Playa over prior year, the results were negatively impacted by various factors.
2. The prior year's results include a one-time gain of $367 million stemming from the sale of the Jewel hotels.
3. The current year numbers include a tax charge of $200 million on dividends repatriated from DoubleTree by Hilton (DoubleTree) to its immediate parent, X Fund Properties Limited.
4. Lower capital gains from Sigma Real Estate Fund units as most of the portfolio was liquidated in 2018 as part of the X Fund reorganization.

Net loss attributable to shareholders for the three months ended September 2019 was $753 million, a significant decline over the previous two quarters in 2019 and Q3 2018. This result for the quarter is driven by the income tax charge booked on the dividend distribution and losses reported by Playa which are consistent with the seasonal performance of the hotel industry.

Total comprehensive income attributable to stockholders of the company for the period was $1.43 billion, compared to $2.06 billion for the similar period last year, influenced mainly by the impact of the movement in the exchange rate on our foreign operations.

Earnings per stock unit (EPS) attributable to stockholders of the company was -$0.03 (September 2018: $0.25) and the return on average Stockholders' Equity (ROE) on an annualized basis was -0.33% (September 2018: 3%).

HIGHLIGHTS

	Sep-19 YTD Unaudited	Sep-18 YTD Unaudited	% Change
Total Revenue - J$ million	4,757.28	7,443.54	-36%
Earnings before interest, tax, depreciation and amortisation (EBITDA) J$ million	1,443.17	2,259.36	-36%
Net (Loss)/ Profit attributable to stockholders – J$ million	(64.29)	551.82	-112%
Earnings per stock unit –J$	(0.03)	0.25	-112%
Annualized return on average Stockholders' Equity (ROE)	(0.33%)	3.10%	-111%
Total Assets – J$ billion	51.45	49.86	3%
Stockholders' Equity J$ billion	26.48	24.75	7%
JSE X Fund share price – J$	10.80	13.50	-20%
Market capitalisation – J$ billion	24.22	30.28	-20%

EARNINGS

Group total revenue for the nine months period was $4.76 billion, down 36% from the $7.44 billion recorded for the same period last year. This is as a result of the change in the business model, with the sale of the hotels last year where the discontinued operations contributed revenues of $2.7 billion and the gain on the sale of the hotels. The net profits from our direct hotel operations segment reflects this reduction, as this segment

X FUND NET PROFIT/(LOSS) BY SEGMENT

	September 2019 Unaudited $M	September 2018 Unaudited $M
Direct Hotel Operations	147	735
Indirect Hotel & Commercial Operations	52	(194)
Other	(156)	(31)
NET PROFIT (before NCI)	43	510

$4.76 Total Revenue | **$26.48B** Stockholders' Equity | **$51.45B** Total Assets | **$10.80** Share Price

Sagicor Real Estate X Fund Limited
Report to our Stockholders | Q3 2019 Performance

Sagicor
REAL ESTATE X FUND

now comprises of DoubleTree and part of Jewel Grande Montego Bay (JGM) only.

The Group's indirect hotel and commercial operations comprises of investments in Jamziv Mobay Jamaica Portfolio Limited (Jamziv) and units in Sigma Real Estate Fund mainly reflect the share of profits from associate in the current year. X Fund, through Jamziv holds 60.81% of the 20,000,000 Playa shares and 402 million units or a 3% interest in the Sigma Real Estate Fund.

The X Fund has 58% of its assets invested in Playa, in pursuit of our strategy to diversify our hospitality sector risk by participating in a larger number of resorts and geographical markets in Jamaica, Mexico, and the Dominican Republic. Playa's commitment to expansion through brand affiliations and strategic alliances, such as Hilton and Hyatt, as well as property acquisitions and developments has resulted in improved performance year over year.

