

Sagicor Real Estate X Fund Limited

REPORT TO OUR STOCKHOLDERS

Q2 2020 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 2020.

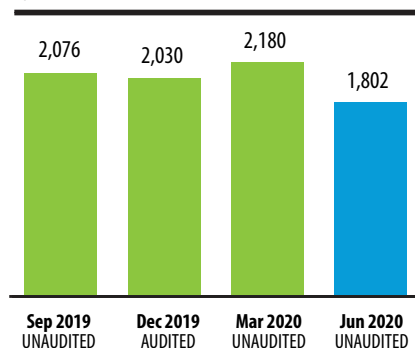
OVERVIEW

The Group generated net loss attributable to stockholders of \$5.10 billion compared to a net profit of \$0.69 billion in the prior year. The outbreak of COVID-19 globally led to a pause in business activities at our local hotel, Jewel Grande Montego Bay (JGM) and those owned by Playa Hotels & Resorts N.V. (Playa) since mid-March. JGM resumed full operations on July 1st while Playa began re-opening on a phased basis. The reopening of the tourism sector has improved the outlook for our business activities. However, with uncertainty surrounding patrons' confidence in leisure and travel activities, a non-cash impairment charge of \$5.20 billion was recorded on our investment in associated company, Playa. On June 12, 2020, Playa announced the issue of 4.88 million ordinary shares priced at US\$4.10 per share and additional debt financing of US\$204 million. This transaction led to a 0.56% reduction in X-Fund's holdings and the Group recorded a loss on dilution of \$0.38 billion. The shareholders of X-Fund Group have recorded \$3.40 billion in relation to the impairment charge and the dilution of interest.

Notwithstanding these large non-cash adjustments, the Group continues to show a healthy liquidity position, an important indicator of our financial resilience. Cash resources at June 2020 was \$1.80 billion. We remain confident that our cash resources are sufficient to meet our forecasted needs.

Earnings per stock unit (EPS) attributable to stockholders of X Fund was a loss of \$2.28 (June 2019: profit of \$0.31) and the return on average Stockholders' Equity (ROE) on an annualized basis was -43.20% (June 2019: 5.35%). The book value of X-Fund Group is \$9.68 per share compared to a share price of \$7.75 at June 2020.

X Fund Cash Resources by Quarters



HIGHLIGHTS

	June 2020 YTD Unaudited	June 2019 YTD Unaudited	% Change
Total Revenue - J\$ million	1,651.65	3,410.11	-52%
Earnings before interest, tax, depreciation and amortisation (EBITDA) J\$ million	(1,754.26)	1,849.26	-195%
Net (Loss)/ Profit attributable to stockholders - J\$ million	(5,104.49)	688.87	-841%
Earnings per stock unit -J\$	(2.28)	0.31	-835%
Total Assets - J\$ billion	43.00	51.07	-16%
Stockholders' Equity J\$ billion	21.72	26.49	-18%
JSE X Fund share price - J\$	7.75	9.99	-22%
Market capitalisation - J\$ billion	17.38	22.41	-22%

EARNINGS

Total revenue was \$1.65 billion, down 52% or \$1.76 billion compared to the same period last year. Our direct hotel operations segment which comprised DoubleTree by Hilton (DTO) and JGM contributed \$1.79 billion, 47% below prior year. The Group began the year with hotel revenue on an upward trend until the latter part of Q1 2020, when it began to experience a significant reduction in tourists' arrivals. Measures to curtail operating and non-critical capital expenses have been ongoing. Hotel expenses of \$1.44 billion for the period represent a 39% reduction over the comparative period. This has helped to cushion some of the impact from the reduction in revenues. When the extraordinary items and non-cash share of loss

from associate are excluded, Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was \$0.17 billion at the end of the quarter.

INDIRECT HOTEL & COMMERCIAL OPERATIONS

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

\$1.65B
Total Revenue

\$21.72B
Stockholders' Equity

\$43.00B
Total Assets

\$9.68
Book Value Per Share

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- Jamziv had share of profit from associate of \$0.88 billion in prior year versus a share of loss of \$1.93 billion for the period. The decline in travel and leisure activities has directly impacted the operations of Playa.
- Unrealised capital losses of \$0.14 billion were recorded on our holdings in Sigma Fund as a result of COVID-19.

