

SYGNUS

REAL ESTATE FINANCE

**AUDITED
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2021



204 Johnsons Centre
No. 2 Bella Rosa Road
P.O. Box GI 2171
Gros-Islet LC01 101
Saint Lucia

Telephone: (758) 453-5764
Email: ecinfo@kpmg.lc

INDEPENDENT AUDITORS' REPORT

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Opinion

We have audited the financial statements of Sygnus Real Estate Finance Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 4 to 60, which comprise the Group's and Company's statement of financial position as at August 31, 2021, the Group's and Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and Company as at August 31, 2021 and the Group's and Company's financial performance and the Group's and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters and how they were addressed in our audit

Valuation of investment property (notes 10 and 27)

The Group has significant interest in investment properties which are measured at fair value. The fair value of these properties, including that obtained as part of the net assets acquired in the acquisition of a subsidiary; are determined by methods or factors applied by management's expert which is dependent on the availability and use of reliable market data and making appropriate adjustments thereto, where required. This involves some element of subjectivity which could result in material errors.

Our audit procedures in response to this matter included the following:

- Assessing the design and implementation of the Group's control over the determination of fair values.
- Using our own valuation specialists to assess the reasonableness of the valuation methodologies employed by management experts, where applicable, reviewing the sources of data and underlying assumptions utilised to value the properties and considering compliance with the provisions of IFRS 13 *Fair Value Measurement*.
- Evaluating the independence and qualification of management's valuation experts, where applicable, to determine that the valuations were done with appropriate independence.
- Assessing the adequacy and appropriateness of the Group's investment property disclosures, including the valuation techniques and significant unobservable inputs in accordance with IFRS 13 *Fair Value Measurement*.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

Emphasis of Matter - comparative information

We draw attention to Note 29 to the financial statements which indicates that the comparative information presented as at and for the year ended August 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature of the KPMG firm, written in blue ink.

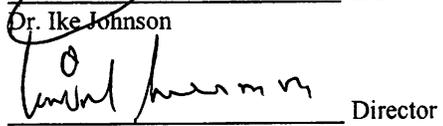
Chartered Accountants
Castries, Saint Lucia
January 10, 2022.

SYGNUS REAL ESTATE FINANCE LIMITED**Group Statement of Financial Position****August 31, 2021***(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000 Restated*
ASSETS			
Cash		9,104	73,946
Asset held for sale	4	-	1,812,448
Due from related parties	5	-	27,887
Investments	6	1,256,844	873,996
Interest in joint venture	7	435,411	405,454
Other assets	9	66,377	379,333
Investment property	10	<u>6,983,187</u>	<u>2,502,248</u>
Total assets		<u>8,750,923</u>	<u>6,075,312</u>
LIABILITIES			
Accounts payable and accrued liabilities	11	189,335	54,166
Due to related parties	5	802,287	384,707
Interest payable	12	16,906	11,099
Note payable	13	-	1,334,696
Loans and borrowings	14	3,032,313	1,612,995
Preference shares	15	<u>-</u>	<u>79,123</u>
Total liabilities		<u>4,040,841</u>	<u>3,476,786</u>
EQUITY			
Share capital	16	2,532,144	2,083,879
Prepaid share reserve	17	-	148,300
Translation reserve	18	(7)	-
Retained earnings		<u>2,177,945</u>	<u>366,347</u>
Total equity		<u>4,710,082</u>	<u>2,598,526</u>
Total liabilities and equity		<u>8,750,923</u>	<u>6,075,312</u>

The financial statements on pages 6 to 60 were approved for issue by the Board of Directors on January 6, 2022 and signed on its behalf by:


 _____ Director
 Dr. Ike Johnson


 _____ Director
 Linval Freeman

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITEDGroup Statement of Profit or Loss and Other Comprehensive Income
Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000 Restated*
Net interest income and other revenue			
Interest income, calculated using the effective interest method	19	97,476	76,332
Interest expense	19	(88,648)	(11,099)
		8,828	65,233
Fair value gains from financial instruments at fair value through profit or loss (FVTPL)	24(a)	52,676	14,653
Foreign exchange (loss)/gain	20	(2,540)	23,324
Fair value gain on investment property	10	913,396	400,704
Gain on disposal of investment property	4	100,805	-
Other revenue		<u>3,190</u>	<u>6,090</u>
		<u>1,076,355</u>	<u>510,004</u>
Operating expenses			
Management fees	5(ii)	131,682	27,073
Corporate service fees	5(ii)	26,587	9,442
Performance fees	5(ii)	377,909	48,571
Other expenses	21	<u>64,877</u>	<u>53,334</u>
		<u>601,055</u>	<u>138,420</u>
Operating profit			
Share of profit/(loss) of joint venture	7	475,300	371,584
Gain on acquisition of subsidiary	27	29,957	(5,237)
		<u>1,306,341</u>	<u>-</u>
Profit for the year/period		<u>1,811,598</u>	<u>366,347</u>
Other comprehensive loss			
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive loss		(7)	-
Total comprehensive income for the year/period		<u>1,811,591</u>	<u>366,347</u>
Basic earnings per stock unit	23	<u>9.93¢</u>	<u>2.18¢</u>
Diluted earnings per stock unit	23	<u>9.93¢</u>	<u>1.98¢</u>

