



SYGNUS | REAL ESTATE
FINANCE
QUARTERLY REPORT

AS AT
**NOV
30TH
2022**

Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2022

Castries, St Lucia | Friday, January 13, 2022

Sygnus Real Estate Finance Ltd (“SRF” or “the Group”) is pleased to report on the unaudited financial results for the three months ended November 30, 2022 (“3 Month 2022” or “Q1 Nov 2022”). The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The unaudited financial statements for 3 Month 2022 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the financial year ended August 31, 2022 (“FYE Aug 2022”). The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected. SRF’s investment strategy focuses on real estate investment assets that offer significant appreciation potential through active management of its equity investments (investment property, joint ventures and developments), complemented by income generated from its debt and quasi-debt investments used to finance real estate assets (real estate investment notes or REIN’s).

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

The Group continued to unlock value from its major real estate investment assets by achieving another set of key milestones, namely: advancing the J\$3.70 billion Belmont Road 9-storey commercial tower to 74.0% completion and remaining on track for completion in mid 2023, with four of the five floors effectively leased with 10-year renewable agreements; advanced the construction of the built-to-suit industrial warehouse facility on Spanish Town Road to 87.0% completion; made submissions to various agencies to secure approvals for the beachfront hospitality investment property in Mammee Bay, St. Ann; continued to engage in partnership discussions and financing options with international investors and financiers with regards to Sepheus Holdings Limited, the SRF subsidiary which holds the Mammee Bay asset. Subsequent to the end of the quarter, SRF began exiting its J\$1.00 billion investment in a REIN as the third-party project achieved practical completion in October 2022, thus leading to the start of inflows from the sale of units. SRF completed the purchase of 58 Lady Musgrave Road, Kingston 10, post Q1 Nov 2022, and thus now owns both 56 Lady Musgrave Road and 58 Lady Musgrave Road, which are adjacent to each other. The Group may be able to consider its first dividend payment during the 2023 calendar year, subsequent to completing its first investment life cycle, after exiting and or completing a number of investments and developments during the course of the year. The Group remains fully focused on executing its strategy of unlocking value in real estate assets, as it seeks to continue increasing shareholder value.

	3 Months Nov 2022	3 Months Nov 2021	FYE Aug 2022
Summary Results of Operations	JAS'000	JAS'000	JAS'000
Interest Income	74,932	35,332	217,631
Interest Expense	(62,000)	(37,555)	(148,097)
Net Interest Income	12,931	(2,223)	69,534
Commitment Fees	8,253	-	16,832
Gain on Investment Property	-	-	716,379
Share of Gain (Loss) on Joint Ventures	146	(2,160)	546,289
Total Investment Income	21,331	(4,383)	1,349,034
Total Operating Expenses	(103,695)	(82,968)	(365,441)
Net Investment Income	(82,364)	(87,351)	983,592
Fair Value Gain (Loss) on Financial Instruments	(23,392)	10,866	(177,817)
Net Foreign Exchange Gain (Loss)	(66,741)	(23,460)	38,738
Profit (Loss) before Taxation	(172,497)	(99,944)	844,514
Taxation	-	-	(151,558)
Net Profit (Loss) Attributable to Shareholders	(172,497)	(99,944)	692,956
Basic Earnings Per Share (JA\$)	(0.53)	(0.36)	2.20
Diluted Earnings Per Share (JA\$)	(0.49)	(0.30)	2.06
Net Investment Income Per Share (JA\$)	(0.25)	(0.31)	3.12
Diluted Net Investment Income Per Share (JA\$)	(0.24)	(0.27)	2.92

Total investment income or core revenues was J\$21.3 million for 3 Month 2022, compared with a loss of J\$4.4 million for the three months ended November 2021 (“3 Month 2021”). This result was primarily driven by higher net interest income from a larger portfolio of REINs, which offset larger interest expense driven by an increase in loans and borrowings and notes payable. The weighted average fair value yield on REINs was 11.2% compared with 10.1% last year, while the weighted average cost of debt was 5.1% compared with 5.0% last year. Subsequent to the end of the quarter, SRF began exiting its J\$1.0 billion investment in a REIN which achieved practical completion in October 2022, as the Group began to receive the sale proceeds for purchased units as buyers completed the financing for their purchases. In addition to the interest charged by the REIN, SRF also receives a profit-sharing component.

There was no gain on investment property during the quarter as these assets are only valued once at the end of each financial year, with the last valuations occurring in August 2022. Share of gain on joint ventures, which also captures

SRF’s 70% ownership of the One Belmont development was immaterial during the quarter, as this development is only valued at the end of each financial year, with the last valuation occurring in August 2022. Note, however, that One Belmont is scheduled to reach practical completion prior to the end of the current financial year, and as such, the revaluation of share of profit is likely to occur prior to the August 2023 year-end financial results. This revaluation may materially impact total investment income during the quarter in which it occurs. Note also, given One Belmont has already negotiated long term leases with tenants, to the extent

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Unaudited Results for the 3 Months Ended November 30, 2022

where lease payments begin while SRF still maintains its share of the joint venture or a portion thereof, these lease flows may affect total investment income starting in the quarter during which this occurs.

