

# Sagicor Real Estate X Fund Limited

REPORT TO OUR STOCKHOLDERS

## Q1 2020 Performance



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 period ended March 2020.

#### OVERVIEW

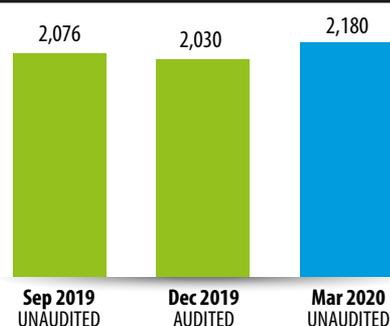
The Group started the year on a promising growth trajectory. However, in March the World Health Organization (WHO) declared the outbreak of COVID-19 a pandemic. To contain the outbreak, travel restrictions were imposed globally which led to a sharp decline in international tourist travel. In response to this, our local hotel and those owned by our partner, Playa Hotels & Resorts N. V. (Playa) suspended operations. DoubleTree by Hilton (DTO) remains open but is operating with reduced occupancy. The unprecedented downturn in business activities has led to a reduction in earnings for Q1 2020.

The Group generated net loss attributable to stockholders of \$2.77 billion compared to a net profit of \$0.69 billion in the prior year. The uncertainty surrounding the timing for reopening of the tourism sector and the current reduction in business activities led to a non-cash impairment charge of \$3.88 billion on our investment in associated company,

Playa. The shareholders of X-Fund Group have recorded \$2.36 billion in relation to this impairment charge. Notwithstanding this large non-cash adjustment, the Group continues to show a healthy liquidity position, an important indicator of our financial resilience. During the quarter, cash resources increased by \$0.15 billion to \$2.18 billion and generated positive cash flows from operations of \$0.26 billion. We remain confident that our cash resources are sufficient to meet our short to medium term liquidity needs.

#### X Fund Cash Resources by Quarters

J\$ MILLIONS



### HIGHLIGHTS

	Mar-20 YTD Unaudited	Mar-19 YTD Unaudited	% Change
Total Revenue - J\$ million	1,342.21	1,780.75	-25%
Earnings before interest, tax, depreciation and amortisation (EBITDA) J\$ million	(222.30)	1,409.96	-116%
Net (Loss)/ Profit attributable to stockholders - J\$ million	(2,768.74)	694.57	-499%
Earnings per stock unit -J\$	(1.23)	0.31	-497%
Total Assets - J\$ billion	45.22	49.08	-8%
Stockholders' Equity J\$ billion	23.16	25.35	-9%
JSE X Fund share price - J\$	7.75	10.57	-27%
Market capitalisation - J\$ billion	17.38	23.71	-27%

Earnings per stock unit (EPS) attributable to stockholders of X Fund was a loss of \$1.23 (March 2019: profit of \$0.31) and the return on average Stockholders' Equity (ROE) on an annualized basis was -45.48% (March 2019: 11.02%). The book value of X-Fund Group is \$10.33 per share compared to a share price of \$7.75 at March 2020.

#### EARNINGS

Total revenue for the quarter was \$1.34 billion, down 25% from the \$1.78 billion recorded for the same period last year. Hotel revenue had been on

an upward trend until the latter part of the quarter, when the Group began to experience a significant reduction in demand for travel and leisure activities. Our direct hotel operations segment which comprised DTO and our local hotel contributed \$1.56 billion, 11% down on prior year. In a time when the tourism sector is reporting significant losses, our hotel business generated net profits of \$0.06 billion. The Group has taken immediate measures to curtail operating and non-critical capital expenses in order to limit further loss in value.

**\$1.34B**  
Total Revenue

**\$23.16B**  
Stockholders' Equity

**\$45.22B**  
Total Assets

**\$17.38B**  
Market Capitalisation

**\$10.33**  
Book Value Per Share

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### INDIRECT HOTEL & COMMERCIAL OPERATIONS

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

- Jamziv had share of profit from associate of \$0.86 billion in prior year versus a share of loss of \$0.47 billion in the quarter. The decline in travel and leisure activities has directly impacted the operations of Playa.
- Unrealised capital losses of \$0.21 billion were recorded on our holdings in Sigma Fund as a result of COVID-19.