THE HOTELS

- Jamziv, which holds the Playa shares, contributed share of profit from associate of $274 million compared to a loss of $106 million for the same period last year. The share of loss in prior year was based on earnings from acquisition date of July 2018 to September 2018, while Playa's performance is usually stronger during the earlier part of the year.
- JGM recorded a profit for the nine months period ended September 2019, contributing net income of $61 million to X Fund, compared to a loss of $194 million in the prior year. Playa assumed management of the property in June 2018, while we continued to build-out the operations of the property. Consequently, occupancy levels have risen with the year-to-date occupancy level being 40.5% compared to 11.8% for the same period last year.
- DoubleTree continues to operate better than comparable properties in the Orlando, Florida market with high occupancy levels in excess of 91% (year-to-date). The average daily rate however declined by almost US$10, in keeping with the market conditions. Hotel revenues for DoubleTree were $3.87 billion, with Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) of $1.06 billion, and net income for the period of $188 million. For the same period in 2018, net profit was higher at $376 million, from revenues of $3.97 billion and EBITDA of $1.23 billion.

OTHER ITEMS

- Interest and other financing costs were lower by $311 million, as cash proceeds from the sale of Hilton Rose Hall Resort &Spa and a part of Jewel Grande Montego Bay were used to pay-down borrowings and other obligations in June 2018.
- Reduction of $113 million or 70% in gains from the investments in the Sigma Real Estate Fund year over year due to the reduction in the number of units being held. The number of units held was down from 7.17 billion in June 2018, to 402 million as at September 30, 2019 as on July 1, 2018, the Group liquidated 91% of its units in the Sigma Real Estate Fund, in exchange for 51.86% ownership of Jamziv.

Cash Flows

The Group generated cash of $848 million from its operating activities (September 30, 2018: $1.31 billion). As at September 30, 2019, the Group had cash and cash equivalents of $1.68 billion, although down from the amount of $1.75 billion as at September 30, 2018, the liquidity levels for the Group remain strong. Cash and cash equivalents exclude restricted cash of $492 million.

Balance Sheet

The Group's total assets $51.45 billion at September 2019 increased by 5% over December 2018. Total Stockholders' Equity as at September 2019 was $26.48 billion, up 6% from $25.05 billion as at December 2018. Market capitalization at September 30, 2019 was $24.22 billion, compared to $33.53 billion at December 2018 due to reduction in the share price.

OUTLOOK

Our direct and indirect investments in the hospitality sector have performed well for the period, and we remain focused on looking for opportunities to execute on the X Fund strategic intent to be the leading Real Estate Investment Fund (REIF) in the Caribbean.

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

On behalf of The Board of Directors:

CHRISTOPHER ZACCA
Chairman

BRUCE JAMES
Director

12 November 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 September 2019
(Expressed in thousands of Jamaican dollars)

	September 2019 Unaudited	December 2018 Audited	September 2018 Unaudited
NON-CURRENT ASSETS:			
Property plant and equipment	15,157,965	14,766,405	13,442,072
Goodwill	923	923	923
Investment in Sigma Real Estate Portfolio	823,895	774,861	876,225
Investment property	1,922,362	1,922,362	1,936,894
Investment in Associate	29,657,867	27,796,598	28,828,159
Financial investments	283,654	273,249	277,323
	47,846,666	45,534,398	45,361,596
CURRENT ASSETS:			
Inventories	24,660	41,563	39,618
Receivables	1,285,345	1,403,048	2,251,216
Securities purchased under agreement to resell	123,707	130,693	132,475
Cash resources	2,167,043	1,691,004	2,076,418
	3,600,755	3,266,308	4,499,727
CURRENT LIABILITIES:			
Bank overdraft	-	17,927	-
Payables	1,406,945	1,030,877	1,769,436
Contractual Liabilities	167,821	62,610	13,074
Borrowings	3,890,986	4,033,391	1,718,457
Taxation payable	115,096	429,969	666,594
	5,580,848	5,574,774	4,167,561
NET CURRENT ASSETS/(LIABILITIES)	(1,980,093)	(2,308,466)	332,166
NET ASSETS	**45,866,573**	**43,225,932**	**45,693,762**
STOCKHOLDERS' EQUITY:			
Equity attributable to stockholders of the company			
Share capital	12,642,512	12,642,512	12,642,512
Currency translation reserve	1,542,092	47,600	1,395,432
Fair value reserves	3,479,364	3,479,364	3,433,326
Retained earnings	8,819,958	8,884,244	7,276,574
Total Equity	**26,483,926**	**25,053,720**	**24,747,844**
Non-controlling interest	**11,622,923**	**10,893,492**	**11,297,759**
Total Stockholders' equity	**38,106,849**	**35,947,212**	**36,045,603**
NON-CURRENT LIABILITIES:			
Borrowings	6,492,714	6,170,569	8,954,406
Deferred income taxes	1,267,010	1,108,151	693,753
	7,759,724	7,278,720	9,648,159
STOCKHOLDERS' EQUITY AND NON-CURRENT LIABILITIES	**45,866,573**	**43,225,932**	**45,693,762**