SRF's total investment income is typically comprised of all the activities that were involved in the unlocking of value from its portfolio of real estate investment assets, namely: interest income on its REINs and the commitment fees related to this activity; gain or loss on its property investments, namely, on its investment properties, or on any real estate assets that were exited; and share of gain or loss on its joint venture investments. Based on the nature of its business model, SRF's earnings during interim reporting quarters may experience "lumpiness" in total investment income and net profits, which is typically "smoothed out" at the end of each financial year, similar to what occurred in FYE Aug 2022 relative to the interim quarterly results. The Group uses independent appraisers to value its investment assets annually. All investment properties are USD investment assets which are converted to JMD for financial reporting purposes. SRF's key strategic assets are held via wholly owned subsidiaries or joint ventures.

SRF Subsidiaries Joint Ventures	Ultimate Underlying Asset	Company Type
Audere Holdings Limited	78,790 sq. ft. commercial tower development. One Belmont 1-3 Belmont Road, Kingston.	70% Joint Venture
Charlemagne Holdings Limited	1-3 Hillcrest Avenue, Kingston (former French Embassy). 3.2 acres Commercial or Residential	100% Subsidiary
Lakespen Holdings (shares)	Lakespen, St Catherine. 55 acres Industrial	100% Subsidiary
Monadh Rois Holdings Limited	Montrose Road, Kingston. 0.9 acre Residential	51% Joint Venture
Sepheus Holdings Limited	Mammee Bay, St Ann. 14.4 acres Hospitality	100% Subsidiary
Sygnus REF Jamaica Limited	56 Lady Musgrave Road, Kingston. 0.6 acres Commercial	100% Subsidiary
	32,553 sq. ft. industrial development. Spanish-Penwood 443-445 Spanish Town Road, Kingston.	
	26 Seaview Avenue, Kingston. 0.6 acre Commercial	
Note: Acquisition closed subsequent to 3 Month Nov 2022	58 Lady Musgrave Road, Kingston. 0.6 acres	N/A

Net investment income or core earnings was a loss of J\$82.4 million vs a loss of J\$87.4 million for 3 Month 2021, driven by the J\$21.3 million outturn for total investment income which was offset by higher operating expenses of J\$103.7 million versus J\$83.0 million last year. For FYE August 2022 SRF generated J\$983.6 million in net investment income.

Net loss attributable to shareholders was J\$172.5 million compared with a net loss of J\$99.9 million last year, driven by the negative net investment income of J\$82.4 million, a fair value loss on financial instruments of J\$23.4 million (3 Month 2021: gain of J\$10.9 million) and a net foreign exchange loss of J\$66.7 million (3 Month 2021: loss of J\$23.5 million). Note that SRF's net profit may be materially impacted by the completion of the One Belmont development and by the final net proceeds from exiting investments in REINs, which are scheduled to occur prior to the end of the current financial year. At the end of the current financial year, SRF's net profit may also be materially impacted by changes in the valuation of its underlying real estate investment assets, as valuation for existing assets only occur once at the end of each financial year. Book value per share for Q1 Nov 2022 increased to J\$22.71 compared with J\$20.81 last year. Note: the Group's return on average equity (ROE) was 11.3% at FYE Aug 2022 with an average ROE of 30.6% over the past three audited financial years. For FYE August 2022, SRF generated J\$693.0 million in net profit.

Basic earnings per share (EPS) was negative J\$0.53 compared with negative J\$0.36 last year, while diluted EPS was negative J\$0.49 compared with negative J\$0.30 last year. Similarly basic core earnings or net investment income per share (NIIPS) negative J\$0.25 compared with negative J\$0.31 last year, while diluted NIIPS was negative J\$0.24 compared with negative J\$0.27 last year. For FYE August 2022, SRF generated basic and diluted earnings per share of J\$2.20 and J\$2.06 respectively.

A Note on Future Dividend Consideration

The Group is scheduled to exit more than one substantial investment during the current financial year, which coincides with the completion of its first investment life cycle, which typically averages 3 to 5 years. In keeping with this principle, the Group may likely consider its first dividend payment during the 2023 calendar year from the net proceeds of these investment exits.