DIRECT HOTEL OPERATIONS

- JGM recorded a profit for the period, contributing net income of \$0.01 billion to X Fund, compared to \$0.05 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. However, net profit has been severely impacted and, on the decline, since the worldwide closure of Tourism.
- DTO had performed reasonably well for the first six months considering the impact of COVID-19. The company continues to outperform comparable properties in the Orlando market with occupancy levels of 45% on a

year-to-date basis. Notably, the average daily rate increased by 1%. Hotel revenues for DTO were \$1.49 billion (2019 \$2.80 billion), with EBITDA of \$0.30 billion (2019 \$0.88 billion), and net loss for the period of \$0.21 billion (2019: profit of \$0.28 billion). The reduction compared to last year is as a result of a significant decline in occupancy levels.

Balance Sheet

The Group's total assets were \$43.00 billion at June 2020 and \$49.22 billion at December 2019. Stockholders' Equity as at June 2020 was \$21.72 billion, down 15% from \$25.54 billion as at December 2019. The reductions were due largely to the impairment of our investment in associate. Market capitalization at June, 2020 was \$17.38 billion, compared to \$22.43 billion at December 2019, reflecting the reduction in the share price.

OUTLOOK

The outlook for Mexico and countries within the Caribbean dependent on Tourism has worsened since March 2020, as they continue to experience an unprecedented decline in demand for

travel and guests' arrivals. It is expected that the improvement in international tourist arrivals will be more gradual than initially thought. Economic data available in June from the International Monetary Fund (IMF) forecasts contraction of GDP in Mexico and the Caribbean will be 10.5% and 10.3% in 2020 respectively.

Notwithstanding, some Caribbean countries have instituted containment strategies which according to IMF have led to a flattening of the COVID-19 curve. Also, a shift from a total shutdown due to COVID-19 to resumption of activities in the Tourism, Travel and Hospitality sectors globally is a positive indicator.

The Group has consulted and worked closely with health authorities to develop and implement measures to protect the health and safety of our Team members and Patrons. In addition, various promotional offerings and collaboration with international and local sales agencies commenced in July which are aimed at pushing sales.

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

31 July 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020
(Expressed in thousands of Jamaican dollars)

	June 2020 Unaudited	December 2019 Audited	June 2019 Unaudited
ASSETS:			
Property plant and equipment	15,423,749	14,858,281	14,966,158
Goodwill	923	923	923
Investment in Sigma Real Estate Portfolio	729,645	871,643	808,904
Investment property	2,033,593	2,033,593	1,922,362
Investment in Associate	21,666,642	27,926,492	29,477,772
Financial investments	347,393	537,334	406,344
Inventories	38,312	35,285	30,592
Receivables	852,018	928,223	1,067,007
Tax Recoverable	101,462	-	75,754
Cash resources	1,802,451	2,030,657	2,315,789
TOTAL ASSETS	42,996,188	49,222,431	51,071,605
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	5,329,507	4,052,520	4,277,031
Retained earnings	3,750,691	8,845,934	9,573,117
	21,722,710	25,540,966	26,492,660
Non-controlling interests	8,491,375	10,944,404	11,552,344
Total Equity	30,214,085	36,485,370	38,045,004
Liabilities			
Bank overdraft	-	-	15,365
Payables	886,419	994,962	1,481,025
Contractual Liabilities	68,041	248,016	86,711
Taxation payable	-	31,731	-
Borrowings	10,517,420	10,131,653	10,193,580
Deferred income taxes	1,310,223	1,330,699	1,249,920
Total Liabilities	12,782,103	12,737,061	13,026,601
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	42,996,188	49,222,431	51,071,605

Christopher Zacca
Chairman
31 July, 2020

Bruce James
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020
(Expressed in thousands of Jamaican dollars)

