

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 the financial results of the Group for the six months ended 30 June 2017.

Overview

The consolidated net profit attributable to stockholders for the period ending June 30 2017 was \$785 million, 30% lower than June 2016's net profit of \$1.124 billion. The major contributors of the reduction were:

- The 2016 Q2 results included \$565 million in revaluation gain on the 26 acre Cinnamon Beach property. No property revaluations have yet been done for 2017 but are scheduled for the second half of 2017.
- Increased interest cost of \$115 million compared to the same period in 2016. In

X FUND NET PROFIT BY SEGMENT

	June 2017 Unaudited \$M	June 2016 Unaudited \$M
Hotel Operations	577	614
Sigma Real Estate Portfolio	203	500
Other	5	10
TOTAL	785	1,124

SIGMA REAL ESTATE PORTFOLIO RESULTS BY SEGMENT

	Revenue \$M	EBITDA \$M	Net Income \$M
Hotel sector	4,148	1,109	995
Non-hotel properties	312	214	214
Other	331	-	(183)
TOTAL	4,791	1,323	1,026

HIGHLIGHTS			
	June 2017 YTD Unaudited	June 2016 YTD Unaudited	% Change
Total Revenue - J\$ million	5,952.2	5,700.1	4%
Earnings before interest tax depreciation and amortization (EBITDA) - J\$ million	2,080.6	2,248.7	-7%
Net Profit attributable to stockholders - J\$ million	785.2	1,124.0	-30%
Earnings per stock unit - J\$	0.35	0.50	-30%
Annualized return on average Stockholders' Equity (ROE)	7.74%	13.89%	-44%
Total Assets - J\$ billion	45.234	40.276	12%
Stockholders' Equity J\$ billion	20.692	16.716	24%
Book value per share - J\$	9.23	7.45	24%
JSE X Fund share price - J\$	11.50	10.12	14%

March 2016, the Group borrowed \$3.66 billion to acquire, renovate and operate the Jewel Grande Montego Bay (formerly known as Palmyra). The Jewel Grande Montego Bay is slated to open for business in Q4 2017.

- Lower net profit from our direct hotel operations of \$577 million (June 2016 - \$614 million). The performance for 2017 was impacted by higher utility costs of \$63M plus renovations at DoubleTree Universal in Orlando, which commenced in 2016 and were completed in Q2 2017. We expect improved results for the rest of the year from the renovated and fully operational DoubleTree.

Foreign exchange loss on US dollar denominated loans was \$10 million versus \$297 million for June 2016.

Our hotel operation is comprised of two hotels directly owned by the Group; the Hilton Rose Hall Resort and Spa (Hilton Rose Hall) and DoubleTree Universal in Orlando, Florida (DoubleTree). Revenue from these operations grew by \$2.63 billion

to \$5.52 billion, up from \$2.89 billion at Q1 2017. Revenue at June 2016 was \$4.90 billion. Average Daily Rates (ADR) were better than the corresponding period in 2016. Earnings before Interest Tax Depreciation and Amortization (EBITDA) was \$1.65 billion.

The Group also held a 43% interest in the Sigma Portfolio, down from 45% at March 2017 and 46% interest at December 2016. The Sigma Portfolio has property investments in the tourism sector through ownership of three Jewel Resorts branded hotels; and the real estate sector by owning several office/retail shopping buildings, industrial/warehousing properties and prime land holdings slated for development. The net earnings in the Sigma Portfolio, which forms the basis for appreciation of the Sigma Portfolio unit values, was based on 2017 revenue of \$4.79 billion - of which \$4.15 billion (June 2016 - \$3.97 billion) was earned by the Jewel hotels. EBITDA was \$1.32 billion and net profit of \$1.03 billion.

Earnings per stock unit (EPS) was \$0.35 (June 2016 - \$0.50). The weighted average

number of shares for EPS was 2,243,005,125 for both periods.

