

# Sagicor Real Estate X Fund Limited

## REPORT TO OUR STOCKHOLDERS

# Q3 2018 Performance



REAL ESTATE X FUND



**5.82B**  
Total Revenue

**23.02B**  
Stockholders'  
Equity

**36.84B**  
Total Assets

**\$13.43**  
Share Price

## DIRECTORS' REPORT

On behalf of the Board of Directors of Sagicor Real Estate X Fund Limited (X Fund or the Group) we present the financial results of the Group for the nine months ended 30 September 2018.

### Overview

For the period ended 30 September 2018, the Group recorded a loss of \$573 million compared to a profit of \$2.36 billion at 30 September 2017. The loss was mainly due to a \$1.91 billion unrealized fair value loss, less \$665 million in foreign currency gains, from our investment in Jamziv Limited. The unrealized loss however does not affect our operating cash flows, which remains strong at \$1.31 billion or \$28.5 million higher than December 2017, but \$128 million lower than September 2017.

Jamziv Limited is an entity that was created to hold 20,000,000 Playa shares received from Playa (a Nasdaq listed entity) as part settlement of the transaction with Sagicor Group Jamaica and its affiliated entities, which involved a transfer of 5 tourism properties and some lands to Playa in exchange for these shares plus US\$101,400,000 in cash. The Hilton Rose Hall Resort and Spa, previously owned by the Group, was one of the hotels transferred to Playa in exchange for cash and Playa shares. Sagicor Group Jamaica and its affiliated entities now own a 15.3% stake in Playa, with two of the Group's directors having a seat on Playa's board.

Effective 1 July 2018, the Group liquidated 91% of its Sigma Real Estate Portfolio (Sigma Portfolio) units in exchange for shares in Jamziv Limited, thereby increasing its holding of Playa shares indirectly. This was a strategic decision taken to benefit from the strong long-term growth potential of Playa. As at September 30, 2018, the Group held 12,258,000 Playa shares, representing a 9.4% ownership stake in Playa, and 643 million units, or 5.4% interest in the Sigma Portfolio (down from 38% for the corresponding period and at December 2017).

The Group's earning assets, as at September 30, 2018 were comprised of Playa Shares (49%), DoubleTree at The Entrance to Universal, Orlando (42%), a 26% stake in Jewel Grande Montego Bay (6%) and Sigma Portfolio units (3%).

For the nine months ended 30 September 2018, Playa reported revenue of US\$465 million (2017 – US\$433 million); Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) of US\$167.7 million (2017 – US\$163.2 million) and net income of US\$33.2 million compared to US\$11.4 million for 2017. Despite this performance, Playa's share price declined over this nine-month period, from US\$10.79 at the start of the year to US\$9.63 at September 30, 2018. The NASDAQ Composite index has been choppy, as investors were pessimistic about the mid-term elections, negative impact of trade measures, and the movement in interest rates.

### HIGHLIGHTS

	September 2018 YTD Unaudited	September 2017 YTD Unaudited	% Change
Total Revenue - J\$ million	5,824.6	9,967.9	-42%
Earnings before interest tax depreciation and amortization (EBITDA) - J\$ million	1,175.6	4,348.8	-73%
Net Profit/(loss) attributable to stockholders – J\$ million	-573.3	2,362.7	-124%
Earnings per stock unit – J\$	-0.26	1.05	-125%
Annualized return on average Stockholders' Equity (ROE)	-3.34%	15.04%	-122%
Total Assets – J\$ billion	36.836	46.658	-21%
Stockholders' Equity J\$ billion	23.020	22.004	5%
Book value per share – J\$	10.26	9.81	5%
JSE X Fund share price – J\$	13.43	13.11	2%

### X FUND NET PROFIT/(LOSS) BY SEGMENT

	September 2018 Unaudited \$M	September 2017 Unaudited \$M
Direct Hotel Operations	735	652
Indirect Hotel & Commercial Operations	(1,277)	1,714
Other	(31)	(3)
TOTAL	(573)	2,363

### SIGMA REAL ESTATE PORTFOLIO RESULTS BY SEGMENT

	Revenue \$M	EBITDA \$M	Net Income \$M
Hotel sector	3,642	705	592
Non-hotel properties	490	358	358
Other	414	(423)	(599)
TOTAL – Q3 2018	4,546	640	351
TOTAL – Q3 2017	9,763	4,434	3,962

Playa is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations in Mexico and the Caribbean. They currently own and/or manage a total of 20 all-inclusive resorts (7,769 rooms) in Jamaica, Mexico and the Dominican Republic.