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED

Group Statement of Changes in Equity

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Group</u>				
	<u>Share capital</u> \$'000 [Note 16]	<u>Prepaid Share reserve</u> \$'000 [Note 17]	<u>Translation reserve</u> \$'000 [Note 18]	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Total comprehensive income					
Profit for the period, being total comprehensive income	-	-	-	414,918	414,918
Transaction with owners					
Issue of ordinary shares	2,083,879	-	-	-	2,083,879
Prepaid shares	<u>-</u>	<u>148,300</u>	<u>-</u>	<u>-</u>	<u>148,300</u>
Balances at August 31, 2020 as previously reported	2,083,879	148,300	-	414,918	2,647,097
Prior year adjustment (note 29)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,571)</u>	<u>(48,571)</u>
As restated*	<u>2,083,879</u>	<u>148,300</u>	<u>-</u>	<u>366,347</u>	<u>2,598,526</u>
Total comprehensive income					
Profit for the year	-	-	-	1,811,598	1,811,598
Other comprehensive loss	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>1,811,598</u>	<u>1,811,591</u>
Transaction with owners					
Issue of ordinary shares	299,965	-	-	-	299,965
Prepaid shares issued	<u>148,300</u>	<u>(148,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>448,265</u>	<u>(148,300)</u>	<u>-</u>	<u>-</u>	<u>299,965</u>
Balances at August 31, 2021	<u>2,532,144</u>	<u>-</u>	<u>(7)</u>	<u>2,177,945</u>	<u>4,710,082</u>

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED**Group Statement of Cash Flows****Year ended August 31, 2021***With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000 Restated*
Cash flows from operating activities			
Profit for the year/period		1,811,598	366,347
Adjustments for:			
Interest income	19	(97,476)	(76,332)
Interest expense	19	88,648	11,099
Share of (profit)/loss of joint venture	7	(29,957)	5,237
Foreign exchange loss/(gain)		35,347	(23,324)
Gain on acquisition on subsidiary	27	(1,306,341)	-
Gain on disposal of investment property	4	(100,805)	-
Fair value gains on investments	24(a)	(52,676)	(14,653)
Fair value gain on investment property	10	(913,396)	(400,704)
		(565,058)	(132,330)
Changes in operating assets and liabilities:			
Other receivables		(30,597)	(1,913)
Due from related parties		27,887	164,842
Accounts payable and accrued liabilities		133,738	55,903
Due to related parties		<u>416,126</u>	<u>29,242</u>
		(17,904)	115,744
Interest received		109,268	60,192
Interest paid		(82,841)	-
Net cash provided by operating activities		<u>8,523</u>	<u>175,936</u>
Cash flows from investing activities			
Acquisition of investments		(520,277)	(846,846)
Proceeds from investments matured		190,790	-
Investment in joint venture	7	-	(106,654)
Advance payment for shares acquisition	27	-	(350,105)
Deposit paid on real estate acquisition	9	(18,344)	(11,175)
Acquisition of investment property	10	(1,232,365)	(3,884,708)
Additions to investment property	10	(153,792)	(29,283)
Proceeds from disposal of investment property	4	<u>1,913,253</u>	-
Net cash provided by/(used in) investing activities		<u>179,265</u>	<u>(5,228,771)</u>
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	17	-	2,083,879
Proceeds from the issue of preference shares	15	-	79,123
Redemption of preference shares		(79,123)	-
Issue of note payable	13	-	1,334,696
Repayment of note payable	13	(1,334,696)	-
Loans and borrowings		<u>1,148,684</u>	<u>1,612,995</u>
Net cash (used in)/provided by financing activities		(265,135)	<u>5,110,693</u>
Effect of foreign exchange movements on cash		<u>12,505</u>	<u>16,088</u>
Net (decrease)/increase in cash		(64,842)	73,946
Cash at beginning of year/period		<u>73,946</u>	-
Cash at end of year/period		<u>9,104</u>	<u>73,946</u>