Return on average Stockholders' Equity (ROE) was 7.74% (June 2016 - 13.89%; December 2016 - 9.5%). The performance ratio relative to 2016 was impacted by lower net profit and a revaluation uplift of \$2.56 billion on the Hilton Rose Hall and DoubleTree properties in December 2016.

Financial Performance

Operations and Cash Flows

Consolidated revenue was \$5.95 billion, up from \$3.16 billion at Q1 2017 and 4% higher than the \$5.70 billion for June 2016. This reflected improved hotel revenue, as tourist arrivals and room rates have improved over 2016. Capital gains from investment in the Sigma Portfolio was down by \$668 million relative to 2016 but was partly offset by lower foreign exchange loss on US dollar denominated loans of \$10 million (June 2016 - \$297 million).

Group net interest income contributed \$15 million (June 2016 - \$27.8 million) to revenue and net profit.

Despite higher revenue, consolidated net profit attributable to stockholders of \$785 million was down relative to June 2016 - \$1.124 billion. This was after reflecting:

- Hotel operating expenses of \$3.86 billion, which was 12% higher than June 2016; and
- Interest expense, depreciation and taxation of \$1.295 billion which was \$170 million higher than June 2016 (\$1.13 billion) and reflected borrowings to finance the purchase of additional units in the Sigma Portfolio and a 15% investment in real property at the Jewel Grande Montego Bay (formerly known as Palmyra); and taxation of the earnings from these new investments.



Jewel Grande Montego Bay



UP **4%** UP **12%** UP **14%**
 Total Revenue Total Assets Share Price

The Group generated cash of \$1.02 billion from its operating activities (June 2016 - \$1.55 billion). As at 30 June 2017, the Group had cash and cash equivalents of \$783 million, up from \$659 million at 31 December 2016 but down from \$1.28 billion at 30 June 2016. Cash inflow from borrowings in 2016 of \$3.77 billion, along with cash from operating activities, were used to acquire additional units in the Sigma Portfolio and towards the purchase of the Jewel Grande Montego Bay. Cash and cash equivalents excluded restricted cash of \$397 million.

Balance Sheet

The Group's total assets grew by \$871 million to \$45.23 billion at the end of June 2017, up from \$44.36 billion at 31 December 2016 (30 June 2016 - \$40.28 billion). This growth reflected cash inflow from operating activities. Total borrowings at June 2017 stood at \$21.70 billion (31 December 2016 - \$21.65 billion).

Total Stockholders' Equity as at 30 June 2017 was \$20.69 billion compared to \$19.90 billion as at 31 December 2016 (30 June 2016 - \$16.72 billion). Net earnings for the period attributed to the increase in Equity. Market capitalization at 30 June 2017 and 31 December 2016 were \$25.79 billion and \$27.48 billion, respectively, due to market prices.

Market Dynamics

Tourism Sector

Data published by the Jamaica Tourist Board (JTB), revealed higher stopover arrivals for the fifth month of 2017. Stopover arrivals for the May 2017 were 181,669, an increase of 8.2% over the 167,884 recorded in May 2016. For the 12 months ending May, total stopover arrivals amounted to 2.4 million relative to 2.1 million for the similar period of 2016. The continued improvements is largely due to the increased visitors from the USA, Canadian and European markets, which was facilitated by an increase in flight frequency and the introduction of new flights.

The sector continues to contribute positively to economic activities. For Q1 2017, Real Value Added for the Hotels & Restaurants industry grew by an estimated 0.3% largely reflecting increased stopover arrivals. Total visitor expenditure amounted to US\$759.3 million, an increase of 3.7%. This increasing trend for the sector is expected to continue over the next 12 months.

Commercial Sector

The performance of the construction sector is used as a gauge for assessing activities in the real estate sector. For Q1 2017, the construction sector of the economy grew by 0.8%. This is primarily attributable to increased construction activities associated with major infrastructure works, including

the construction and renovation of hotels, residential construction activities, and major road improvement projects across the island. The sector was also favorable impacted by the build out of office space to facilitate expansion of the BPO industry, and other private sector supported building construction. The importance of the BPO sector has been increasing as it continues to contribute positively to economic activities.