	Q2 2020 Unaudited	Q2 2019 Unaudited	June 2020 Year-to-date Unaudited	June 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Revenue:					
Net investment income	5,025	6,607	10,798	11,886	23,723
Net capital gains/(losses) on financial assets and liabilities	76,749	26,957	(144,071)	68,940	221,572
Hotel revenue	227,659	1,595,798	1,784,410	3,329,287	5,906,238
Other income	4	-	514	-	146,858
Total revenue	309,437	1,629,362	1,651,651	3,410,113	6,298,391
Expenses:					
Hotel expenses	367,307	1,163,937	1,441,900	2,377,776	4,371,110
Depreciation	223,452	189,704	425,558	353,709	775,426
Interest and other financing costs	200,874	206,174	381,653	352,638	646,050
Other operating expenses	20,929	47,715	36,796	61,642	148,990
Total expenses	812,562	1,607,530	2,285,907	3,145,765	5,941,576
Operating (loss)/ profit	(503,125)	21,832	(634,256)	264,348	356,815
Impairment of investment in associate	(1,324,720)	-	(5,202,542)	-	-
Dilution of associate	(380,747)	-	(380,747)	-	-
Share of (loss)/ profit from associate	(1,453,165)	21,585	(1,927,218)	878,563	(98,662)
(Loss)/ Profit before taxation	(3,661,757)	43,417	(8,144,763)	1,142,911	258,153
Taxation	88,250	(40,654)	97,159	(109,729)	(335,129)
Net (Loss)/ Profit	(3,573,507)	2,763	(8,047,604)	1,033,182	(76,976)
Net (loss)/ profit attributable to:					
Stockholders of the company	(2,335,742)	(5,696)	(5,104,486)	688,873	(38,310)
Non-controlling interests	(1,237,765)	8,459	(2,943,118)	344,309	(38,666)
	(3,573,507)	2,763	(8,047,604)	1,033,182	(76,976)
Earnings per stock unit for (loss)/ profit attributable to stockholders of the company:					
Basic and fully diluted	-\$1.04	\$0.00	-\$2.28	\$0.31	-\$0.02
Net (loss)/ profit	(3,573,507)	2,763	(8,047,604)	1,033,182	(76,976)
Other comprehensive income/ (loss), net of taxes:					
Items that may be subsequently reclassified to profit or loss					
Re-translation of foreign operation	1,169,451	1,611,712	2,011,475	1,053,583	1,336,059
Interest Rate Swap	315,112	-	(1,173)	-	(410,058)
Items that will not be subsequently reclassified to profit or loss					
Unrealised gain/(loss) revaluation of property, plant and equipment	-	16,330	-	11,027	(294,191)
Retirement benefit obligations	(232,827)	-	(233,983)	-	(16,676)
Total other comprehensive income recognised in stockholders' equity, net of taxes	1,251,736	1,628,042	1,776,319	1,064,610	615,134
Total comprehensive (loss)/ income	(2,321,771)	1,630,805	(6,271,285)	2,097,792	538,158
Total comprehensive (loss)/ income attributable to:					
Stockholders of the company	(1,440,879)	1,143,951	(3,818,256)	1,438,940	487,246
Non-controlling interests	(880,892)	486,854	(2,453,029)	658,852	50,912
	(2,321,771)	1,630,805	(6,271,285)	2,097,792	538,158

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 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
Period ended 30 June 2020							
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	-	1,429,237	(143,007)	(5,104,486)	(3,818,256)	(2,453,029)	(6,271,285)
Transfer between reserves	-	-	(9,243)	9,243	-	-	-
Balance as at 30 June 2020	12,642,512	2,419,101	2,910,406	3,750,691	21,722,710	8,491,375	30,214,085
Period ended 30 June 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	-	743,362	6,705	688,873	1,438,940	658,852	2,097,792
Balance as at 30 June 2019	12,642,512	790,962	3,486,069	9,573,117	26,492,660	11,552,344	38,045,004

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

for the six months ended 30 June 2020
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations (DTO and JGM)	Indirect Hotel & Commercial Operations (Playa and Sigma Units)	Other	Eliminations	June 2020 Unaudited
Operating results:					
External revenues	1,784,407	-	10,801	-	1,795,208
Net capital gains/(losses) on financial assets and liabilities	2,090	(141,998)	(3,649)	-	(143,557)
Total revenue	1,786,497	(141,998)	7,152	-	1,651,651
Operating expenses	(1,459,450)	(19,246)	-	-	(1,478,696)
Depreciation	(425,558)	-	-	-	(425,558)
Finance costs	(356,588)	(25,065)	-	-	(381,653)
Operating (Loss)/ profit	(455,099)	(186,309)	7,152	-	(634,256)
Impairment of investment in associate	-	(5,202,542)	-	-	(5,202,542)
Loss on dilution of associate	-	(380,747)	-	-	(380,747)
Share of loss from associate	-	(1,927,218)	-	-	(1,927,218)
Loss / (profit) before taxation	(455,099)	(7,696,816)	7,152	-	(8,144,763)
Taxation	63,687	35,943	(2,471)	-	97,159
Net Loss/ (profit)	(391,412)	(7,660,873)	4,681	-	(8,047,604)
Segment assets:					
Total assets	26,939,161	22,397,210	33,295	(6,373,478)	42,996,188
Segment liabilities:					
Total liabilities	12,459,482	6,682,316	13,783	(6,373,478)	12,782,103
Other Segment items:					
Capital expenditure: Property, plant and equipment					105,720

