

DIRECTORS' REPORT

On behalf of the Board of Directors of Sagicor Real Estate X Fund Limited (X Fund or the Group), we present the 2020 performance of our Group of companies.

OVERVIEW

Prior to COVID-19, investment in the tourism sector represented a profitable business venture with strong growth potential. Likewise, the partnership with Playa provided the Group with a footprint in geographical markets outside of Jamaica such as Mexico and Dominican Republic. The Group had positioned itself to capitalize on the earnings potential of the tourism sector in the medium to long term. However, this strategic move was disrupted by the pandemic.

The Group generated net loss attributable to stockholders of \$9.99 billion compared to \$0.038 billion in the prior year. The outbreak of COVID-19 globally triggered a sharp decline in tourist arrivals and the demand for leisure activities. Business activities across Jewel Grande Montego Bay (JGM) and Playa Hotels & Resorts N.V. (Playa) were halted during the earlier part of the year while DoubleTree by Hilton (DTO) continued operations but at reduced occupancy levels. COVID-19 has negatively impacted earnings for the tourism sector which led to the recording of an impairment charge

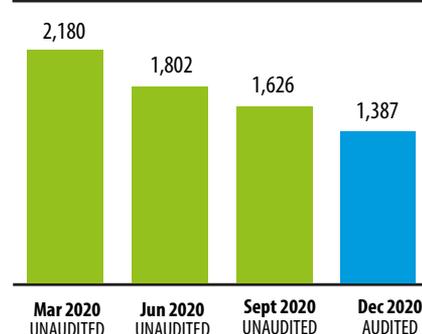
of \$7.93 billion on our investment in associated company, Playa.

Effective September 22nd, 2020, the Group sold its interest in JGM to Sagicor Pooled Investment Fund Limited (PIF). The transaction significantly improved X-Fund's liquidity profile and generated inflows of \$1.6 billion that were used to pay out maturing debt. The sale price was based on a current valuation, but amid the COVID-19 pandemic, property values declined significantly over the prior year resulting in a loss on disposal of \$0.38 billion.

While the Group has demonstrated resilience in this challenging environment, it also had to adjust its business model to outmaneuver the effects of COVID-19. In early January 2021, Jamziv Mobay Jamaica Portfolio Limited (Jamziv) disposed of its

X Fund Cash Resources by Quarters

J\$ MILLIONS



HIGHLIGHTS

	December 2020 Audited	December 2019 Audited
Total Revenue - J\$ million	2,579.90	6,298.39
Earnings before interest, tax, depreciation and amortisation (EBITDA- excluding impairment charges and loss on dilution of associate) J\$ million	(5,752.19)	1,679.63
Net Loss attributable to stockholders – J\$ million	(9,987.06)	(38.31)
Earnings per stock unit –J\$	(4.45)	(0.02)
Total Assets – J\$ billion	32.00	49.22
Stockholders' Equity J\$ billion	15.17	25.54
JSE X Fund share price – J\$	8.25	10.00
Market capitalisation – J\$ billion	18.50	22.43

20,000,000 ordinary shares in Playa for which it received inflows of US\$96 million. The strong inflow of liquidity will be redeployed into investment opportunities with a projected positive outcome.

The share price of X-Fund Group is \$8.25 at December 2020 compared \$10.00 at December 2019.

EARNINGS

Total revenue was \$2.58 billion, down 59% or \$3.72 billion compared to the same period last year. Our direct hotel operations segment which comprised DTO and JGM contributed \$2.65 billion, 57% below prior year. Travel-related revenue continues to be impacted by the worldwide downturn of the tourism

market. Measures to curtail operating and non-critical capital expenses have been ongoing. Hotel expenses of \$2.39 billion for the period represent a 46% reduction over the comparative period. This has helped to cushion some of the impact from the reduction in revenues.

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 loss 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

\$2.58B
Total Revenue

\$15.17B
Stockholders' Equity

\$32.00B
Total Assets

\$18.5B
Market Capitalisation

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REAL ESTATE X FUND

Sigma Real Estate Portfolio holds a 3% interest.