Corporate Social Activities

During the period, our hotels continued to provide support within the communities through work experience programmes in partnership with HEART Academy and Barrett Town Training Institute, to name a few. Ongoing, we donated supplies to several schools, provided care packages for residents of several communities and the St. Ann' Infirmaries, as well as feeding the homeless. In 2017, we commenced a new initiative to train the Inner City Youths. Steer Town was selected for the pilot project. Youths, between the ages 18-25, were interviewed, referenced and selected for a six (6) weeks training programme. At the end of the training, certificates are awarded and candidates considered for employment.

Outlook

The outlook for the Travel & Tourism sector in 2017 remains robust and will continue to be at the forefront of wealth and employment creation in the global economy.

Within that context, both X Fund and Sigma Real Estate Portfolio continue to actively seek viable investments within the industry across the region and North America. This is in addition to simultaneously positioning capital to take advantage of profitable commercial real estate ventures to drive long-term shareholder value.

For 2017, we will remain focused on the execution of the business plan. Our newly refurbished towers and conference rooms at DoubleTree will attract better rates and returns for the Group. We are also excited about the planned opening of the Jewel Grande Montego Bay in which we have a 41% interest (our 15% direct ownership and our share of the Sigma Portfolio's interest). This investment will further improve the scale, scope and growth prospects of the Group. Our aim is to create real and sustained value for all our stakeholders

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


ROHAN MILLER
Chief Executive Officer

21 July 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As At 30 June 2017
(Expressed in thousands of Jamaican dollars)

	June 2017 Unaudited	June 2016 Unaudited	December 2016 Audited
NON-CURRENT ASSETS:			
Property plant and equipment	25,618,224	20,178,184	25,093,054
Investment in Sigma Real Estate Portfolio	15,349,010	15,604,326	15,408,913
Investment property	1,512,314	-	1,165,473
Financial investments	227,016	219,077	221,461
	42,706,564	36,001,587	41,888,901
CURRENT ASSETS:			
Inventories	140,949	103,626	137,977
Receivables	1,207,047	917,388	825,471
Securities purchased under agreement to resell	-	107,359	-
Short term deposits	228,747	751,255	236,962
Cash resources	951,064	2,394,397	1,273,216
	2,527,807	4,274,025	2,473,626
CURRENT LIABILITIES:			
Payables	1,468,454	1,450,149	1,696,270
Borrowings	3,452,470	341,187	2,722,515
Taxation payable	17,096	38,038	-
	4,938,020	1,829,374	4,418,785
NET CURRENT (LIABILITIES)/ASSETS	(2,410,213)	2,444,651	(1,945,159)
NET ASSETS	40,296,351	38,446,238	39,943,742
STOCKHOLDERS' EQUITY:			
Equity attributable to stockholders of the company			
Share capital	12,642,512	12,642,512	12,642,512
Currency translation reserve	409,508	341,972	402,735
Fair value reserves	2,558,070	-	2,558,070
Retained earnings	5,081,950	3,731,706	4,296,746
Total Equity	20,692,040	16,716,190	19,900,063
NON-CURRENT LIABILITIES:			
Borrowings	18,246,500	21,304,599	18,925,035
Deferred income taxes	1,357,811	425,449	1,118,644
	19,604,311	21,730,048	20,043,679
STOCKHOLDERS' EQUITY AND NON-CURRENT LIABILITIES	40,296,351	38,446,238	39,943,742


Richard Byles
Chairman
21 July 2017


Rohan Miller
Director & CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017
(Expressed in thousands of Jamaican dollars)