### DIRECT HOTEL OPERATIONS

- Jewel Grande Montego Bay (JGM) recorded a profit for the quarter, contributing net income of \$0.04 billion to X Fund, compared to a loss of \$0.03 billion in the prior year. Playa assumed management

of the property in June 2018 under a management contract, while we continued to build-out the operations of the property. Since then, we have seen marked improvements in occupancy and daily average rental rates. During the quarter occupancy levels were approximately 70%.

- DTO had a good first quarter considering the impact of COVID-19. The company continues to outperform comparable properties in the Orlando market with occupancy levels of 77% for the quarter. Notably, the average daily rate increased by 3%. Hotel revenues for DTO were \$1.35 billion (2019 \$1.47 billion), with Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) of \$0.43 billion (2019 \$0.49 billion), and net income for the quarter of \$0.11 billion (2019 \$0.18 billion). The reduction compared to last year is as a result of a significant decline in occupancy during March 2020.

### Balance Sheet

The Group's total assets were \$45.22 billion at March 2020 and \$49.22 billion at December 2019. Stockholders' Equity as at March 2020 was \$23.16 billion, down 9.31% from

\$25.54 billion as at December 2019. The reductions were due largely to the impairment of our investment in associate. Market capitalization at March 31, 2020 was \$17.38 billion, compared to \$22.43 billion at December 2019, reflecting the reduction in the share price.

### OUTLOOK

The COVID-19 pandemic has impacted Tourism, Travel, Hospitality and other related sectors. According to recent research from the World Tourism Organisation, "100% of global destinations continue to have restrictions on travel in place, and 72% have completely closed their borders to international tourism." Reopening of these sectors is dependent on when the restrictions on travel will be lifted. Currently, policy guidelines and other measures are being implemented to protect the health and safety of patrons and to prepare for the resumption of business activities.

We remain hopeful that our business activities will rebound in the latter part of the year but are cautious as global economic conditions may not improve in the coming months. We are carefully monitoring and assessing the overall

impact on the Group and remain 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. The Group remains cautiously optimistic about the future but feels it prudent to take a conservative view of the potential impact of COVID-19 and manage our businesses accordingly.

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

27 May 2020

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2020  
(Expressed in thousands of Jamaican dollars)

	March 2020 Unaudited	December 2019 Audited	March 2019 Unaudited
<b>ASSETS:</b>			
Property plant and equipment	15,065,702	14,858,281	14,465,650
Goodwill	923	923	923
Investment in Sigma Real Estate Portfolio	660,314	871,643	783,462
Investment property	2,033,593	2,033,593	1,922,362
Investment in Associate	23,914,577	27,926,492	28,235,483
Financial investments	275,276	291,094	276,640
Deferred income taxes	15,356	-	-
Inventories	39,664	35,285	34,424
Receivables	780,131	928,223	1,118,030
Tax Recoverable	93,010	-	75,754
Securities purchased under agreement to resell	163,432	246,240	195,462
Cash resources	2,180,178	2,030,657	1,967,271
<b>TOTAL ASSETS</b>	<b>45,222,156</b>	<b>49,222,431</b>	<b>49,075,461</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES:</b>			
<b>Stockholders' Equity attributable to:</b>			
<b>Stockholders' of the company</b>			
Share capital	12,642,512	12,642,512	12,642,512
Equity Reserves	4,443,887	4,052,520	3,127,383
Retained earnings	6,077,190	8,845,934	9,578,813
	23,163,589	25,540,966	25,348,708
Non-controlling interests	9,372,267	10,944,404	11,065,490
<b>Total Equity</b>	<b>32,535,856</b>	<b>36,485,370</b>	<b>36,414,198</b>
<b>Liabilities</b>			
Bank overdraft	-	-	15,357
Payables	967,662	994,962	1,331,683
Contractual Liabilities	90,085	248,016	65,441
Taxation payable	-	31,731	-
Borrowings	10,273,263	10,131,653	10,090,242
Deferred income taxes	1,355,290	1,330,699	1,158,540
<b>Total Liabilities</b>	<b>12,686,300</b>	<b>12,737,061</b>	<b>12,661,263</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>45,222,156</b>	<b>49,222,431</b>	<b>49,075,461</b>