Our other major investment, DoubleTree, continues to produce improved results each year since acquisition for the Group. Following major renovations during 2016 through to 2017 in keeping with franchisors' brand standards, occupancy levels and average daily rates increased year-over-year by 7.6% and 6%, respectively.

# Sagicor Real Estate X Fund Limited

## Report to our Stockholders | Q3 2018 Performance



REAL ESTATE X FUND

Hotel revenue was \$3.97 billion, with EBITDA of \$1.23 billion (2017 - \$946 million) and net profit of \$376 million.

**Year over year performance for the Group was also impacted as follows:**

- Lower interest expense by \$250 million, as cash proceeds from the sale was used to paydown borrowings and other obligations.
- Revaluation gain of \$254 million recorded in previous year for Jewel Grande. For 2018, property revaluation will be done in Q4.
- A gain on disposal of discontinued hotel operations of \$367 million.
- A \$94 million increase in our share of the operating losses of Palmyra (now Jewel Grande). This performance is consistent with start-ups in the hotel industry. Improvement is expected in 2019.
- A \$274 million gain from Sigma units (2017 - \$2.146 billion). This is due to a combination of significantly less units owned plus reduced performance in 2018.

The Sigma Portfolio's primary investments now include a 20% holding in Jewel Grande Montego Bay and ownership of several office/retail shopping

buildings, industrial/warehousing properties and prime land holdings slated for development.

Earnings per stock unit (EPS) was -\$0.26 (2017: \$1.05) and Return on average Stockholders' Equity (ROE) was -3.34% (2017: 15.04%). Both returns were impacted by the negative performance year-to-date.

### Financial Performance

#### Balance Sheet

The Group's total assets fell by \$10.82 billion to \$36.84 billion, down from \$47.66 billion as at 31 December 2017 (30 September 2017 - \$46.66 billion). This reduction reflected cash inflow from operating activities and sale of discontinued operations that was used to settle borrowings. Total borrowings at September 2018 stood at \$10.67 billion (31 December 2017 - \$21.46 billion).

Total Stockholders' Equity as at 30 September 2018 was \$23.02 billion compared to \$22.69 billion as at 31 December 2017 (30 September 2017 - \$22.0 billion). The growth in shareholders' equity was driven primarily by currency translation gains of \$547 million. Market capitalization at 30 September 2018 and 31 December 2017

were \$30.12 billion and \$33.65 billion, respectively, due to market prices.

### Corporate Social Activities

During the period, our hotels provided educational and developmental support within the communities through:

- Work experience and on-the-job training programmes in partnership with St. Monica's College, HEART Academy and Barrett Town Training Institute, along with a new initiative to train Inner City Youths.
- Donation of cash and supplies to Walker's Place of Safety to assist their fire victims.
- Provision of Care and Easter packages to residents of several communities and the St. Ann' Infirmaries, as well as feeding the homeless.

The hotels participated in the annual Sagicor Sigma Run, and continued its contribution to make this event a huge success in the group's drive to reach out to the needy.

### Outlook

We remain confident in our strategy to diversify our resort risk to a broader geographical area and to become a part of a major Owner/Manager Group. On

17 September 2018, Playa announced a strategic alliance with the Hilton group, where Playa will leverage their industry leading all-inclusive expertise with Hilton's global portfolio of brands, and over 82 million participating members in Hilton Honors, Hilton's award-winning loyalty program. Playa's commitment to expansion through brand affiliations and strategic alliances, as well as through property acquisitions and developments is expected to produce strong growth over the medium to long term as our outlook remains positive for tourism in the region.

We are equally confident in our investment in DoubleTree and we are currently considering the expansion of the conference room facilities at the hotel to attract larger groups and generate higher returns.