Total Operating Expenses

SRF reported total operating expenses of J\$103.7 million for 3 Month 2022, up 25.0% or J\$20.7 million, relative to J\$83.0 million last year. The higher operating expenses primarily reflected higher management fees of J\$68.6 million compared with J\$48.3 million

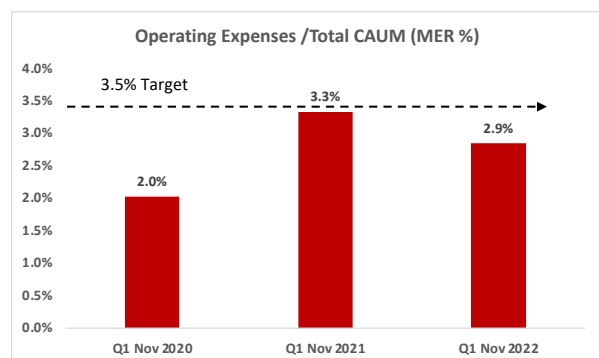
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last year, which were 66.2% of operating expenses. Management fees are computed as 2% of the core assets under management, namely total assets less project finance related debt of subsidiary companies and less any minority interests. A 57.6% or J\$5.04 billion growth in CAUM to J\$13.79 billion gave rise to the higher management fees, which grew by 42.0% or J\$20.3 million.

Efficiency Ratio and Management Expense Ratio

SRF's management expense ratio (MER), computed as total operating expenses as a percentage of total core assets under management, was 2.9% (this is an annualized rate), within the target threshold level of 3.5% and lower than the 3.3% reported last year. This ratio is assessed at the end of each financial year but annualized and tracked during interim quarterly reports. Given the "lumpy" nature of SRF's interim financial statements in relation to total investment income, the efficiency ratio, computed as total operating expenses as a percentage of total investment income, is assessed at the end of each financial year, when the full income earning potential of SRF is actualized. The target threshold for the efficiency ratio is 45.0%. The efficiency and management expense ratios at FYE Aug 2022 were 27.1% and 2.7% respectively.



Fair-Value Gains or Losses

SRF generates a fair value gain or loss on a portion of its REINs, which are carried at fair value through its income statement. These customized investments are primarily structured as third-party construction notes with a fixed interest rate and a percentage profit participation in the respective real estate project. The real estate projects or assets provide 100% collateral coverage for the REINs. For 3 Month 2022, SRF reported a fair value loss of J\$23.4 million compared with gains of J\$10.9 million last year, primarily reflecting an adverse movement in market interest rates used to value the instruments.

Net Foreign Exchange Gains or Losses

Net foreign exchange losses were J\$66.7 million compared with a loss of J\$23.5 million last year. A net foreign exchange gain or loss is recorded based on changes in the exchange rate on SRF's net balance sheet exposure to foreign currency, which in this case is the USD, since its reporting currency is JMD. SRF's property investments were all denominated in USD, but these assets are only valued once per year or if there is a material change that warrants a new valuation, that is, these assets are not marked-to-market assets per se. Therefore, although they are USD assets, they are not counted as financial instruments and thus do not affect net foreign exchange gain or loss as calculated and reported in the financial statements. Explained differently, more than 80.0% of SRF's real estate investment assets were denominated in USD, but none of these assets are classified as financial instruments. Thus, SRF had a net short USD exposure of US\$25.0 million driven primarily by US\$19.3 million in loans and borrowings, US\$3.9 million in notes payable and US\$3.5 million in convertible preference shares.

Real Estate Investment Activity

At 3 Month 2022, SRF's real estate investment portfolio grew by 49.0% or J\$4.54 billion to J\$13.80 billion, spanning 16 investments compared with J\$9.26 billion in 14 investments last year. For FYE Aug 2022 SRF's real estate investment portfolio was J\$13.11 billion. SRF deployed J\$1.31 billion in new investment commitments, up J\$712.0 million or 119.0% compared with vs J\$598.5 million last year, driven by a combination of financing for SRF's developments including the One Belmont and investments in REINs. Fair value of REINs grew by 67.0% or J\$1.06 billion to a record J\$2.63 billion, primarily driven by additional capital deployed into third party projects with an average fair value yield of 11.2%, compared with J\$1.58 billion at a fair value average yield

	3 Months Nov 2022	3 Months Nov 2021	FYE Aug 2022
Summary of Investment Activity	J\$ '000	J\$ '000	J\$ '000
Fair Value of Real Estate Investment Assets	13,800,944	9,264,306	13,114,624
New Commitments in Real Estate Investment Assets	1,310,471	598,501	3,385,428
Number of Real Estate Investment Assets(#)	16	14	16
Dry Powder*	559,448	677,909	463,365
Number of investments Exited(#)	Nil	Nil	2
Value of Investments Exited	Nil	Nil	352,841
Number of Real Estate Investment Notes(#)	8	7	8
Fair Value of Real Estate Investment Notes	2,634,680	1,577,695	2,483,919
Fair Value Yield on Real Estate Investment Notes(%)	11.2%	10.1%	11.1%

* Dry Powder at Q1 Nov 2022 excluded J\$1.16 billion in undrawn construction financing facilities

of 10.1% last year. All REINs mature in under 12 months. Subsequent to the end of the quarter, SRF also completed the strategic purchase of 0.63 acres of investment property located at 58 Lady Musgrave Road, Kingston 10. SRF had J\$559.4 million in dry powder on the balance sheet which did not include J\$1.16 billion in undrawn construction financing related to the One Belmont commercial tower development.