	June 2017 Quarter Unaudited	June 2016 Quarter Unaudited	June 2017 Year-to date Unaudited	June 2016 Year-to date Unaudited	December 2016 Year-to date Audited
Revenue:					
Investment income	6,719	11,441	14,949	27,769	42,293
Net investment property income/(expenses)	(15,541)	-	(31,648)	-	(16,790)
Net capital gains on financial assets and liabilities	160,910	594,736	432,318	728,335	1,770,227
Hotel revenue	2,638,120	2,218,973	5,536,562	4,943,948	8,457,432
Total revenue	2,790,208	2,825,150	5,952,181	5,700,052	10,253,162
Expenses:					
Hotel expenses	1,924,653	1,662,541	3,858,890	3,437,163	6,520,553
Depreciation	171,948	120,901	307,832	236,029	491,317
Interest and other financing costs	370,238	334,684	731,258	616,153	1,290,340
Other operating expenses	4,037	12,599	12,670	14,183	22,959
Total expenses	2,470,876	2,130,725	4,910,650	4,303,528	8,325,169
Profit before Taxation	319,332	694,425	1,041,531	1,396,524	1,927,993
Taxation	(73,630)	(172,872)	(256,327)	(272,566)	(238,995)
NET PROFIT	245,702	521,553	785,204	1,123,958	1,688,998
Other comprehensive income:					
Item that may be subsequently reclassified to profit and loss					
Re-translation of foreign operation	(3,986)	188,693	6,773	259,288	320,051
Items that will not be subsequently reclassified to profit and loss					
Unrealised gain on property, plant and equipment	-	-	-	-	2,558,070
Depreciation transfer	11,032	-	-	-	-
Total other income recognised directly in Stockholders' equity	7,046	188,693	6,773	259,288	2,878,121
TOTAL COMPREHENSIVE INCOME	252,748	710,246	791,977	1,383,246	4,567,119
Earnings per stock unit for profit attributable to stockholders of the parent company:					
Basic and Fully diluted	\$0.11	\$0.23	\$0.35	\$0.50	\$0.75

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017
(Expressed in thousands of Jamaican dollars)

	Share Capital	Currency Translation Reserve	Fair Value Reserves	Retained Earnings	Total Stockholders' Equity
Period ended 31 December 2017					
Balance as at 31 December 2016	12,642,512	402,735	2,558,070	4,296,746	19,900,063
Total comprehensive income for the period	-	6,773	-	785,204	791,977
Balance as at 30 June 2017	12,642,512	409,508	2,558,070	5,081,950	20,692,040
Period ended 31 December 2016					
Balance as at 31 December 2015	12,642,512	82,684	-	2,921,769	15,646,965
Total comprehensive income for the period	-	259,288	-	1,123,958	1,383,246
Dividend declared	-	-	-	(314,021)	(314,021)
Balance as at 30 June 2016	12,642,512	341,972	-	3,731,706	16,716,190

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017
(Expressed in thousands of Jamaican dollars)

	June 2017 Unaudited	June 2016 Unaudited	December 2016 Audited
Cash Flows from Operating Activities:			
Net Profit	785,204	1,123,958	1,688,998
Adjustments for:			
Items not affecting cash:			
Depreciation and amortisation	307,832	236,029	493,112
Interest income	(14,949)	(27,769)	(42,293)
Interest expense	731,258	616,153	1,290,340
Income tax expense	256,327	272,566	238,995
Gain on disposal of investments	(86,004)	-	(150,571)
Effect of exchange losses on foreign currency balances	9,889	385,792	467,809
Fair value gain on units held in Sagicor Sigma Funds	(351,200)	(1,104,775)	(2,101,564)
Fair value gain on other financial investments	(5,604)	(5,424)	(6,242)
Fair value loss on loan payable	-	84,689	84,689
	1,632,753	1,581,219	1,963,273
Changes in other operating assets and liabilities:			
Accounts receivable	(385,306)	(202,824)	(126,567)
Inventories	(2,972)	(5,621)	(39,972)
Accounts payable	(227,816)	181,853	737,862
Taxation paid	(30)	(30)	(60)
Net cash provided by operating activities	1,016,629	1,554,597	2,534,536
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(817,212)	(568,432)	(2,350,086)
Purchase of investment property	(346,841)	-	(1,165,473)
Restricted cash	456,242	(126,393)	914,881
Purchase of investments	-	(3,876,679)	(3,876,679)
Sale of investments	497,107	2,251	1,342,773
Interest income received	15,105	23,550	38,772
Net cash provided by/used in investing activities	(195,599)	(4,545,703)	(5,095,812)
Cash Flows from Financing activities:			
Borrowings, net	(49,513)	3,772,490	3,664,191
Dividends paid	-	-	(314,021)
Interest expense paid	(647,906)	(585,544)	(1,215,575)
Net cash (used in)/provided by financing activities	(697,419)	3,186,946	2,134,595
Effect of exchange rate on cash and cash equivalents	101	12,149	14,533
Cash and cash equivalents at beginning of period	658,987	1,071,135	1,071,135
Cash and cash equivalents at end of period	782,699	1,279,124	658,987
Comprised of:			
Cash and bank	553,952	527,869	422,025
Short term deposits	228,747	751,255	236,962
	782,699	1,279,124	658,987