- Jamziv had share of loss from associate of \$0.10 billion in prior year versus \$5.47 billion for the period. The decline in travel and leisure activities has directly impacted the operations of Playa. As our interest in the hotel is now sold, no further losses will be recognized in subsequent periods in relation to the operating results of Playa.
- On June 12, 2020, Playa announced the issue of 4,880,000 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 \$0.39 billion.
- Unrealised capital losses of \$0.09 billion were recorded on our holdings in Sigma Fund as a result of COVID-19.

DIRECT HOTEL OPERATIONS

- JGM recorded a loss for the period of \$0.48 billion compared to net income of \$0.01 billion in the prior year. Current year's results include realized

loss on sale of JGM. Net profit has also been severely impacted and on the decline, since the worldwide downturn for Tourism.

- DTO had performed reasonably well in 2020 considering the impact of COVID-19. The company continues to outperform comparable properties in the Orlando market with occupancy levels of 47% for the full year 2020. Hotel revenues for DTO were \$2.43 billion (2019: \$5.27 billion), with EBITDA of \$0.34 billion (2019: \$1.47 billion), and net loss for the period of \$0.62 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 \$32.00 billion at December 2020 and \$49.22 billion at December 2019. Stockholders' Equity as at December 2020 was \$15.17 billion, down 41% from \$25.54 billion as at December 2019. The reductions were due largely to the impairment of our investment in associate. Market capitalization at year end was \$18.50 billion, compared

to \$22.43 billion at December 2019, reflecting the reduction in the share price.

OUTLOOK

The International Monetary Fund (IMF) has revised its forecast for global economic growth in 2021 to 5.5%, which is higher than their previous projection in October. IMF further explains that the reason for the upgrade stems from the positive effects from the start of vaccinations in some countries, additional fiscal support in the USA and at least a partial return to business and consumer normality overtime. With the sluggish recovery of international tourism, many countries like the USA have turned to domestic tourism. The city of Orlando, with a focus on local "staycations" has now launched "The Wonder Remains" campaign, targeting States outside of Florida. This is an attempt to reduce the impact caused by the fallout in international demand.

Despite the positive growth projections, there still is great uncertainty around the outlook. The fact is, much remains unknown about the pace of tourism recovery in 2021 going into 2022

due to the ongoing pandemic and continued travel restrictions, at least until vaccines are widely available. We continue to carefully monitor and assess the economic conditions of 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 place in us.

On behalf of The Board of Directors:

CHRISTOPHER ZACCA
Chairman

BRUCE JAMES
Director

23 February 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020 (Expressed in thousands of Jamaican dollars)

	December 2020 Audited	December 2019 Audited
ASSETS		
Non-Current Assets		
Property plant and equipment	12,560,859	14,858,281
Goodwill	923	923
Investment in Sigma Real Estate Portfolio	783,743	871,643
Investment property	-	2,033,593
Investment in Associate	15,844,877	27,926,492
Financial investments	189,036	291,094
	<u>29,379,438</u>	<u>45,982,026</u>
Current Assets		
Inventories	27,337	35,285
Receivables	1,075,151	928,223
Securities purchased under agreement to resell	134,975	246,240
Cash resources	1,386,587	2,030,657
	<u>2,624,050</u>	<u>3,240,405</u>
TOTAL ASSETS	32,003,488	49,222,431
STOCKHOLDERS' EQUITY AND LIABILITIES:		
Stockholders' Equity attributable to:		
Stockholders' of the company		
Share capital	12,642,512	12,642,512
Equity Reserves	3,658,551	4,052,520
Retained earnings	(1,131,882)	8,845,934
	<u>15,169,181</u>	<u>25,540,966</u>
Non-controlling interests	6,210,019	10,944,404
Total Equity	21,379,200	36,485,370
Liabilities		
Non-Current Liabilities		
Deferred income taxes	667,289	1,330,699
Borrowings	7,469,311	7,734,503
	<u>8,136,600</u>	<u>9,065,202</u>
Current Liabilities		
Payables	351,262	994,962
Contractual Liabilities	59,454	248,016
Borrowings	2,076,972	2,397,150
Taxation payable	-	31,731
	<u>2,487,688</u>	<u>3,671,859</u>
Total Liabilities	10,624,288	12,737,061
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	32,003,488	49,222,431