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Summary Update on Major Strategic Projects

SRF's major investment projects were at various stages of execution as it continued the diligent execution of its robust investment pipeline. The below assets do not represent an exhaustive listing of all assets owned by SRF or that SRF has invested in.



One Belmont | Commercial Tower: The J\$3.70 billion 9-storey corporate office development is currently 74% completed, with construction remaining on track for the target April/May 2023 completion date. The substructure is 100% completed with pouring of concrete for all floors completed and the roof remaining to be poured. A fourth long-term agreement-to-lease which should have been executed in December 2022 was rescheduled for execution in January 2023. This means that four of the five floors are effectively leased once this fourth agreement is completed. The intended tenants have begun the process to select and execute their respective interior designs to meet their respective needs.

Spanish Penwood | Industrial Warehouse: The Spanish Penwood built-to-suit industrial facility tailored to the specific needs of IMCA Jamaica Limited is currently 87% completed. The project is on track to be completed by February 2023. SRF has secured a

US dollar long term lease, thus guaranteeing its investment exit upon completion of construction.

Mammee Bay, St Ann | Hospitality: SRF has substantially advanced the value creation process for this 14.4-acres beachfront strategic asset by successfully completing the detailed design phase, led by an international consortium of partners and experts in the hospitality field. The value creation process has now moved to the stage where SRF is engaging in partnership discussions and financing options with international investors and financiers with regards to Sepheus Holdings Limited, the SRF subsidiary which holds the Mammee Bay asset. The work to enhance the investment property continues while this process runs its course.



Monadh-Rois | Residential: SRF entered into this joint venture during FYE Aug 2022 and has begun the process to unlock the value from this 0.9-acre property located in Kingston's golden triangle. This asset will target the luxury residential segment.

Hilcrest Avenue | Commercial or Residential: The Group continues working with its partners to optimize the strategy to extract the best value from this 3.2-acre investment property located in Kingston's "golden triangle". The building on the property, which housed the former French Embassy, was renovated to facilitate a medium-term lease to a corporate tenant.

Lakespen Holdings | Industrial: SRF continues to work on the development planning phase with its strategic partners to unlock the optimal value on this 55-acres industrial property. An international consulting firm is engaged on the project.

56 Lady Musgrave Road: The value creation process began for this investment property located in Kingston's business district.

58 Lady Musgrave Road: The value creation process began for this investment property located in Kingston's business district.

26 Seaview Avenue: The value creation process will begin as appropriate.

Summary Update on REIN Exit

SRF's current exposure to residential real estate is primarily driven by REINs used to finance third party projects.

Surreal at the Sugar-Mill | 26 Luxury Apartments, 2 Town-Houses: This project achieved practical completion in October 2022, with additional finishing works applied subsequently. Subsequent to 3 Month 2022, SRF began exiting its investment in the project, with full payment for 3 units received thus far. Twenty of the 28 units have been sold with the remaining units receiving strong interest from prospective buyers. The units currently being sold are benefiting from price escalation.

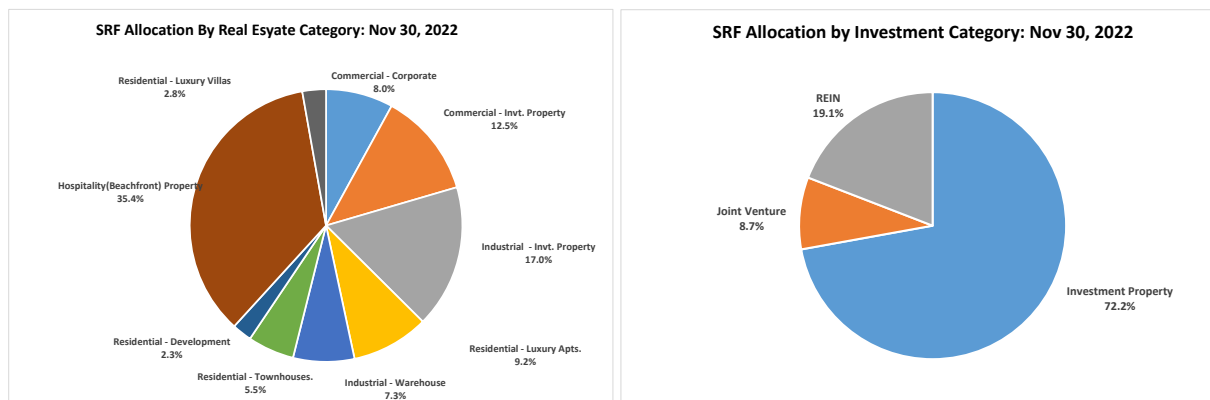
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Allocation by Real Estate Category and Investment Category

As at 3 Month 2022, SRF’s investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property with 35.4%, industrial-investment property with 17.0% and commercial-investment property with 12.5%.