Christopher Zacca
Chairman
12 November 2019

Bruce James
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2019
(Expressed in thousands of Jamaican dollars)

	September 2019 Quarter Unaudited	September 2018 Quarter Unaudited	September 2019 Year-to-date Unaudited	September 2018 Year-to-date Unaudited	December 2018 Full Year Audited
Revenue:					
Net investment income	5,666	6,512	17,552	20,089	26,843
Net capital gains on financial assets and liabilities	26,832	(87,132)	95,772	148,118	246,512
Hotel revenue from continuing operations	1,314,669	1,183,444	4,643,956	4,201,968	5,546,543
Hotel revenue from discontinued operations	-	-	-	2,706,509	2,723,307
Gain on sale of the hotel operations	-	(1,200)	-	366,855	264,306
Total revenue	**1,347,167**	**1,101,624**	**4,757,280**	**7,443,539**	**8,807,511**
Expenses:					
Hotel expenses from continuing operations	1,117,608	839,919	3,495,384	2,987,207	4,270,364
Depreciation from continuing opertations	219,137	346,273	572,846	651,826	678,175
Interest and other financing costs	189,556	150,339	542,194	853,242	1,146,645
Other operating expenses	30,679	12,327	92,321	50,396	110,732
Expenses from discontinued operations	-	-	-	2,040,982	2,044,139
Total expenses	**1,556,980**	**1,348,858**	**4,702,745**	**6,583,653**	**8,250,055**
Operating profit	(209,813)	(247,234)	54,535	859,886	557,456
Share of profit from associate accounted for using the equity method	(604,971)	(105,598)	273,592	(105,598)	(393,887)
Profit before taxation	(814,784)	(352,832)	328,127	754,288	163,569
Taxation	(175,462)	93,103	(285,191)	(243,849)	(163,584)
NET PROFIT	**(990,246)**	**(259,729)**	**42,936**	**510,439**	**(15)**
Other comprehensive income, net of taxes:					
Items that may be subsequently reclassified to profit or loss					
Re-translation of foreign operation	1,063,118	1,251,879	2,116,701	1,538,615	(408,721)
Items that will not be subsequently reclassified to profit or loss					
Unrealised gain revaluation of property, plant and equipment	(11,027)	-	-	356,203	2,715,601
Total other comprehensive income recognised directly in stockholders' equity, net of taxes	1,052,091	1,251,879	2,116,701	1,894,818	2,306,880
TOTAL COMPREHENSIVE INCOME	**61,845**	**992,150**	**2,159,637**	**2,405,257**	**2,306,865**
Net profit / (loss) attributable to:					
Stockholders of the company	(753,159)	(259,729)	(64,286)	551,823	154,349
Non-controlling interests	(237,087)	-	107,222	(41,384)	(154,364)
	(990,246)	**(259,729)**	**42,936**	**510,439**	**(15)**
Total comprehensive income / (loss) attributable to:					
Stockholders of the company	(8,734)	992,150	1,430,206	2,058,118	2,363,994
Non-controlling interests	70,579	347,139	729,431	347,139	(57,129)
	61,845	**1,339,289**	**2,159,637**	**2,405,257**	**2,306,865**
Earnings per stock unit for profit attributable to stockholders of the company:					
Basic and fully diluted	-$0.34	$0.03	-$0.03	$0.25	$0.07