Christopher Zacca
Chairman
23 February, 2021

Bruce James
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the twelve months ended 31 December 2020 (Expressed in thousands of Jamaican dollars)

	Q4 2020 Audited	Q4 2019 Audited	December 2020 Full Year Audited	December 2019 Full Year Audited
Revenue:				
Net investment income	3,887	6,171	18,525	23,723
Net capital gains/(losses) on financial assets and liabilities	50,724	125,800	(93,202)	221,572
Hotel revenue	576,584	1,399,916	2,427,344	5,274,289
Hotel revenue from discontinued operations	23,834	159,473	226,703	631,949
Other income	19	146,858	533	146,858
Total revenue	655,048	1,838,218	2,579,903	6,298,391
Expenses:				
Hotel expenses	476,201	980,848	2,090,991	3,799,924
Depreciation	191,899	187,273	790,083	724,427
Interest and other financing costs	146,480	103,856	683,186	646,050
Other operating expenses	37,609	56,669	118,418	148,990
Expenses from discontinued operations	30,236	207,292	321,684	622,185
Loss on sale of the hotel operations	(6,402)	-	382,047	-
Total expenses	876,023	1,535,938	4,386,409	5,941,576
Operating (loss)/ profit	(220,975)	302,280	(1,806,506)	356,815
Impairment of investment in associate	(2,712,955)	-	(7,925,022)	-
Loss on dilution of interest in associate	(3,143)	-	(391,296)	-
Share of loss from associate	(2,073,252)	(372,254)	(5,467,297)	(98,662)
(Loss)/ Profit before taxation	(5,010,325)	(69,974)	(15,590,121)	258,153
Taxation	32,311	(49,938)	201,719	(335,129)
Net loss	<u>(4,978,014)</u>	<u>(119,912)</u>	<u>(15,388,402)</u>	<u>(76,976)</u>
Net (loss)/ profit attributable to:				
Stockholders of the company	(3,101,226)	25,976	(9,987,059)	(38,310)
Non-controlling interests	(1,876,788)	(145,888)	(5,401,343)	(38,666)
	<u>(4,978,014)</u>	<u>(119,912)</u>	<u>(15,388,402)</u>	<u>(76,976)</u>
Earnings per stock unit for (loss)/ profit attributable to stockholders of the company:				
Basic and fully diluted	(\$1.38)	\$0.01	(\$4.45)	(\$0.02)
Net loss	(4,978,014)	(119,912)	(15,388,402)	(76,976)
Other comprehensive income/ (loss), net of taxes:				
Items that may be subsequently reclassified to profit or loss				
Re-translation of foreign operation	82,927	(780,642)	2,844,201	1,336,059
Re-translation of foreign operation recycled to the Income Statement on dilution of associated company	-	-	(74,042)	-
Interest Rate Swap	77,591	(410,058)	(140,618)	(410,058)
Share of other interest rate swap of associated company recycled to the Income Statement on dilution of associated company	-	-	24,237	-
Items that will not be subsequently reclassified to profit or loss				
Unrealised (loss)/gain revaluation of property, plant and equipment	131,829	(294,191)	(2,368,749)	(294,191)
Retirement benefit obligations	(22,528)	(16,676)	(2,797)	(16,676)
Total other comprehensive income/(loss) recognised in stockholders' equity, net of taxes	269,819	(1,501,567)	282,232	615,134
Total comprehensive (loss)/ income	<u>(4,708,195)</u>	<u>(1,621,479)</u>	<u>(15,106,170)</u>	<u>538,158</u>
Total comprehensive (loss)/ income attributable to:				
Stockholders of the company	(2,880,212)	(942,960)	(10,371,785)	487,246
Non-controlling interests	(1,827,983)	(678,519)	(4,734,385)	50,912
	<u>(4,708,195)</u>	<u>(1,621,479)</u>	<u>(15,106,170)</u>	<u>538,158</u>