SRF’s capital was primarily allocated across three investment categories, namely property investments at 72.2%, REINs at 19.1% and joint ventures at 8.7%. The large allocation to property investments is reflective of SRF being in the early stages of its investment life cycle, which averages 3 to 5 years. By design, SRF’s strategy requires the Group to make strategic property acquisitions, and then unlock the underlying value by monetizing these assets over time. 100% of SRFs capital was deployed directly into the real estate asset class within the Jamaican economy.



Balance Sheet Summary

As at Nov 30, 2022, SRF’s total assets increased by 45.9% or J\$4.58 billion to J\$14.54 billion compared with J\$9.97 billion last year. This was primarily driven by a 37.0% or J\$2.68 billion increase in investment property to J\$9.94 billion compared with J\$7.25 billion last year, a 67.0% or J\$1.06 billion increase in REINs to J\$2.63 billion compared with J\$1.58 billion last year and a 177.0% or J\$766.9 million increase in joint venture investments to J\$1.20 billion, compared with J\$433.3 million last year. The increase in the value of investment property primarily reflected valuation gains for Mammee Bay, Spanish Penwood development and Hillcrest, plus the acquisition of the Seaview property relative to last year.

Investment in joint ventures primarily reflected SRF’s 70% ownership interest in Audere Holdings, the joint venture that is executing the development of the One Belmont commercial tower. The remainder reflected the 51% ownership interest in Mondadh Rois, the new joint venture that was executed during last financial year.

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Shareholders' Equity

At 3 Month Nov 2021, shareholders' equity grew by 9.1% or J\$620.4 million to J\$7.40 billion compared with J\$6.80 billion last year, reflecting the value that has been created for shareholders relative to last year. Book value per share was J\$22.71 at 3 Month 2022 compared with J\$20.81 at 3 Month 2021, representing a premium to the general initial public offering offer price of J\$19.30 and a premium to the initial public offering discounted price of J\$17.90. The current book value per share does not reflect any future value creation from the multiple undeveloped assets on SRF's balance sheet. SRF's average return on equity over the past three audited financial years, that is, since the Group began operations, was 30.6%.



	Nov 30, 2022	Nov 30, 2021	FYE Aug 31, 2022
Summary of Balance Sheet Information	JAS'000	JAS'000	JAS'000
Cash and Cash Equivalents	498,656	677,909	463,365
Repurchase Agreements	60,792	-	-
Un-deployed Cash/Dry Powder	559,448	677,909	463,365
Investment Property	9,937,307	7,253,359	9,430,687
Deposit on Investment Property	28,792	-	28,792
Total Property Investments	9,966,099	7,253,359	9,459,479
Investments Measured at Fair Value through P&L	1,888,803	890,152	1,773,059
Investments Measured at Amortised Cost	745,877	687,544	710,859
Total Real Estate Investment Notes	2,634,680	1,577,695	2,483,919
Investment in Joint Ventures	1,200,165	433,251	1,200,019
Total Real Estate Investment Assets	13,800,944	9,264,306	13,143,417
	14,360,392	9,942,215	13,606,782
Other Assets:			
Prepaid Expenses	1,289	1,375	4,247
Accounts Receivable	1,881	1,560	1,810
Investment Income Receivable	128,590	20,122	93,084
Deferred Tax Asset	45,842	-	45,842
Due from Related Entities	4,514	-	36,310
Total Assets	14,542,507	9,965,272	13,788,075
Share Capital	4,718,066	4,718,066	4,718,066
Foreign Currency translation reserve	(26)	(51)	36
Retained Earnings	2,698,403	2,078,000	2,870,900
Total Shareholders' Equity	7,416,442	6,796,015	7,589,002
Total Liabilities and Equity	14,542,507	9,965,272	13,788,075

SYGNUS REAL ESTATE FINANCE LIMITED

Consolidated Statement of Financial Position

November 30, 2022

(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited 30 November 2022 \$'000	Unaudited 30 November 2021 \$'000	Audited 31 August 2022 \$'000
ASSETS			
Cash and cash equivalents	498,656	677,909	463,365
Securities purchased under resale agreements	60,792	-	-
Due from related parties	4,514	-	36,310
Investments	2,634,679	1,577,696	2,483,919
Interest in joint venture	1,200,165	433,251	1,200,019
Other assets	160,552	23,057	127,934
Deferred tax asset	45,842	-	45,842
Investment property	9,937,307	7,253,359	9,430,686
	14,542,507	9,965,272	13,788,075
LIABILITIES			
Accounts payable and accrued liabilities	1,373,745	134,232	1,562,919
Due to related parties	962,342	481,295	878,268
Interest payable	87,765	27,812	43,449
Notes payable	589,470	-	385,271
Loans and borrowings	3,383,745	1,999,289	2,610,659
Deferred tax liabilities	197,400	-	197,400
Preference shares	531,598	526,629	521,107
	7,126,065	3,169,257	6,199,073
EQUITY			
Share capital	4,718,066	4,718,066	4,718,066
Translation reserve	(26)	(51)	36
Retained earnings	2,698,402	2,078,000	2,870,900
	7,416,442	6,796,015	7,589,002
	14,542,507	9,965,272	13,788,075
	Director		
Dr. Ike Johnson			
	Director		
Horace Messado			