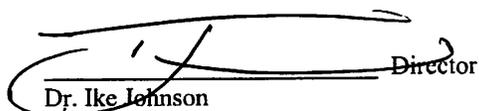
*See note 29

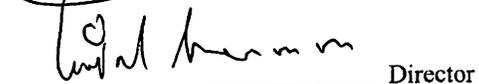
The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED**Company Statement of Financial Position****August 31, 2021***(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000 Restated*
ASSETS			
Cash		9,028	72,200
Due from related parties	5	855,856	1,198,636
Investments	6	1,256,844	873,996
Interest in joint venture	7	410,691	410,691
Investment in subsidiaries	8	1,884,605	20
Other assets	9	<u>16,151</u>	<u>367,801</u>
Total assets		<u>4,433,175</u>	<u>2,923,344</u>
LIABILITIES			
Accounts payable and accrued liabilities	11	17,982	51,751
Due to related parties	5	754,897	384,579
Interest payable	12	16,906	3,392
Loans and borrowings	14	<u>1,521,900</u>	<u>209,123</u>
Total liabilities		<u>2,311,685</u>	<u>648,845</u>
EQUITY			
Share capital	16	2,532,144	2,083,879
Prepaid share reserve	17	-	148,300
(Accumulated deficit)/retained earnings		<u>(410,654)</u>	<u>42,320</u>
Total equity		<u>2,121,490</u>	<u>2,274,499</u>
Total liabilities and equity		<u>4,433,175</u>	<u>2,923,344</u>

The financial statements on pages 6 to 60 were approved for issue by the Board of Directors on January 6, 2022 and signed on its behalf by:


 _____ Director
 Dr. Ike Johnson


 _____ Director
 Linval Freeman

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income
Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000 Restated*
Net interest income and other revenue			
Interest income, calculated using the effective interest method	19	97,473	76,240
Interest expense	19	(30,960)	(3,392)
		66,513	72,848
Fair value gains from financial instruments at fair value through profit or loss (FVTPL)	24(a)	52,676	14,653
Foreign exchange (loss)/gain	20	(7,449)	73,528
Other revenue		<u>3,190</u>	<u>6,090</u>
		<u>114,930</u>	<u>167,119</u>
Operating expenses			
Management fees	5(ii)	131,682	27,072
Corporate service fees	5(ii)	26,587	9,442
Performance fees	5(ii)	377,909	48,571
Other expenses	21	<u>31,726</u>	<u>39,714</u>
		<u>567,904</u>	<u>124,799</u>
(Loss)/profit for the year/period, being total comprehensive (loss)/income		<u>(452,974)</u>	<u>42,320</u>

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED

Company Statement of Changes in Equity

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Company</u>			<u>Total</u> \$'000
	<u>Share capital</u> \$'000 [Note 16]	<u>Prepaid share reserve</u> \$'000 [Note 17]	<u>Retained earnings</u> \$'000	
Total comprehensive income				
Profit for the period, being total comprehensive income	-	-	90,891	90,891
Transaction with owners				
Issue of ordinary shares	2,083,879	-	-	2,083,879
Prepaid shares	-	<u>148,300</u>	-	<u>148,300</u>
Balances at August 31, 2020, as previously reported	2,083,879	148,300	90,891	2,323,070
Prior year adjustment (note 29)	-	-	(48,571)	(48,571)
As restated*	2,083,879	148,300	42,320	2,274,499
Total comprehensive income				
Loss for the year, being total comprehensive expense	-	-	(452,974)	(452,974)
Transaction with owners				
Issue of ordinary shares	299,965	-	-	299,965
Prepaid shares	<u>148,300</u>	<u>(148,300)</u>	-	-
	<u>448,265</u>	<u>(148,300)</u>	-	<u>299,965</u>
Balances at August 31, 2021	<u>2,532,144</u>	<u>-</u>	<u>(410,654)</u>	<u>2,121,490</u>