Sagicor Real Estate X Fund Limited
Report to our Stockholders | Q3 2019 Performance

Sagicor
REAL ESTATE X FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2019
(Expressed in thousands of Jamaican dollars)

	Share Capital	Currency Translation Reserve	Fair Value Reserves	Retained Earnings	Total	Non- controlling Interest	Total Equity
Period ended 30 September 2019							
Balance as at 31 December 2018	12,642,512	47,600	3,479,364	8,884,244	25,053,720	10,893,492	35,947,212
Total comprehensive income for the period	-	1,494,492	-	(64,286)	1,430,206	729,431	2,159,637
Balance as at 30 September 2019	**12,642,512**	**1,542,092**	**3,479,364**	**8,819,958**	**26,483,926**	**11,622,923**	**38,106,849**
Period ended 30 September 2018							
Balance as at 31 December 2017	12,642,512	245,340	3,077,123	6,724,751	22,689,726	-	22,689,726
Non-controlling interest at acquision						10,950,620	10,950,620
Total comprehensive income for the period	-	1,150,092	356,203	551,823	2,058,118	347,139	2,405,257
Balance as at 30 September 2018	**12,642,512**	**1,395,432**	**3,433,326**	**7,276,574**	**24,747,844**	**11,297,759**	**36,045,603**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2019
(Expressed in thousands of Jamaican dollars)

	September 2019 Unaudited	September 2018 Unaudited	December 2018 Audited
Cash Flows from Operating Activities:			
Net Profit / (Loss)	42,936	510,439	(15)
Adjustments for:			
Items not affecting cash:			
Depreciation and amortisation	572,846	651,826	860,165
Interest income	(17,552)	(20,089)	(26,843)
Interest expense	542,194	853,242	1,146,645
Income tax expense	285,191	243,849	163,585
Gain on disposal of investments	-	-	(138,135)
Loss on disposal of property, plant and equipment	19,844	-	(3,655)
Gain/(loss) on disposal of discontinued operations	-	(366,855)	(264,306)
Gain on revaluation of on Investment Portfolio - Jamziv	-	-	(8,172)
Effect of exchange losses on foreign currency balances	1,193	45,598	(139,745)
Share of profit from associate	(273,592)	105,598	393,887
Fair value gain on units held in Sagicor Sigma Funds	(49,034)	(162,451)	77,049
Fair value gain on other financial investments	(8,804)	(31,265)	(28,736)
Fair value gain on investment property	-	-	(8,772)
	1,115,222	1,829,892	2,022,952
Changes in other operating assets and liabilities:			
Accounts receivable	323,715	(173,457)	415,143
Inventories	16,903	83,520	79,353
Accounts payable	(102,258)	(23,263)	(1,069,167)
Payments for net current assets in relation to discontinued operations		(402,428)	(402,428)
Taxation paid	(505,724)	(214)	(214)
Net cash provided by operating activities	847,858	1,314,050	1,045,639
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(152,535)	(511,334)	(569,808)
Proceeds from disposal of property, plant and equipment			5,603
Proceeds from sale of discontinued operations	-	12,700,770	12,700,770
Purchase to complete property, plant and equipment projects in relation to sale of discontinued operations	-	(487,500)	(335,530)
Purchase of investment property	-	(224,077)	(209,521)
Restricted cash	208,882	(110,736)	8,287
Purchase of investments	(7,914)	(14,627,736)	14,506,122
Investment in associate		14,623,194	(14,490,618)
Interest income received	21,346	24,933	28,686
Net cash provided by investing activities	69,779	11,387,514	11,643,991
Cash Flows from Financing activities:			
Borrowings, net	(289,831)	(11,787,355)	(11,251,881)
Promissory note	-	500,000	-
Interest expense paid	(425,090)	(1,070,046)	(1,267,717)
Net cash used in financing activities	(714,921)	(12,357,401)	(12,519,598)
Effect of exchange rate on cash and cash equivalents	(6,588)	144,895	51,448
Cash and cash equivalents at beginning of period	1,480,252	1,258,772	1,258,772
Cash and cash equivalents at end of period	**1,676,380**	**1,747,830**	**1,480,252**
Comprised of:			
Bank overdraft	-	-	(17,927)
Cash and bank	1,675,222	1,731,098	1,482,122
Securities purchased under agreement to resell	1,158	16,732	16,057
	1,676,380	**1,747,830**	**1,480,252**