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three months ended November 30, 2022
(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited Three months ended 30 Nov 2022 \$'000	Unaudited Three months ended 30 Nov 2021 \$'000	Audited Year ended 31 Aug 2022 \$'000
Net interest income and other revenue			
Interest income, calculated using the effective interest method	33,844	20,544	118,507
Other interest income	41,087	14,788	99,124
Interest expense	(62,000)	(37,555)	(148,097)
	<u>12,931</u>	<u>(2,223)</u>	<u>69,534</u>
Fair value (loss)/gain from financial instruments at fair value through profit or loss (FVTPL)	(23,392)	10,866	(177,817)
Foreign exchange (loss)/gain	(66,741)	(23,460)	38,738
Fair value gain on investment property	-	-	716,379
Other income	8,253	-	16,832
	<u>(68,949)</u>	<u>(14,817)</u>	<u>663,666</u>
Operating expenses			
Management fees	68,626	48,317	220,382
Corporate service fees	11,549	9,235	39,192
Performance fees	-	12,486	12,486
Other expenses	23,520	12,930	93,382
	<u>103,695</u>	<u>82,968</u>	<u>365,442</u>
Operating (loss)/profit	(172,644)	(97,785)	298,224
Share of profit/(loss) of joint ventures	146	(2,160)	546,289
	<u>(172,498)</u>	<u>(99,945)</u>	<u>844,513</u>
(Loss)/profit before taxation	(172,498)	(99,945)	844,513
Taxation	-	-	(151,558)
	<u>(172,498)</u>	<u>(99,945)</u>	<u>692,955</u>
(Loss)/profit for the period	(172,498)	(99,945)	692,955
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive (loss)/income	(62)	(44)	43
	<u>(172,560)</u>	<u>(99,989)</u>	<u>692,998</u>
Total comprehensive (loss)/income for the period	<u>(172,560)</u>	<u>(99,989)</u>	<u>692,998</u>
Basic earnings per stock unit	(\$0.53)	(\$0.36)	\$2.20
Diluted earnings per stock unit	(\$0.49)	(\$0.30)	\$2.06

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Changes in Equity
Three months ended November 30, 2022

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Share capital</u> \$'000	<u>Prepaid share reserve</u> \$'000	<u>Translation reserve</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Balances at August 31, 2021	2,532,144	-	(7)	2,177,945	4,710,082
Total comprehensive loss					
Loss for the period	-	-	-	(99,945)	(99,945)
Other comprehensive loss	-	-	(44)	-	(44)
	-	-	(44)	(99,945)	(99,989)
Transaction with owners					
Issue of ordinary shares	2,307,857	-	-	-	2,307,857
Share issuance costs	(121,935)	-	-	-	(121,935)
	2,185,922	-	-	-	2,185,922
Balances at November 30, 2021	4,718,066	-	(51)	2,078,000	6,796,015
Balances at August 31, 2022	4,718,066	-	36	2,870,900	7,589,002
Total comprehensive loss					
Loss for the period	-	-	-	(172,498)	(172,498)
Other comprehensive loss	-	-	(62)	-	(62)
	-	-	(62)	(172,498)	(172,560)
Balances at November 30, 2022	4,718,066	-	(26)	2,698,402	7,416,442

