

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 year ended December 2022.

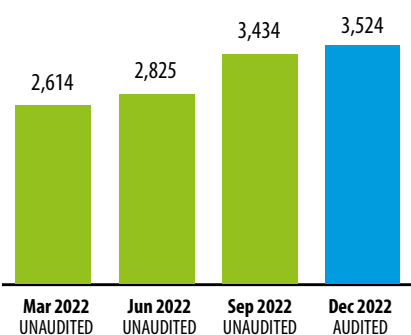
OVERVIEW

Sagicor Real Estate X Fund Limited delivered a strong performance for the financial year ended December 2022. X Fund's net profit attributable to stockholders of \$465.91 million was 24% higher when compared to the prior period. The Group's solid performance continues to be driven by its hotel operations from the increase in bookings and occupancy levels which was a byproduct of the easing of travel restrictions as well as pent-up demand for leisure and business travels. Though adverse economic conditions have led to a weakening of financial resources within the tourism sector over the course of the year, the Group's operations remained resolute throughout in delivering on its commitments to offer quality service to its various stakeholders. The Group's earnings per share improved to \$0.21 (\$0.17 - December 2021). X Fund's share price ended the year at \$8.67 with a market capitalization of \$19.45 billion.

EARNINGS

X Fund Cash Resources by Quarters

J\$ MILLIONS



The Group grew revenues by 23% year-over-year to \$7.12 billion, buoyed by the continued resurgence of its core operations, being Direct Hotel Operations. Hotel revenues grew by

\$2.64 billion, or 60% above 2021 as an upturn in worldwide travel, both business and leisure, and the lifting of COVID-19 restrictions have seen occupancy levels and average daily rates improving beyond 2019 pre-pandemic levels. The Group also increased earnings in net investment income, a combination of higher interest-earning assets and an increase in interest rates. X Fund's earnings were however offset by capital losses of \$238.26 million, stemming from fair value losses on investment securities.

DIRECT HOTEL OPERATIONS

DoubleTree Orlando (DTO), which is the Group's main operation, increased its profits to \$566.98 million against a loss of \$84.71 million in 2021. The segment posted revenues of \$7.07 billion, far exceeding the prior year and pre-pandemic outturns. The increasing demand for hotel accommodations led to occupancy levels growing year-over-year by 10% since December 2021 to close at 93% and higher than pre-pandemic levels of 91%. The average daily rates have also increased 8% above pre-pandemic rates. Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for the period of \$2.02 billion showed a 90% growth in comparison to 2021. The segment's performance has been further aided by strong operational efficiencies, a result of good cost management strategies.

INDIRECT COMMERCIAL OPERATIONS

Indirect operations have seen significant improvements with a net profit of \$57.74 million, a movement of \$227.53 million coming from net losses in prior year of \$169.79 million. The performance of the Segment is driven by fair value movements on our holdings in the Sigma Fund.

OTHER OPERATIONS

The segment reported a loss of \$158.81 million (December 2021: \$975.36 million profit). The performance reflects unfavorable market conditions as foreign exchange and capital losses for the period were



\$109.80 million and \$205.45 million respectively. However, growth in investment securities resulted in an improvement in net investment income to \$280.39 million, up 90% since 2021. Additionally, substantial debts were retired, which resulted in savings of \$207.57 million on finance costs.

Liquidity and Solvency

The Group generated positive cash flows of \$2.38 billion from its operating activities an improvement over the prior year's \$964.46 million. Cash and cash equivalents excluding restricted cash were \$5.37 billion (December 2021: \$7.08 billion),

evidencing the financial health of the Group.

Balance Sheet

Total assets at the end of the period were \$28.65 billion, 8% less than in December 2021. The decrease is primarily due to the wind-up of Jamziv which led to the cancellation of a promissory note with the non-controlling interest holder. Stockholders' Equity at December 2022 was \$19.10 billion, an increase of 15% over December 2021. This was due to the gains on the revaluation of hotel property and strong performance from the hotel operations.