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED

Company Statement of Cash Flows

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000
Cash flows from operating activities			Restated*
(Loss)/profit for the year/period		(452,974)	42,320
Adjustments for:			
Interest income	19	(97,473)	(76,240)
Interest expense	19	30,960	3,392
Exchange loss/(gain) on foreign balances	20	7,449	(73,528)
Fair value gains on investments	24(a)	<u>(52,676)</u>	<u>(14,653)</u>
		(564,714)	(118,709)
Changes in operating assets and liabilities:			
Other receivables		(10,247)	(1,556)
Due from related parties		342,095	(1,005,907)
Accounts payable and accrued liabilities		(33,432)	52,364
Due to related parties		<u>364,789</u>	<u>80,443</u>
		98,941	(993,365)
Interest received		109,265	60,100
Interest paid		<u>(17,446)</u>	<u>-</u>
Net cash provided by/(used in) operating activities		<u>190,310</u>	<u>(933,265)</u>
Cash flows from investing activities			
Acquisition of investments		(520,277)	(846,846)
Proceeds from investment matured		190,790	-
Investment in subsidiary		(1,234,515)	(20)
Investment in joint venture	7	-	(106,654)
Advance payment for shares	9	<u>-</u>	<u>(350,105)</u>
Net cash used in investing activities		<u>(1,564,002)</u>	<u>(1,303,625)</u>
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	17	-	2,083,879
Loans and borrowings		<u>1,298,014</u>	<u>209,123</u>
Net cash provided by financing activities		<u>1,298,014</u>	<u>2,293,002</u>
Effect of foreign exchange movements on cash		<u>12,506</u>	<u>16,088</u>
Net (decrease)/increase in cash		(63,172)	72,200
Cash at beginning of year/period		<u>72,200</u>	<u>-</u>
Cash at end of year/period		<u><u>9,028</u></u>	<u><u>72,200</u></u>

*See note 29

The accompanying notes form an integral part of the financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)*

1. Identification and principal activities

Sygnus Real Estate Finance Limited ("the Company") is incorporated in Saint Lucia as an International Business Company ("IBC"). The Company's registered office is located at McNamara Corporate Services Inc., Bella Rosa Road, Gros Islet, Saint Lucia.

The Company commenced operations on August 1, 2019 and 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, Charlemagne Holdings Limited ("Charlemagne"), and Lakespen Holdings Limited ("LHL"). Lakespen Holdings Limited also has a wholly owned subsidiary, Lakespen Industrial Park Limited. The subsidiaries are incorporated in Jamaica except for LHL which is incorporated in St. Lucia. The Company also holds a 70% interest in a joint venture, Audere Holdings Limited. The subsidiaries hold real estate and provide financing while the joint venture engages in property development. These consolidated financial statements comprise the Company, its subsidiaries and joint venture (together referred to as "the Group").

Charlemagne was incorporated during the year and began operations on May 26, 2021. LHL was acquired on April 16, 2021 (see note 27).

The Company was listed on the Jamaica Stock Exchange on October 4, 2021 (see note 28).

2. Statement of compliance and basis of preparation

(a) Statement of compliance

These separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as at August 31, 2021 (the reporting date). They were authorised for issue by the Company's Board of Directors.

New and amended standards that became effective during the year:

Certain new and amended standards which were in issue, came into effect during the current financial period. None of which resulted in any changes to amounts recognised or disclosed in the financial statements. The Group adopted IFRS 3 *Business Combinations* as follows.

- Amendments to IFRS 3 *Business Combinations*, applicable to businesses acquired in annual reporting periods beginning on or after January 1, 2020, provides more guidance on the definition of a business. The amendments include:
 - (i) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.
 - (ii) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

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

(a) Statement of compliance (continued)

New and amended standards that became effective during the year (continued):

- Amendments to IFRS 3 (continued)

The Group decided not to elect option (i) above [see note 3(a)(i)].

New and amended standards and interpretations issued but not yet effective

- Amendments to IAS 37

The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions.

At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Company and the Group do not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

(b) Basis of preparation

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

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*2. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency

The Company and Group financial statements are presented in Jamaica dollars, which is the functional currency for the parent, rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgement

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the year then ended. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements, and/or that have a significant risk of material adjustment in the next financial period are as follows:

(i) Key sources of estimation uncertainty

(1) Impairment of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in notes 3(c) and 25(b).

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

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

(d) Use of estimates and judgement (continued)

(i) Key sources of estimation uncertainty (continued)

(2) Fair value of financial instruments

Management uses its judgement in selecting the appropriate valuation techniques to determine fair value of financial instruments. The estimates of fair value arrived at may be significantly different from the actual price of the instrument in an actual arm's length transaction (see note 24).

(3) Valuation of investment property

The fair value of investment property is determined by property valuation experts using recognized valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The properties are valued using the market comparable approach. Under this approach, a property's fair value is estimated based on comparable transactions which is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied is the price per acre. The estimate of fair values is therefore dependent on the availability of reliable comparable sales data.

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

Management is also required to make critical judgements in applying accounting policies. The key relevant judgements are as follows:

(1) Classification of financial assets

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Classification of joint venture arrangement

Management exercises judgement in determining the classification of the joint venture arrangement in Audere Holdings Limited. Consideration includes the unanimous consent from all parties for all relevant activities and the rights of partners to the net assets of the arrangement in accordance with a shareholder agreement.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations:

Business combinations are accounted for using the acquisition method at the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The group decided not to exercise this option.