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REAL ESTATE X FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the twelve months ended 31 December 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 31 December 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	-	1,959,898	(2,344,624)	(9,987,059)	(10,371,785)	(4,734,385)	(15,106,170)
Transfer between reserves	-	-	(9,243)	9,243	-	-	-
Balance as at 31 December 2020	12,642,512	2,949,762	708,789	(1,131,882)	15,169,181	6,210,019	21,379,200
Period ended 31 December 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	-	942,264	(416,708)	(38,310)	487,246	50,912	538,158
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

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

for the twelve months ended 31 December 2020
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations (DTO and JGM)	Indirect Hotel & Commercial Operations (Playa and Sigma Units)	Other	Eliminations	December 2020 Audited
Operating results:					
External revenues	2,654,047	-	18,525	-	2,672,572
Net capital losses on financial assets and liabilities	(2,939)	(87,900)	(1,830)	-	(92,669)
Total revenue	2,651,108	(87,900)	16,695	-	2,579,903
Operating expenses	(2,390,772)	(91,978)	-	-	(2,482,750)
Depreciation	(838,426)	-	-	-	(838,426)
Finance costs	(644,307)	(38,879)	-	-	(683,186)
Loss on sale of the hotel operations	(382,047)	-	-	-	(382,047)
Operating (Loss)/ profit	(1,604,444)	(218,757)	16,695	-	(1,806,506)
Impairment of investment in associate	-	(7,925,022)	-	-	(7,925,022)
Loss on dilution of associate	-	(391,296)	-	-	(391,296)
Share of loss from associate	-	(5,467,297)	-	-	(5,467,297)
(Loss) / profit before taxation	(1,604,444)	(14,002,372)	16,695	-	(15,590,121)
Taxation	183,685	21,975	(3,941)	-	201,719
Net (Loss)/ profit	(1,420,759)	(13,980,397)	12,754	-	(15,388,402)
Segment assets:					
Total assets	21,787,740	16,629,543	4,860	(6,418,655)	32,003,488
Segment liabilities:					
Total liabilities	10,271,309	6,733,426	38,208	(6,418,655)	10,624,288
Other Segment items:					
Capital expenditure: Property, plant and equipment					174,635

Geographical Information	United States of America		Total
	Jamaica		
Revenue	152,559	2,427,344	2,579,903
Total Assets	2,004,430	29,999,058	32,003,488

	Direct Hotel Operations (DTO and JGM)	Indirect Hotel & Commercial Operations (Playa and Sigma Units)	Other	Eliminations	December 2019 Audited
Operating results:					
External revenues	5,906,238	-	23,723	-	5,929,961
Net capital gains on financial assets and liabilities	259,259	96,782	12,389	-	368,430
Total revenue	6,165,497	96,782	36,112	-	6,298,391
Operating expenses	(4,436,323)	(83,777)	-	-	(4,520,100)
Depreciation	(775,426)	-	-	-	(775,426)
Finance costs	(608,121)	(37,929)	-	-	(646,050)
Operating Profit / (loss)	345,627	(24,924)	36,112	-	356,815
Share of profit from associate	-	(98,662)	-	-	(98,662)
Profit before taxation	345,627	(123,586)	36,112	-	258,153
Taxation	(101,458)	(22,979)	(210,692)	-	(335,129)
Net Profit/(loss)	244,169	(146,565)	(174,580)	-	(76,976)
Segment assets:					
Total assets	26,668,350	28,799,058	102,067	(6,347,044)	49,222,431
Segment liabilities:					
Total liabilities	12,407,664	6,638,195	38,246	(6,347,044)	12,737,061
Other Segment items:					
Capital expenditure: Property, plant and equipment					287,315

Geographical Information	United States of America		Total
	Jamaica		
Revenue	1,024,107	5,274,284	6,298,391
Total Assets	4,514,514	44,707,917	49,222,431