Christopher Zacca  
Chairman  
27 May 2020

Bruce James  
Director

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020  
(Expressed in thousands of Jamaican dollars)

	March 2020 Year -to-date Unaudited	March 2019 Year -to-date Unaudited	December 2019 Full Year Audited
<b>Revenue:</b>			
Net investment income	5,773	5,279	23,723
Net capital (losses)/ gains on financial assets and liabilities	(220,820)	41,983	221,572
Hotel revenue	1,556,751	1,733,489	5,906,238
Other income	510	-	146,858
<b>Total revenue</b>	<b>1,342,214</b>	<b>1,780,751</b>	<b>6,298,391</b>
<b>Expenses:</b>			
Hotel expenses	1,074,593	1,213,839	4,371,110
Depreciation	202,106	164,005	775,426
Interest and other financing costs	180,779	146,464	646,050
Other operating expenses	15,867	13,927	148,990
<b>Total expenses</b>	<b>1,473,345</b>	<b>1,538,235</b>	<b>5,941,576</b>
<b>Operating (loss)/ profit</b>	<b>(131,131)</b>	<b>242,516</b>	<b>356,815</b>
Impairment of investment in associate	(3,877,822)	-	-
Share of (loss)/ profit from associate	(474,053)	856,978	(98,662)
(Loss)/ Profit before taxation	(4,483,006)	1,099,494	258,153
Taxation	8,909	(69,075)	(335,129)
<b>Net (Loss)/ Profit</b>	<b>(4,474,097)</b>	<b>1,030,419</b>	<b>(76,976)</b>
<b>Net (loss)/ profit attributable to:</b>			
<b>Stockholders of the company</b>	<b>(2,768,744)</b>	<b>694,569</b>	<b>(38,310)</b>
Non-controlling interests	(4,474,097)	1,030,419	(76,976)
<b>Earnings per stock unit for (loss)/ profit attributable to stockholders of the company:</b>			
Basic and fully diluted	-\$1.23	\$0.31	-\$0.02
<b>Net (loss)/ profit</b>	<b>(4,474,097)</b>	<b>1,030,419</b>	<b>(76,976)</b>
<b>Other comprehensive income/ (loss), net of taxes:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Re-translation of foreign operation	842,024	(558,129)	1,336,059
Interest Rate Swap	(316,285)	-	(410,058)
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Unrealised gain revaluation of property, plant and equipment	-	(5,303)	(294,191)
Retirement benefit obligations	(1,156)	-	(16,676)
Total other comprehensive income/ (loss) recognised in stockholders' equity, net of taxes	524,583	(563,432)	615,134
<b>Total comprehensive (loss)/ income</b>	<b>(3,949,514)</b>	<b>466,987</b>	<b>538,158</b>
<b>Total comprehensive (loss)/ income attributable to:</b>			
<b>Stockholders of the company</b>	<b>(2,377,377)</b>	<b>294,989</b>	<b>487,246</b>
Non-controlling interests	(1,572,137)	171,998	50,912
	(3,949,514)	466,987	538,158

# Sagicor Real Estate X Fund Limited

## Report to our Stockholders | Q1 2020 Performance



REAL ESTATE X FUND

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020  
(Expressed in thousands of Jamaican dollars)

	Share Capital	Currency Translation Reserve	Fair Value and Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total Stockholders' Equity Unaudited
<b>Period ended 31 March 2020</b>							
Balance as at 31 December 2019	12,642,512	989,864	3,062,656	8,845,934	25,540,966	10,944,404	36,485,370
Total comprehensive income for the period	-	584,413	(193,046)	(2,768,744)	(2,377,377)	(1,572,137)	(3,949,514)
<b>Balance as at 31 March 2020</b>	<b>12,642,512</b>	<b>1,574,277</b>	<b>2,869,610</b>	<b>6,077,190</b>	<b>23,163,589</b>	<b>9,372,267</b>	<b>32,535,856</b>
<b>Period ended 31 March 2019</b>							
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	-	(396,356)	(3,225)	694,569	294,988	171,998	466,986
<b>Balance as at 31 March 2019</b>	<b>12,642,512</b>	<b>(348,756)</b>	<b>3,476,139</b>	<b>9,578,813</b>	<b>25,348,708</b>	<b>11,065,490</b>	<b>36,414,198</b>

### CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

For the three months ended 31 March 2020  
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations (DTO and JGM)	Indirect Hotel & Commercial Operations (Playa and Sigma Units)	Other	Eliminations	March 2020 Unaudited
<b>Operating results:</b>					
External revenues	1,556,751	-	5,773	-	1,562,524
Net capital losses on financial assets and liabilities	(1,182)	(211,329)	(7,799)	-	(220,310)
Total revenue	1,555,569	(211,329)	(2,026)	-	1,342,214
Operating expenses	(1,079,056)	(11,404)	-	-	(1,090,460)
Depreciation	(202,106)	-	-	-	(202,106)
Finance costs	(170,857)	(9,922)	-	-	(180,779)
Operating Profit / (loss)	103,550	(232,655)	(2,026)	-	(131,131)
Impairment of investment in associate	-	(3,877,822)	-	-	(3,877,822)
Share of loss from associate	-	(474,053)	-	-	(474,053)
Profit / (loss) before taxation	103,550	(4,584,530)	(2,026)	-	(4,483,006)
Taxation	(42,869)	53,045	(1,267)	-	8,909
Net Profit/ (loss)	60,681	(4,531,485)	(3,293)	-	(4,474,097)
<b>Segment assets:</b>					
Total assets	26,951,577	24,575,813	92,169	(6,397,403)	45,222,156
<b>Segment liabilities:</b>					
Total liabilities	12,368,154	6,694,818	20,731	(6,397,403)	12,686,300
<b>Other Segment items:</b>					
Capital expenditure: Property, plant and equipment					99,006

Geographical Information	United States of America		Total
	Jamaica		
Revenue	(10,735)	1,352,949	1,342,214
Total Assets	4,180,123	41,042,033	45,222,156

	Direct Hotel Operations (DTO and JGM)	Indirect Hotel & Commercial Operations (Playa and Sigma Units)	Other	Eliminations	March 2019 Unaudited
<b>Operating results:</b>					
External revenues	1,733,489	-	5,279	-	1,738,768
Net capital gains on financial assets and liabilities	23,263	8,601	10,119	-	41,983
Total revenue	1,756,752	8,601	15,398	-	1,780,751
Operating expenses	(1,217,986)	(9,780)	-	-	(1,227,766)
Depreciation	(164,005)	-	-	-	(164,005)
Finance costs	(112,000)	(34,464)	-	-	(146,464)
Operating Profit / (loss)	262,761	(35,643)	15,398	-	242,516
Share of profit from associate	-	856,978	-	-	856,978
Profit before taxation	262,761	821,335	15,398	-	1,099,494
Taxation	(71,847)	1,708	1,064	-	(69,075)
Net Profit	190,914	823,043	16,462	-	1,030,419
<b>Segment assets:</b>					
Total assets	25,969,116	29,019,867	93,341	(6,006,863)	49,075,461
<b>Segment liabilities:</b>					
Total liabilities	12,174,931	6,474,830	18,365	(6,006,863)	12,661,263
<b>Other Segment items:</b>					
Capital expenditure: Property, plant and equipment					74,351

Geographical Information	United States of America		Total
	Jamaica		
Revenue	310,974	1,469,777	1,780,751
Total Assets	4,343,547	44,731,914	49,075,461

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2020  
(Expressed in thousands of Jamaican dollars)