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

  
CHRISTOPHER ZACCA  
Director

12 November 2018

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

As At 30 September 2018  
(Expressed in thousands of Jamaican dollars)

	September 2018 Unaudited	September 2017 Unaudited	December 2017 Audited
<b>NON-CURRENT ASSETS:</b>			
Property plant and equipment	13,442,072	25,828,513	26,067,569
Investment in Sigma Real Estate Portfolio	855,044	14,970,545	15,204,393
Investment property	1,936,894	1,954,952	2,043,581
Investment in Jamziv Limited	15,824,493	-	-
Financial investments	277,323	811,754	243,224
	32,335,826	43,565,764	43,558,767
<b>CURRENT ASSETS:</b>			
Inventories	39,618	130,261	339,428
Receivables	2,251,217	1,168,249	2,156,500
Securities purchased under agreement to resell	132,475	797,919	636,894
Short term deposits	-	113,230	-
Cash resources	2,076,404	882,488	998,503
	4,499,714	3,092,147	4,131,325
<b>CURRENT LIABILITIES:</b>			
Bank overdraft	-	-	32,317
Payables	1,782,510	1,475,545	2,082,613
Borrowings	878,303	3,626,787	1,823,400
Taxation payable	666,594	49,238	50,630
	3,327,407	5,151,570	3,988,960
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>1,172,307</b>	<b>(2,059,423)</b>	<b>142,365</b>
<b>NET ASSETS</b>	<b>33,508,133</b>	<b>41,506,341</b>	<b>43,701,132</b>
<b>STOCKHOLDERS' EQUITY:</b>			
<b>Equity attributable to stockholders of the company</b>			
Share capital	12,642,512	12,642,512	12,642,512
Currency translation reserve	792,571	457,830	245,340
Fair value reserves	3,433,326	2,558,070	3,077,123
Retained earnings	6,151,411	6,345,421	6,724,751
<b>Total Equity</b>	<b>23,019,820</b>	<b>22,003,833</b>	<b>22,689,726</b>
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings	9,794,560	18,061,940	19,634,744
Deferred income taxes	693,753	1,440,568	1,376,662
	10,488,313	19,502,508	21,011,406
<b>STOCKHOLDERS' EQUITY AND NON-CURRENT LIABILITIES</b>	<b>33,508,133</b>	<b>41,506,341</b>	<b>43,701,132</b>

Richard Byles  
Chairman  
12 November 2018

Christopher Zacca  
Director

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018  
(Expressed in thousands of Jamaican dollars)

	September 2018 Quarter Unaudited	September 2017 Quarter Unaudited	September 2018 Year-to date Unaudited	September 2017 Year-to date Unaudited	December 2017 Year-to date Audited
<b>Revenue:</b>					
Investment income	6,512	7,145	20,089	22,094	59,891
Net investment property income/(expenses)	(55,821)	(67,751)	(193,757)	(99,399)	(165,994)
Net capital (losses)/gains on financial assets and liabilities	(1,277,708)	1,890,846	(674,403)	2,323,164	2,844,777
Hotel revenue	1,080,479	985,962	3,966,171	3,430,422	4,617,869
Hotel revenue from discontinued operations	1	1,199,492	2,706,510	4,291,594	5,654,512
<b>Total revenue</b>	<b>(246,537)</b>	<b>4,015,694</b>	<b>5,824,610</b>	<b>9,967,875</b>	<b>13,011,055</b>
<b>Expenses:</b>					
Hotel expenses	860,809	771,816	2,737,329	2,484,687	3,456,953
Depreciation	166,306	115,099	471,859	252,234	453,525
Interest and other financing costs	150,339	371,439	853,242	1,102,697	1,511,466
Other operating expenses	12,327	15,768	50,396	28,438	53,582
Expenses from discontinued operations	293	1,053,145	2,041,275	3,369,861	4,525,269
<b>Total expenses</b>	<b>1,190,074</b>	<b>2,327,267</b>	<b>6,154,101</b>	<b>7,237,917</b>	<b>10,000,795</b>
<b>(Loss)/Profit before Taxation</b>	<b>(1,436,611)</b>	<b>1,688,427</b>	<b>(329,491)</b>	<b>2,729,958</b>	<b>3,010,260</b>
Taxation	93,103	(110,935)	(243,849)	(367,262)	(268,234)
<b>NET (LOSS)/PROFIT</b>	<b>(1,343,508)</b>	<b>1,577,492</b>	<b>(573,340)</b>	<b>2,362,696</b>	<b>2,742,026</b>
<b>Other comprehensive income:</b>					
<b>Item that may be subsequently reclassified to profit and loss</b>					
Re-translation of foreign operation	260,495	48,322	547,231	55,095	(157,395)
<b>Items that will not be subsequently reclassified to profit and loss</b>					
Unrealised gain on property, plant and equipment	-	-	356,203	-	519,053
Total other income recognised directly in Stockholders' equity	260,495	48,322	903,434	55,095	361,658
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>(1,083,013)</b>	<b>1,625,814</b>	<b>330,094</b>	<b>2,417,791</b>	<b>3,103,684</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
- Total comprehensive income/(loss) for the period from continuing operations	- 1,082,794	1,516,054	525,035	1,726,491	1,737,699
- Total comprehensive income/(loss) for the period from discontinuing operations	- 219	109,760	855,129	691,300	1,365,985
	<b>- 1,083,013</b>	<b>1,625,814</b>	<b>330,094</b>	<b>2,417,791</b>	<b>3,103,684</b>
<b>Earnings per stock unit for profit attributable to stockholders of the parent company:</b>					
Basic and Fully diluted	-\$0.60	\$0.70	-\$0.26	\$1.05	\$1.22