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Cash Flows
Three months ended November 30, 2022
(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited Three months ended 30 Nov 2022 \$'000	Unaudited Three months ended 30 Nov 2021 \$'000	Audited Year ended 31 Aug 2022 \$'000
Cash flows from operating activities			
(Loss)/profit for the period	(172,498)	(99,945)	692,955
Adjustments for:			
Interest income	(74,931)	(35,332)	(217,631)
Interest expense	62,000	37,555	148,097
Share of (profit)/loss of joint ventures	(146)	2,160	(546,289)
Foreign exchange (gain)/loss	(417)	23,410	(19,331)
Fair value loss/(gain) on investments	23,392	(10,866)	177,817
Fair value gain on investment property	-	-	(716,379)
Taxation	-	-	151,558
	<u>(162,600)</u>	<u>(83,018)</u>	<u>(329,203)</u>
Changes in operating assets and liabilities:			
Other receivables	2,888	77,438	55,972
Due from related parties	31,796	-	(36,310)
Accounts payable and accrued liabilities	(189,173)	(42,785)	1,373,582
Due to related parties	84,073	(323,179)	75,981
	<u>(233,016)</u>	<u>(371,544)</u>	<u>1,140,022</u>
Interest received	39,426	19,558	128,895
Interest paid	(17,684)	(26,649)	(121,553)
	<u>(211,274)</u>	<u>(378,635)</u>	<u>1,147,364</u>
Net cash (used in)/provided by operating activities	<u>(211,274)</u>	<u>(378,635)</u>	<u>1,147,364</u>
Cash flows from investing activities			
Investments	(174,153)	(309,985)	(1,404,892)
Repurchase agreements	(60,792)	-	-
Investment in joint venture	-	-	(218,319)
Deposit paid on real estate acquisition	-	(18,344)	(28,792)
Acquisition of investment property	-	(188,505)	(188,505)
Additions to investment property	(506,620)	(81,667)	(1,542,615)
	<u>(741,565)</u>	<u>(598,501)</u>	<u>(3,383,123)</u>
Net cash used in investing activities	<u>(741,565)</u>	<u>(598,501)</u>	<u>(3,383,123)</u>
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	-	2,307,857	2,307,857
Transaction costs related to issue of shares	-	(121,935)	(121,935)
Preference shares	10,491	516,229	521,107
Notes payable	204,198	-	385,271
Loans and borrowings	773,086	(1,091,473)	(421,654)
	<u>987,775</u>	<u>1,610,678</u>	<u>2,670,646</u>
Net cash provided by financing activities	<u>987,775</u>	<u>1,610,678</u>	<u>2,670,646</u>
Effect of foreign exchange movements on cash and cash equivalents	355	35,263	19,374
	<u>355</u>	<u>35,263</u>	<u>19,374</u>
Net increase in cash and cash equivalents	35,291	668,805	454,261
Cash and cash equivalents at beginning of period	463,365	9,104	9,104
	<u>463,365</u>	<u>9,104</u>	<u>9,104</u>
Cash and cash equivalents at end of period	<u><u>498,656</u></u>	<u><u>677,909</u></u>	<u><u>463,365</u></u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Three months ended November 30, 2022

(expressed in Jamaica dollars unless otherwise indicated)

1. Identification

Sygnus Real Estate Finance Limited (“the Company”) was incorporated in Saint Lucia under the International Business Companies Act as an International Business Company (“IBC”). The Company’s registered office is located at 20 Micoud Street, Castries, Saint Lucia.

The Company is dedicated to providing flexible financing to monetise and unlock value in real estate assets across the Caribbean region.

The Company has four wholly owned subsidiaries Sepheus Holdings Limited, Sygnus REF Jamaica Limited, Lakespen Holdings Limited and Charlemagne Holdings Limited. The Company also holds a 70% and a 51% interest in joint ventures, Audere Holdings Limited and Monadh Rois Limited respectively. The Company, its subsidiaries and joint ventures are collectively referred to as “the Group” in these financial statements.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements for the three months ended November 30, 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended August 31, 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group’s financial position and performance since its last audited financial statements.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended August 31, 2022 which were prepared in accordance with International Financial Reporting Standards (IFRS).

New standards effective in the current period

There are new standards and amendments to published standards that came into effect during the current financial period. No significant impact to the financial statements has been determined from the adoption of these standards.

(b) Basis of preparation

The interim financial statements have been prepared under the historical cost basis, except for certain financial instruments and investment property which are measured at fair value.

2. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency

The interim financial statements are presented in thousands of Jamaica dollars, which is also the functional currency of the Group.

3. Significant accounting policies

(a) Joint venture arrangements

A joint venture is a contractual arrangement in which the Group has joint control and whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venture is recognized initially at cost, including transaction costs. Subsequent to initial recognition, these consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures using the equity method.

(b) Investment property

Investment property is initially recorded at cost, including related transaction costs and subsequently measured at fair value.

Fair value is determined by independent valuers using the market comparable approach. Any gain or loss arising from a change in fair value is recognized in profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance costs are charged to the profit or loss during the period in which they are incurred.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Classification and measurement

The classification of financial assets is determined based on the business model under which the financial asset is held, as well as the contractual cash flow characteristics of the financial asset. In applying IFRS 9, the Group classified its financial assets as fair value through profit or loss (FVTPL) or amortised cost.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification and measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

(ii) Impairment

The Group recognizes allowances for expected losses (ECLs) on the financial instruments measured at amortised cost. Under IFRS 9, there is a 'three-stage' model for impairment based on changes in credit quality since initial recognition:

Stage 1 - financial instruments that are not credit impaired are included in Stage 1. The ECL is measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months.