HIGHLIGHTS

	Dec 2022 Audited	Dec 2021 Audited
Total Revenue - J\$ billion	7.12	5.79
Earnings before interest, tax, depreciation and amortization (EBITDA - excluding loss on disposal of associate) - J\$ billion	1.93	2.33
Net Profit attributable to stockholders - J\$ billion	0.47	0.38
Earnings per stock unit -J\$	0.21	0.17
Total Assets - J\$ billion	28.65	31.32
Stockholders' Equity J\$ billion	19.10	16.59
JSE X Fund share price - J\$	8.67	8.50
Market capitalization - J\$ billion	19.45	19.07

\$7.12B
Total Revenue

\$19.10B
Stockholders' Equity

\$28.65B
Total Assets

\$1.93B
EBITDA

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REAL ESTATE X FUND

OUTLOOK

The year 2022 introduced numerous unanticipated events that forced the economies to return to the table and restructure recovery plans. The World Bank forecasts that global growth is expected to slow to 1.7% for the year, which is down from the 3% previously anticipated. The revision arrives as the World Bank projects only 0.5% growth for developed economies including the United States, with smaller economies slowing their recovery from 3.8% to 2.7% in 2023. However, recent trends such as the easing of Coronavirus restrictions in China and controlled inflation have led to some suggesting a more optimistic outlook for 2023. The International Monetary Fund (IMF) slightly revised its growth projections, up 0.2% from its previous release. This was done on the basis that no new disruptions

could come from further escalation of the war in Ukraine and China's battle with COVID. Globally, the IMF expects consumer inflation to decelerate from 8.8% last year to 6.6% in 2023 and 4.3% in 2024. Notwithstanding, the IMF noted that the world economy still faces serious risks.

Whilst the possibility of a recession still looms large for the global economy, travel and leisure are expected to climb. The U.S. Travel Foundation forecasted an increase in travel spending in 2023 compared to 2022 and 2019. This is because travelers remain resilient in travel plans in spite of rising costs. 2022 demonstrated positive recovery in the industry, with pent-up demand accelerating travel plans adding stability to the market, especially during the peak holiday seasons. The US Travel Association maintains its forecast for

2023, with continued strengthening of domestic travel and, improvement in business travel. Industry analysts at McKinsey forecast the approximate return of 6 million daily travelers by summer 2023, driven by pent-up demand especially in the younger demographic. However, Covid-19 restrictions remain in place for travel to the United States, with expectations of restrictions to lift in May 2023.

X Fund continues to carefully monitor and assess the current economic environment. The Group is 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. We remain cautiously optimistic about the future and continue to manage the business accordingly.

We thank our stakeholders for the confidence they continue to place in us.

On behalf of The Board of Directors:

VINAY WALIA
Chairman

BRUCE JAMES
Director

27 February 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022
(Expressed in thousands of Jamaican dollars)

	December 2022 Audited	December 2021 Audited
ASSETS		
Non-Current Assets		
Property, plant and equipment	16,773,390	14,964,537
Goodwill	-	923
Investment in Sigma Real Estate Portfolio	1,295,131	868,146
Financial investments	3,203,377	268,060
	<u>21,271,898</u>	<u>16,101,666</u>
Current Assets		
Inventories	45,607	30,690
Receivables	841,809	1,303,678
Securities purchased under resale agreement	2,971,544	2,888,764
Financial investments	-	8,845,860
Cash resources	3,523,560	2,144,347
	<u>7,382,520</u>	<u>15,213,339</u>
TOTAL ASSETS	<u>28,654,418</u>	<u>31,315,005</u>
STOCKHOLDERS' EQUITY AND LIABILITIES:		
Stockholders' Equity attributable to:		
Stockholders' of the company		
Share capital	12,642,512	12,642,512
Equity Reserves	6,656,471	4,607,779
Retained earnings	(194,758)	(660,667)
	<u>19,104,225</u>	<u>16,589,624</u>
Non-controlling interests	-	5,767,623
Total Equity	<u>19,104,225</u>	<u>22,357,247</u>
Liabilities		
Non-Current Liabilities		
Deferred income taxes	1,970,735	1,197,169
Borrowings	6,809,066	6,982,418
	<u>8,779,801</u>	<u>8,179,587</u>
Current Liabilities		
Payables	529,330	435,441
Contractual Liabilities	145,388	140,540
Borrowings	66,467	202,190
Taxation payable	29,207	-
	<u>770,392</u>	<u>778,171</u>
Total Liabilities	<u>9,550,193</u>	<u>8,957,758</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>28,654,418</u>	<u>31,315,005</u>

Vinay Walia
Chairman
27 February 2023

Bruce James
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in thousands of Jamaican dollars)