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018  
(Expressed in thousands of Jamaican dollars)

	Share Capital	Currency Translation Reserve	Fair Value Reserves	Retained Earnings	Total Stockholders' Equity
<b>Period ended 30 September 2018</b>					
Balance as at 31 December 2017	12,642,512	245,340	3,077,123	6,724,751	22,689,726
Total comprehensive income/(loss) for the period	-	547,231	356,203	(573,340)	330,094
<b>Balance as at 30 September 2018</b>	<b>12,642,512</b>	<b>792,571</b>	<b>3,433,326</b>	<b>6,151,411</b>	<b>23,019,820</b>
<b>Period ended 30 September 2017</b>					
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	-	55,095	-	2,362,696	2,417,791
Dividend declared	-	-	-	(314,021)	(314,021)
<b>Balance as at 30 September 2017</b>	<b>12,642,512</b>	<b>457,830</b>	<b>2,558,070</b>	<b>6,345,421</b>	<b>22,003,833</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018  
(Expressed in thousands of Jamaican dollars)

	September 2018 Unaudited	September 2017 Unaudited	December 2017 Audited
<b>Cash Flows from Operating Activities:</b>			
Net (Loss)/Profit	(573,340)	2,362,696	2,742,026
Adjustments for:			
<b>Items not affecting cash:</b>			
Depreciation and amortisation	651,826	516,109	815,232
Interest income	(20,089)	(22,094)	(59,891)
Interest expense	853,242	1,102,697	1,511,466
Income tax expense	243,849	367,262	268,234
Gain on disposal of investments	-	(551,081)	(280,350)
Loss on disposal of property, plant and equipment	-	-	142,168
Gain/(loss) on disposal of discontinued operations	(366,855)	-	-
Loss on revaluation of Playa shares/Jamziv	1,912,061	-	-
Effect of exchange losses on foreign currency balances	(565,693)	80,509	(154,991)
Fair value gain on units held in Sagicor Sigma Funds	(273,845)	(1,594,865)	(2,099,444)
Fair value gain on other financial investments	(31,265)	(4,191)	(30,012)
Fair value gain on investment property	-	(253,565)	(253,565)
	1,829,891	2,003,477	2,600,873
Changes in other operating assets and liabilities:			
Accounts receivable	(173,456)	(342,718)	(1,081,348)
Inventories	83,520	7,716	(201,451)
Accounts payable	(23,263)	(226,312)	(32,500)
Cash payouts in relation to sale of discontinued operations	(402,428)	-	-
Taxation paid	(214)	(60)	(60)
<b>Net cash provided by operating activities</b>	<b>1,314,050</b>	<b>1,442,103</b>	<b>1,285,514</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment	(511,334)	(1,140,089)	(1,624,943)
Cash proceeds from sale of discontinued operations	12,700,770	-	-
Cash payouts in relation to sale of discontinued operations	(487,500)	-	-
Purchase of investment property	(224,077)	(535,914)	(624,543)
Restricted cash	(110,736)	534,356	632,740
Purchase of investments	(14,627,736)	(696,665)	(1,688,863)
Sale of investments	14,623,194	2,584,314	4,128,467
Interest income received	24,933	24,682	57,709
<b>Net cash provided by investing activities</b>	<b>11,387,514</b>	<b>770,684</b>	<b>880,567</b>
<b>Cash Flows from Financing activities:</b>			
Borrowings, net	(11,787,355)	73,850	151,442
Promissory note	500,000	-	-
Dividends paid	-	(314,021)	(314,021)
Interest expense paid	(1,070,046)	(1,120,236)	(1,409,800)
<b>Net cash used in financing activities</b>	<b>(12,357,401)</b>	<b>(1,508,107)</b>	<b>(1,572,379)</b>
Effect of exchange rate on cash and cash equivalents	144,895	1,098	6,083
Cash and cash equivalents at beginning of period	1,258,772	658,987	658,987
<b>Cash and cash equivalents at end of period</b>	<b>1,747,830</b>	<b>1,364,765</b>	<b>1,258,772</b>
<b>Comprised of:</b>			
Bank overdraft	-	-	(32,317)
Cash and bank	1,731,098	560,772	785,725
Short term deposits	-	113,230	-
Securities purchased under agreement to resell	16,732	690,763	505,364
	<b>1,747,830</b>	<b>1,364,765</b>	<b>1,258,772</b>

### CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

For the nine months ended 30 September 2018  
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations	Indirect Hotel & Commercial Operations	Other	Eliminations	September 2018 Unaudited
<b>Operating results:</b>					
External revenues	6,494,558	273,845	4,455	-	6,772,858
Net capital (losses)/gains on financial assets and liabilities	450,774	(1,396,671)	(2,351)	-	(948,248)
Total revenue	6,945,332	(1,122,826)	2,104	-	5,824,610
Operating expenses	(4,615,588)	-	(33,445)	-	(4,649,033)
Depreciation	(651,826)	-	-	-	(651,826)
Finance costs	(692,656)	(160,586)	-	-	(853,242)
(Loss)/Profit before taxation	985,262	(1,283,412)	(31,341)	-	(329,491)
Taxation	(250,073)	5,911	313	-	(243,849)
Net (loss)/profit	735,189	(1,277,501)	(31,028)	-	(573,340)
<b>Segment assets:</b>					
Total assets	25,952,987	16,679,537	96,097	(5,893,081)	36,835,540
<b>Segment liabilities:</b>					
Total liabilities	13,399,205	7,086,934	57,078	(5,893,081)	14,650,136
Deferred income taxes	627,184	66,547	22	-	693,753
<b>Other Segment items:</b>					
Capital expenditure: Property, plant and equipment					511,334

### Geographical Information

	Jamaica	United States of America	Total
Revenue	1,858,439	3,966,171	5,824,610
Total Assets	21,470,795	15,364,745	36,835,540

	Direct Hotel Operations	Indirect Hotel & Commercial Operations	Other	Eliminations	September 2017 Unaudited
<b>Operating results:</b>					
External revenues	7,640,147	2,145,946	4,564	-	9,790,657
Net capital gains/(losses) on financial assets and liabilities	226,653	(54,067)	4,632	-	177,218
Total revenue	7,866,800	2,091,879	9,196	-	9,967,875
Operating expenses	(5,606,443)	-	(12,668)	-	(5,619,111)
Depreciation	(516,109)	-	-	-	(516,109)
Finance costs	(795,273)	(307,424)	-	-	(1,102,697)
Profit/(loss) before taxation	948,975	1,784,455	(3,472)	-	2,729,958
Taxation	(297,282)	(70,015)	35	-	(367,262)
Net profit/(loss)	651,693	1,714,440	(3,437)	-	2,362,696
<b>Segment assets:</b>					
Total assets	32,053,325	14,970,545	103,835	(469,794)	46,657,911
<b>Segment liabilities:</b>					
Total liabilities	18,178,877	6,434,384	510,611	(469,794)	24,654,078
Deferred income taxes	1,287,036	153,325	207	-	1,440,568
<b>Other Segment items:</b>					
Capital expenditure: Property, plant and equipment					1,140,089

### Geographical Information

	Jamaica	United States of America	Total
Revenue	6,537,453	3,430,422	9,967,875
Total Assets	33,590,681	13,067,230	46,657,911

### 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.

#### 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, 2017 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 2018. The standards, which include IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, Amendment to IAS 40 Investment Property, have been assessed by the company. No significant impact to the financial statements has been determined from the adoption of these standards.