CONSOLIDATED STATEMENT OF CASH FLOWS

for the twelve months ended 31 December 2020
(Expressed in thousands of Jamaican dollars)

	December 2020 Audited	December 2019 Audited
Cash Flows from Operating Activities:		
Net Loss	(15,388,402)	(76,976)
Adjustments for:		
Items not affecting cash:		
Depreciation and amortisation	838,426	775,426
Amortisation of franchise fees	2,283	2,089
Interest income	(18,525)	(23,723)
Interest expense	683,186	646,050
Income tax (credit)/expense	(201,719)	335,129
Loss on disposal of discontinued operations	382,047	-
Effect of exchange losses on foreign currency balances	(5,962)	146
Impairment on investment in associate	7,925,022	-
Share of loss from associate	5,467,297	98,662
Loss on dilution of associate	391,296	-
Fair value loss/(gain) on units held in Sagikor Sigma Funds	87,900	(96,782)
Fair value loss/(gain) on other financial investments	12,764	(14,726)
Fair value gain on investment property	-	(111,231)
	175,613	1,534,064
Changes in other operating assets and liabilities:		
Accounts receivable	95,717	438,879
Inventories	1,473	7,915
Accounts payable	(360,182)	137,159
Income taxes paid	(53,641)	(500,331)
Net cash (used in)/ generated from operating activities	(141,020)	1,617,686
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment, net	(174,635)	(287,315)
Proceeds from sale of discontinued operations	1,520,146	-
Restricted cash	(103,914)	(189,906)
Net sale/(purchase) of investments	88,633	(2,437)
Interest income received	21,438	23,642
Net provided by/(cash used) in investing activities	1,351,668	(456,016)
Cash Flows from Financing Activities:		
Borrowings, net	(1,607,039)	(316,683)
Interest expense paid	(611,156)	(612,609)
Net cash used in financing activities	(2,218,195)	(929,292)
Cash and cash equivalents:		
Effect of exchange rate on cash and cash equivalents	112,459	43,397
Cash and cash equivalents at beginning of period	1,756,027	1,480,252
Cash and cash equivalents at end of period	860,939	1,756,027
Comprising:		
Cash and bank	846,030	1,626,811
Securities purchased under agreement to resell	14,909	129,216
	860,939	1,756,027

Explanatory Notes

Identification

Sagikor 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 51.49% owned by the Sagikor Pooled Pension Investment Funds, which are administered by Sagikor Life Jamaica Limited. The other significant shareholders in X Fund are Sagikor Group Jamaica Limited - 21.11% and Sagikor 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, 2020 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 year ended 31 December 2020, the Group recorded impairment charges of \$7.93 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 COVID-19

Key sectors of the economy that we operate in, particularly, tourism, manufacturing, transportation, logistics and related sectors have experienced significant disruption due to COVID-19. For the year ending 31 December 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.

Subsequent Event

Subsequent to the year-end on 15 January 2021, the Group completed the disposal of its 14.87% (20,000,000 Ordinary Shares) equity interest in Playa Hotels and Resorts N.V. (Playa) for a net cash consideration of US\$96,000,000 (approximately J\$13,604,000,000). Sale of the shares occurred in a public offering of 11,499,000 Ordinary Shares held by the Group, concurrent to an underwritten public offering of 25,000,000 new shares by Playa at a public offering price of US\$5.00 per share. These transactions were simultaneous with an assignment of an additional 8,501,000 ordinary shares held by Sagikor Jamaica to Sagikor Financial Corporation Limited, for cash consideration, at a price equal to the price offered through the public offering less commission expenses associated with the public offering. A disposal loss of approximately J\$233,089,000 is recognized upon completion of this disposal in 2021.

The pandemic has caused significant deterioration and instability in tourism sector and has altered the risk profile of our investment in Associate. Management has assessed the impact of these changes on its operating results, liquidity and earnings potential in the medium to long term. In response to the changing environment has decided to restructure its investment portfolio.