	Q4 2022 Audited	Q4 2021 Audited	December 2022 Audited	December 2021 Audited
Revenues:				
Net investment income	68,963	70,663	280,390	147,554
Net capital (losses)/gains on financial assets	(6,563)	402,270	(238,263)	1,193,844
Hotel revenue	1,881,805	1,404,041	7,071,966	4,432,018
Other income	-	2,112	4,561	19,871
Total revenues	<u>1,944,205</u>	<u>1,879,086</u>	<u>7,118,654</u>	<u>5,793,287</u>
Expenses:				
Hotel expenses	1,271,721	985,985	5,049,187	3,367,409
Depreciation	219,443	214,080	875,178	811,018
Interest and other financing costs	50,624	59,786	321,875	529,449
Other operating expenses	36,838	35,480	141,398	94,811
Total expenses	<u>1,578,626</u>	<u>1,295,331</u>	<u>6,387,638</u>	<u>4,802,687</u>
Operating profit	<u>365,579</u>	<u>583,755</u>	<u>731,016</u>	<u>990,600</u>
Loss on sale of interest in associate	-	-	-	(233,089)
Profit before taxation	365,579	583,755	731,016	757,511
Taxation	(111,273)	(141,820)	(265,107)	(36,646)
Net profit	<u>254,306</u>	<u>441,935</u>	<u>465,909</u>	<u>720,865</u>
Net profit attributable to:				
Stockholders of the Company	254,306	441,935	465,909	376,501
Non-controlling interests	-	-	-	344,364
	<u>254,306</u>	<u>441,935</u>	<u>465,909</u>	<u>720,865</u>
Earnings per stock unit for profit attributable to stockholders of the Company:				
Basic and fully diluted	<u>\$0.11</u>	<u>\$0.20</u>	<u>\$0.21</u>	<u>\$0.17</u>
Net profit	254,306	441,935	465,909	720,865
Other comprehensive income/(loss), net of taxes:				
Items that may be subsequently reclassified to profit or loss				
Re-translation of foreign operation	(77,381)	429,725	(174,725)	658,987
Re-translation of foreign operation recycled to the Income Statement on sale of associated company	-	-	-	(2,534,160)
Share of interest rate swap recycled to the Income Statement on sale of associated company	-	-	-	526,436
Items that will not be subsequently reclassified to profit or loss				
Unrealised gains on revaluation of property, plant and equipment	216,493	155,689	2,223,417	1,605,919
Total other comprehensive income/(loss) recognised in stockholders' equity, net of taxes	<u>139,112</u>	<u>585,414</u>	<u>2,048,692</u>	<u>257,182</u>
Total comprehensive income	<u>393,418</u>	<u>1,027,349</u>	<u>2,514,601</u>	<u>978,047</u>
Total comprehensive income attributable to:				
Stockholders of the Company	<u>393,418</u>	<u>1,027,349</u>	<u>2,514,601</u>	<u>1,420,443</u>
Non-controlling interests	-	-	-	(442,396)
	<u>393,418</u>	<u>1,027,349</u>	<u>2,514,601</u>	<u>978,047</u>

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REAL ESTATE X FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022
(Expressed in thousands of Jamaican dollars)

	Share Capital	Currency Translation Reserve	Fair Value and Other Reserves	Retained Earnings	Total	Non-controlling Interests Total	Total Stockholders' Equity Audited
Period ended 31 December 2022							
Balance as at 31 December 2021	12,642,512	2,067,643	2,540,136	(660,667)	16,589,624	5,767,623	22,357,247
Total comprehensive (loss)/income for the period	-	(174,725)	2,223,417	465,909	2,514,601	-	2,514,601
Wind up of Jamziv	-	-	-	-	-	(5,767,623)	(5,767,623)
Balance as at 31 December 2022	12,642,512	1,892,918	4,763,553	(194,758)	19,104,225	-	19,104,225
Period ended 31 December 2021							
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
Total comprehensive (loss)/income for the period	-	(882,119)	1,926,061	376,501	1,420,443	(442,396)	978,047
Transfer between reserves	-	-	(94,714)	94,714	-	-	-
Balance as at 31 December 2021	12,642,512	2,067,643	2,540,136	(660,667)	16,589,624	5,767,623	22,357,247

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

for the year ended 31 December 2022
(Expressed in thousands of Jamaican dollars)

	Direct Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group Audited
Twelve months ended December 31, 2022					
Operating results:					
External revenues	7,071,966	-	280,390	-	7,352,356
Net capital losses on financial assets and liabilities	-	76,985	(310,687)	-	(233,702)
Total revenue	7,071,966	76,985	(30,297)	-	7,118,654
Operating expenses	(5,049,187)	-	(141,398)	-	(5,190,585)
Depreciation	(875,178)	-	-	-	(875,178)
Finance costs	(356,486)	-	34,611	-	(321,875)
Profit/(loss) before taxation	791,115	76,985	(137,084)	-	731,016
Taxation	(224,132)	(19,246)	(21,729)	-	(265,107)
Net profit/(loss)	566,983	57,739	(158,813)	-	465,909
Segment assets:					
Total assets	20,819,762	1,295,131	6,541,277	(1,752)	28,654,418
Segment liabilities:					
Total liabilities	9,289,453	-	262,492	(1,752)	9,550,193
Other Segment items:					
Capital expenditure: Property, plant and equipment					138,672