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

For the six months ended 30 June 2017
(Expressed in thousands of Jamaican dollars)

	Hotel Operations	Sigma Real Estate Portfolio	Other	Eliminations	June 2017 Unaudited
Operating results:					
External revenues	5,516,809	437,204	3,054	-	5,957,067
Net capital gains/(losses) on financial assets and liabilities	1,232	(8,083)	1,965	-	(4,886)
Total revenue	5,518,041	429,121	5,019	-	5,952,181
Operating expenses	(3,871,553)	-	(7)	-	(3,871,560)
Depreciation	(307,832)	-	-	-	(307,832)
Finance costs	(502,860)	(228,398)	-	-	(731,258)
Profit before taxation	835,796	200,723	5,012	-	1,041,531
Taxation	(258,667)	2,390	(50)	-	(256,327)
Net profit	577,129	203,113	4,962	-	785,204
Segment assets:					
Total assets	29,878,579	15,349,010	100,363	(93,582)	45,234,370
Segment liabilities:					
Total liabilities	16,509,222	7,967,007	127,386	(93,582)	24,510,033
Deferred income taxes	1,276,599	80,920	292	-	1,357,811
Other Segment items:					
Capital expenditure: Property, plant and equipment					817,212

Geographical Information

	United States of America		Total
	Jamaica	America	
Revenue	3,507,721	2,444,460	5,952,181
Total Assets	32,223,075	13,011,295	45,234,370

	Hotel Operations	Sigma Real Estate Portfolio	Other	Eliminations	June 2016 Unaudited
Operating results:					
External revenues	4,965,804	1,104,775	5,913	-	6,076,492
Net capital gains/(losses) on financial assets and liabilities	(61,426)	(319,551)	4,537	-	(376,440)
Total revenue	4,904,378	785,224	10,450	-	5,700,052
Operating expenses	(3,451,346)	-	-	-	(3,451,346)
Depreciation	(236,029)	-	-	-	(236,029)
Finance costs	(363,390)	(252,763)	-	-	(616,153)
Profit before taxation	853,613	532,461	10,450	-	1,396,524
Taxation	(239,948)	(32,513)	(105)	-	(272,566)
Net profit	613,665	499,948	10,345	-	1,123,958
Segment assets:					
Total assets	24,421,706	15,604,326	327,808	(78,228)	40,275,612
Segment liabilities:					
Total liabilities	13,842,928	9,402,279	392,443	(78,228)	23,559,422
Deferred income taxes	366,416	58,839	194	-	425,449
Other Segment items:					
Capital expenditure: Property, plant and equipment					568,432

Geographical Information

	United States of America		Total
	Jamaica	America	
Revenue	3,563,834	2,136,218	5,700,052
Total Assets	27,996,466	12,279,146	40,275,612

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 49.03% 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 - 21.1% and Sagicor Segregated Funds with 11.5%

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.

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, 2016 audited financial statements.