	March 2020 Unaudited	March 2019 Unaudited	December 2019 Audited
<b>Cash Flows from Operating Activities:</b>			
Net (Loss)/ Profit	(4,474,097)	1,030,419	(76,976)
Adjustments for:			
<b>Items not affecting cash:</b>			
Depreciation and amortisation	202,106	164,517	775,426
Amortisation of franchise fees	535	512	2,089
Interest income	(5,773)	(5,279)	(23,723)
Interest expense	180,779	146,464	646,050
Income tax expense	(8,910)	69,075	335,129
Effect of exchange losses on foreign currency balances	(34,648)	(3,543)	146
Impairment on investment in associate	3,877,822	-	-
Share of (profit)/loss from associate	474,053	(856,978)	98,662
Fair value gain on units held in Sagicor Sigma Funds	211,329	(8,601)	(96,782)
Fair value gain on other financial investments	14,164	(5,353)	(14,726)
Fair value gain on investment property	-	-	(111,231)
	437,360	531,233	1,534,064
Changes in other operating assets and liabilities:			
Accounts receivable	80,343	298,814	438,879
Inventories	(3,926)	55,200	7,914
Accounts payable	(200,370)	230,055	137,158
Income taxes paid	(53,641)	(500,271)	(500,331)
<b>Net cash generated from operating activities</b>	<b>259,766</b>	<b>615,031</b>	<b>1,617,684</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment, net	(99,006)	(74,351)	(287,315)
Restricted cash	(107,172)	(74,929)	(189,906)
Net (Purchase)/ sale of investments	(737)	551	(2,405)
Interest income received	9,326	14,625	23,612
<b>Net cash used in investing activities</b>	<b>(197,589)</b>	<b>(134,104)</b>	<b>(456,014)</b>
<b>Cash Flows from Financing Activities:</b>			
Borrowings, net	(30,147)	(56,600)	(316,683)
Interest expense paid	(141,181)	(119,367)	(612,609)
<b>Net cash used in financing activities</b>	<b>(171,328)</b>	<b>(175,967)</b>	<b>(929,292)</b>
<b>Cash and cash equivalents:</b>			
Effect of exchange rate on cash and cash equivalents	60,770	(30,569)	43,397
Cash and cash equivalents at beginning of period	1,756,027	1,480,252	1,480,252
<b>Cash and cash equivalents at end of period</b>	<b>1,707,646</b>	<b>1,754,643</b>	<b>1,756,027</b>
<b>Comprising:</b>			
Bank overdraft	-	(15,357)	-
Cash and bank	1,662,088	1,689,301	1,626,812
Securities purchased under agreement to resell	45,558	80,699	129,215
	<b>1,707,646</b>	<b>1,754,643</b>	<b>1,756,027</b>

### 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 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 Fund also holds 51.86% of Jamziv Mobay Jamaica Portfolio Limited (Jamziv), a subsidiary incorporated and domiciled in Jamaica. The X Fund Group combined shareholding of Jamziv 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, 2019 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 2020. No significant impact to the financial statements has been determined from the adoption of these standards.

#### Impairment of investment in associate

The containment of COVID-19 has been a global priority, resulting in quarantine measures, travel bans and border closures worldwide. The outbreak has brought the international tourism sector to a standstill, causing a sharp drop in tourist arrivals and significant loss in revenues. These factors, coupled with the high level of uncertainty surrounding the virus, triggered the impairment assessment.

For the period ended 31 March 2020, the Group recorded impairment charges of \$3.88 billion against the carrying value for investment in associate. These impairment charges are recognized in the consolidated income statement. The recoverable amount used for Playa's cash generating units (CGUs) was based on value in use. Assumptions used in determining the recoverable amounts of the CGUs of Playa included discount rates, projected capital expenditure, growth rates and management forecasts as well as the ability to obtain sufficient funding to remain as going concerns. Subsequent to the end of the current quarter Playa was successful in raising additional funding through debt and equity financing totaling US\$224 million, which will be sufficient to fund their operations for the medium term.

#### Impact of COVID19

Key sectors of the economy particularly, tourism, remittances, manufacturing, transportation, logistics and related sectors have experienced significant disruption due to COVID-19. For the quarter ending 31 March 2020, the Group experienced an initial impact from the economic downturn. These financial results have been adversely impacted in multiple areas including: unrealised capital losses, lower hotel earnings and impairment of investment in associated company, Playa.