Geographical Information

	Caribbean	United States of America	Total
Revenue	46,688	7,071,966	7,118,654
Total Assets	7,834,656	20,819,762	28,654,418

	Direct Hotel Operations	Indirect Hotel and Commercial Operations	Other	Eliminations	Group Audited
Twelve months ended December 31, 2021					
Operating results:					
External revenues	4,432,018	-	147,554	-	4,579,572
Net capital gains on financial assets and liabilities	-	84,403	1,129,312	-	1,213,715
Total revenue	4,432,018	84,403	1,276,866	-	5,793,287
Operating expenses	(3,367,409)	-	(94,811)	-	(3,462,220)
Depreciation	(811,018)	-	-	-	(811,018)
Finance costs	(355,450)	-	(173,999)	-	(529,449)
Operating (Loss)/profit	(101,859)	84,403	1,008,056	-	990,600
Loss on sale of interest in associate	-	(233,089)	-	-	(233,089)
(Loss)/profit before taxation	(101,859)	(148,686)	1,008,056	-	757,511
Taxation	17,154	(21,101)	(32,699)	-	(36,646)
Net (Loss)/profit	(84,705)	(169,787)	975,357	-	720,865
Segment assets:					
Total assets	17,578,525	869,069	21,820,746	(8,953,335)	31,315,005
Segment liabilities:					
Total liabilities	8,663,889	-	9,247,204	(8,953,335)	8,957,758
Other Segment items:					
Capital expenditure: Property, plant and equipment					36,628

Geographical Information

	Caribbean	United States of America	Total
Revenue	1,361,269	4,432,018	5,793,287
Total Assets	13,736,480	17,578,525	31,315,005

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022
(Expressed in thousands of Jamaican dollars)

	December 2022 Audited	December 2021 Audited
Cash Flows from Operating Activities:		
Net Profit	465,909	720,865
Adjustments for:		
Items not affecting cash:		
Depreciation and amortisation	875,178	811,018
Amortisation of franchise fees	2,413	2,291
Interest income	(280,390)	(147,554)
Interest expense	321,875	529,449
Income tax charges	265,107	36,646
Loss on disposal of property, plant and equipment	-	17,422
Effect of exchange losses/(gains) on foreign currency balances	86,706	(1,089,295)
Loss on disposal of interest in associate	-	233,089
Fair value gains on units held in Sagicor Sigma Funds	(76,985)	(84,403)
Fair value losses on other financial investments	205,445	12,604
	1,865,258	1,042,132
Changes in other operating assets and liabilities:		
Accounts receivable	435,887	(236,134)
Inventories	(15,732)	(970)
Accounts payable	115,207	159,440
Income taxes paid	(19,848)	-
Net cash generated from operating activities	2,380,772	964,468
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment, net	(138,672)	(36,628)
Restricted cash	(167,097)	(344,781)
Net purchase of investments	(3,518,135)	(5,739,232)
Proceeds from sale of interest in associate	-	13,604,064
Cash on dissolution of subsidiary	(15)	-
Interest income received	322,955	54,415
Net cash (used in)/provided by investing activities	(3,500,964)	7,537,838
Cash Flows from Financing Activities:		
Borrowings, net	(151,979)	(2,986,424)
Interest expense paid	(345,800)	(468,436)
Net cash used in financing activities	(497,779)	(3,454,860)
Cash and cash equivalents:		
(Decrease)/increase in cash and cash equivalents	(1,617,971)	5,047,446
Foreign exchange (losses)/gains on cash and cash equivalents	(83,883)	1,168,149
Cash and cash equivalents at beginning of period	7,076,534	860,939
Cash and cash equivalents at end of period	5,374,680	7,076,534
Comprising:		
Cash and bank	2,435,143	1,202,721
Investment securities	-	3,078,400
Securities purchased under resale agreement	2,939,537	2,795,413
	5,374,680	7,076,534

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 largest shareholder is the Sagicor Pooled Pension Investment Funds, which are administered by Sagicor Life Jamaica Limited.

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.

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, 2022 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 2022. No significant impact to the financial statements has been determined from the adoption of these standards.



REAL ESTATE X FUND