Geographical Information	United States of America		Total
	Jamaica		
Revenue	157,105	1,494,546	1,651,651
Total Assets	4,121,967	38,874,221	42,996,188

	Direct Hotel Operations (DTO and JGM)	Indirect Hotel & Commercial Operations (Playa and Sigma Units)	Other	Eliminations	June 2019 Unaudited
Operating results:					
External revenues	3,329,287	-	11,886	-	3,341,173
Net capital gains on financial assets and liabilities	26,160	34,043	8,737	-	68,940
Total revenue	3,355,447	34,043	20,623	-	3,410,113
Operating expenses	(2,404,215)	(35,201)	-	-	(2,439,416)
Depreciation	(353,709)	-	-	-	(353,709)
Finance costs	(265,166)	(87,474)	-	-	(352,640)
Operating Profit / (loss)	332,357	(88,632)	20,623	-	264,348
Share of profit from associate	-	878,563	-	-	878,563
Profit before taxation	332,357	789,931	20,623	-	1,142,911
Taxation	(86,431)	(25,637)	2,339	-	(109,729)
Net Profit	245,926	764,294	22,962	-	1,033,182
Segment assets:					
Total assets	26,749,971	30,287,598	99,746	(6,065,710)	51,071,605
Segment liabilities:					
Total liabilities	12,515,734	6,355,226	221,351	(6,065,710)	13,026,601
Other Segment items:					
Capital expenditure: Property, plant and equipment					127,923

Geographical Information	United States of America		Total
	Jamaica		
Revenue	610,615	2,799,498	3,410,113
Total Assets	21,801,609	29,269,996	51,071,605

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020
(Expressed in thousands of Jamaican dollars)

	June 2020 Unaudited	June 2019 Unaudited	December 2019 Audited
Cash Flows from Operating Activities:			
Net (Loss)/ Profit	(8,047,604)	1,033,182	(76,976)
Adjustments for:			
Items not affecting cash:			
Depreciation and amortisation	425,558	353,709	775,426
Amortisation of franchise fees	1,085	1,025	2,089
Interest income	(10,798)	(11,886)	(23,723)
Interest expense	381,653	352,638	646,050
Income tax (credit)/expense	(97,159)	109,729	335,129
Effect of exchange (gains)/losses on foreign currency balances	(6,127)	(4,237)	146
Impairment on investment in associate	5,202,542	-	-
Share of (profit)/loss from associate	1,927,218	(878,563)	98,662
Loss on dilution of associate	380,747	-	-
Fair value loss/(gain) on units held in Sagicor Sigma Funds	141,998	(34,043)	(96,782)
Fair value loss/(gain) on other financial investments	11,241	(6,174)	(14,726)
Fair value gain on investment property	-	-	(111,231)
	310,354	915,380	1,534,064
Changes in other operating assets and liabilities:			
Accounts receivable	7,646	321,705	438,879
Inventories	(1,482)	10,971	7,914
Accounts payable	(319,683)	473,731	137,158
Income taxes paid	(53,641)	(500,271)	(500,331)
Net cash (used in)/ generated from operating activities	(56,806)	1,221,516	1,617,684
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment, net	(105,720)	(127,923)	(287,315)
Restricted cash	(223,717)	(168,930)	(189,906)
Net (Purchase)/ sale of investments	89,810	422	(2,405)
Interest income received	10,808	79,291	23,612
Net cash used in investing activities	(228,819)	(217,140)	(456,014)
Cash Flows from Financing Activities:			
Borrowings, net	(60,667)	(258,656)	(316,683)
Interest expense paid	(308,012)	(343,677)	(612,609)
Net cash used in financing activities	(368,679)	(602,333)	(929,292)
Cash and cash equivalents:			
Effect of exchange rate on cash and cash equivalents	81,929	41,855	43,397
Cash and cash equivalents at beginning of period	1,756,027	1,480,252	1,480,252
Cash and cash equivalents at end of period	1,183,652	1,924,150	1,756,027
Comprising:			
Bank overdraft	-	(15,365)	-
Cash and bank	1,148,610	1,931,431	1,626,812
Securities purchased under agreement to resell	35,042	8,084	129,215
	1,183,652	1,924,150	1,756,027

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 51.48% 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 30 June 2020, the Group recorded impairment charges of \$5.20 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.

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 period ending 30 June 2020, the Group experienced the 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.