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION
For the nine months ended 30 September 2019
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations	Commercial	Other	Eliminations	Unaudited
Operating results:					
External revenues	4,643,956	-	17,552	-	4,661,508
Net capital gains on financial assets and liabilities	32,904	49,034	13,834	-	95,772
Total revenue	4,676,860	49,034	31,386	-	4,757,280
Operating expenses	(3,531,363)	(56,342)	-	-	(3,587,705)
Depreciation	(572,846)	-	-	-	(572,846)
Finance costs	(413,318)	(128,876)	-	-	(542,194)
Operating profit / (loss)	159,333	(136,184)	31,386	-	54,535
Share of profit from associate accounted for using the equity method	-	273,592	-		273,592
Profit / (loss) before taxation	159,333	137,408	31,386		328,127
Taxation	(12,625)	(85,150)	(187,416)	-	(285,191)
Net profit	146,708	52,258	(156,030)	-	42,936
Segment assets:					
Total assets	27,188,609	30,482,685	105,947	(6,329,820)	51,447,421
Segment liabilities:					
Total liabilities	13,032,059	6,627,406	10,927	(6,329,820)	13,340,572
Other Segment items:					
Capital expenditure: Property, plant and equipment					152,535

Geographical Information	Jamaica	America	Total
Revenue	882,907	3,874,373	4,757,280
Total Assets	34,323,118	17,124,303	51,447,421

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION
For the period ended 30 September 2018
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations	Commercial	Other	Eliminations	Unaudited
Operating results:					
External revenues	6,924,111		4,455	-	6,928,566
Net capital gains/(losses) on financial assets and liabilities	450,774	66,549	(2,350)	-	514,973
Total revenue	7,374,885	66,549	2,105	-	7,443,539
Operating expenses	(5,045,140)	-	(33,445)	-	(5,078,585)
Depreciation	(651,826)	-	-	-	(651,826)
Finance costs	(692,656)	(160,586)	-	-	(853,242)
Operating profit / (loss)	985,263	(94,037)	(31,340)	-	859,886
Share of profit from associate accounted for using the equity method		(105,598)			(105,598)
Profit / (loss) before taxation	985,263	(199,635)	(31,340)	-	754,288
Taxation	(250,073)	5,911	313	-	(243,849)
Net profit	735,190	(193,724)	(31,027)	-	510,439
Segment assets:					
Total assets	25,952,987	29,705,320	96,097	(5,893,081)	49,861,323
Segment liabilities:					
Total liabilities	13,272,577	6,379,146	57,078	(5,893,081)	13,815,720
Other Segment items:					
Capital expenditure: Property, plant and equipment					511,334

Geographical Information	Jamaica	America	Total
Revenue	3,477,368	3,966,171	7,443,539
Total Assets	34,496,578	15,364,745	49,861,323

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 52.73% owned by the Sagicor Pooled Pension Investment Funds, which are administered by Sagicor Life Jamaica Limited. The other significant shareholders in X Fund are Sagicor Group Jamaica Limited - 21.11% and Sagicor Segregated Funds with 8.09%.

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. X Funds also holds 51.86% of Jamziv Mobay Jamaica Portfolio Limited (Jazmin), a subsidiary incorporated and domiciled in Jamaica. The X Fund Group combined shareholding of Jazmin is 60.81%, as X Fund Properties also holds 8.95% of the company.

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, 2018 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 2019. The standards, which include IFRS 16 Leases have been assessed by the Group. No significant impact to the financial statements has been determined from the adoption of these standards.