Stage 2 - when there is a significant increase in credit risk since initial recognition, but the financial instrument is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 - a financial asset is credit impaired and included in Stage 3 when one or more events that have a detrimental impact on the estimated future cash flows of the financial instrument has occurred. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

(d) Segment reporting

The Group operates in the real estate industry and maintains an integrated operating structure. The operations of the Group are reviewed as a whole and not in segments by its investment manager in the position of chief operating decision maker. The information presented and reviewed is categorized into one main business segment, which is investment in real estate assets. The Group uses profit or loss before taxation to measure performance of its business as a whole.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Three months ended November 30, 2022

(expressed in Jamaica dollars unless otherwise indicated)

4. Earnings per share

Basic earnings per stock unit is computed by dividing the profit attributable to stockholders of the parent by the weighted average number of ordinary stock units in issue during the period. Diluted earnings per stock unit reflects the impact of convertible preference shares and stock options.

	2022		2021	
	Basic	Diluted	Basic	Diluted
Net loss attributable to stockholders of the parent (\$'000)	(172,498)	(172,498)	(99,945)	(99,945)
Weighted average number of ordinary stock units in issue ('000)	326,526	350,230	279,964	328,177
Earnings per stock unit (\$)	<u>(0.53)</u>	<u>(0.49)</u>	<u>(0.36)</u>	<u>(0.30)</u>

5. Investments

	2022	2021
	\$'000	\$'000
Fair value through profit or loss:		
Preference shares	1,888,802	890,152
Amortised cost:		
Short-term notes	523,657	526,655
Medium-term notes	<u>222,220</u>	<u>160,889</u>
	<u>2,634,679</u>	<u>1,577,696</u>

6. Investment property

	2022	2021
	\$'000	\$'000
At beginning of the year	9,430,687	6,983,187
Acquisitions during the period:		
26 Seaview Avenue	-	188,505
Additions and improvements during the period	<u>506,620</u>	<u>81,667</u>
At end of the period	<u>9,937,307</u>	<u>7,253,359</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Three months ended November 30, 2022

(expressed in Jamaica dollars unless otherwise indicated)

7. Related party transactions

- (i) The consolidated statement of financial position includes the following balances with related parties, arising in the normal course of business:

	2022	2021
	\$	\$
<u>Assets</u>		
Due from related parties	4,514	-
Investment	150,000	160,889
Interest receivable	23,683	2,502
	<u>278,207</u>	<u>163,391</u>
<u>Liabilities</u>		
Project management fees payable	251,808	-
Due to related parties	962,342	481,295
Loans payable (note 8)	829,130	-
Interest payable	41,256	-
	<u>2,084,536</u>	<u>481,295</u>

- (ii) The consolidated statement of profit or loss and other comprehensive income includes expenses incurred with related parties in the normal course of business as follows:

	2022	2021
	\$	\$
Interest income	5,250	2,502
Interest expense	(18,105)	(7,329)
	<u>(12,855)</u>	<u>(4,827)</u>
<u>Operating expenses</u>		
Management fees	68,626	48,317
Corporate service fees	11,549	9,235
Performance fees	-	12,486
Professional fees	1,569	1,054
Director's fees and related expenses	2,747	2,236
	<u>84,491</u>	<u>73,328</u>

8. Loans and borrowings

	2022	2021
	\$'000	\$'000
US\$ vendor mortgage	1,187,603	1,551,562
US\$ senior secured bridge loan	769,136	-
Loans from related parties	829,130	-
Revolving line of credit	597,876	447,727
	<u>3,383,745</u>	<u>1,999,289</u>

Sygnus Real Estate Finance Limited
Unaudited Results for the 3 Months Ended November 30, 2022

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LIMITED	42,000,000	12.9%
2	SJIML A/C 3119	20,000,000	6.1%
3	DYNAMIX HOLDINGS INCORPORATED	20,000,000	6.1%
4	WILDELLE LIMITED	17,000,000	5.2%
5	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY	16,214,243	5.0%
6	MF&G ASSET MANAGEMENT LTD. - CAPITAL GROWTH FUND	10,807,160	3.3%
7	MF&G ASSET MANAGEMENT LTD. - INCOME & GROWTH FUND	10,807,160	3.3%
8	LYTTLETON OVEL SHIRLEY	10,000,000	3.1%
9	BARNETT LIMITED	8,264,500	2.5%
10	D.R.N.A	8,264,400	2.5%
	Subtotal	163,357,463	50.0%
	Total	326,526,232	100.0%

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
1	Linval Freeman	400,000	Donna Freeman	0.12%
			Kristifer Freeman	
			Kimberly Freeman	
2	Pierre Williams	Nil	N/A	Nil
3	Horace Messado	83,700	Lisa-Gayle Thomas-Messado	0.03%
4	David Cummings	Nil	N/A	Nil
5	Elizabeth Stair	55,900	Jason Stair	0.02%
			Stephanie Stair	
6	Dr. Ike J. Johnson	56,700	N/A	0.02%
		5,273,400	Sygnus Capital Group Limited	1.62%
	Subtotal	5,786,000		1.80%

Shareholdings of Connected Parties				
1	Sygnus Capital Group Limited	5,273,400	Dr. Ike J. Johnson	1.62%
2	MSCI Inc.	Nil	N/A	Nil