(ii) Subsidiaries:

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Loss of control:

On the loss of control, the Group derecognises the assets and liabilities of a subsidiary and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) 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.

Joint venture is recognised initially at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures using the equity method, until the date on which joint control ceases.

In the separate financial statements, joint venture is recognised at cost less impairment, if any.

If the Group's share of losses exceeds its interest in a joint venture the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments of behalf of the joint venture. If the joint venture subsequently reports gains, the Group resumes recognizing its share of those gains only after its share of gains equals the share of losses not recognized.

(v) Transactions eliminated on consolidation:

Balances and transactions between companies within the Group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

(b) Cash

Cash comprises cash in hand and cash at bank.

(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. For the purpose of the financial statements, financial assets have been determined to include cash, securities purchased under resale agreements, investments, other assets and due from related parties. Financial liabilities include accounts payable, notes payable, loans and borrowings, preference shares and due to related parties.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification and subsequent measurement

In applying IFRS 9, the Company and the Group classified their financial assets in the following measurement categories:

- (a) Fair value through profit or loss (FVTPL); or
- (b) Amortised cost.

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

Business model assessment:

In making an assessment of the objective of the business model in which a financial asset is held, the Company and the Group consider all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.

Solely payments of principal and interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company and the Group assess whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Company and the Group consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification and subsequent measurement (continued)

The Company and the Group reclassify debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Financial assets are classified as FVTPL when they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

(ii) Derecognition

The Company and the Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Company and the Group is recognised as a separate asset or liability.

(iii) Measurement of gains and losses on financial assets

Gains and losses on financial assets at amortised cost and FVTPL are included in the statement of profit or loss and other comprehensive income.

(iv) Financial liabilities

The Company and the Group classify non-derivative financial liabilities into the 'other financial liabilities' category. These are measured at amortised cost.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company and the Group have a legal right to offset the amounts and intend either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

(vi) Impairment of financial assets

The Company and the Group recognise loss allowances for expected credit losses (ECL) on the financial instruments measured at amortised cost.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Impairment of financial assets (continued)

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below (continued):

- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.
- A financial asset is credit impaired (‘Stage 3’) when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit-impaired financial assets

At each reporting date, the Company and the Group assess whether financial assets carried at amortised costs are credit-impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance on terms that the Company and the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECL

The Company and the Group measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Impairment of financial assets (continued)

Measurement of ECL (continued)

The ECL is determined by using the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These three components are multiplied together and adjusted for forward looking information and discount rates.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company and the Group expect to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Other and lease receivables are measured at an amount equal to lifetime ECL.

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company and the Group have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company and the Group measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company and the Group use valuation techniques.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company and the Group determine that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(d) Fair value measurement (continued)

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company and the Group measure assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company and the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(e) Investment in subsidiary

Investment in subsidiary is measured in the Company's financial statements at cost, less any impairment loss.

(f) 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 Company/Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

On disposal of investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. If an investment property is reclassified as real estate held for resale, its fair value at the date of reclassification becomes its cost for accounting purposes.

(g) Asset held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(h) Interest income

Interest income is recognised using effective interest method. The effective interest rate is the rate that exactly discount estimates future receipts through the expected life of financial instruments to the gross carrying amount of the financial asset.

(i) Foreign currency transactions and balances

Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date.

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss.

The assets and liabilities of foreign operations which is denominated in foreign currencies are translated into Jamaica dollar at the spot exchange rate at the reporting date. The income and expenses of the foreign operations are translated into Jamaica dollar at the average exchange rates for the period. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income and included in translation reserve.

(j) Other receivables and amounts due from related parties

Other receivables and amounts due from related parties are measured at amortised cost less any impairment loss.

(k) Taxation

Taxation on the profit or loss for the period comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in profit or loss.

(i) Current taxation

Current tax charges are based on the taxable profit for the period, which differs from the profit before tax reported because they exclude items that are taxable or deductible in other periods, and items that are never taxable or deductible. The current tax is calculated at tax rates that have been enacted at the reporting date.

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods.

Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(l) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount.

The effective interest rate is established on initial recognition of the financial liability and not revised subsequently.

(m) Accounts payable, accrued liabilities and amounts due to related parties

Accounts payable, accrued liabilities and amounts due to related parties are measured at amortised cost.

(n) Share capital

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Ordinary share capital is classified as equity. Preference shares are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends on ordinary shares and preference shares classified as equity are recognised as distributions within equity. Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary. Dividends thereon are recognised as interest expense in the statement of profit or loss.

The Company's redeemable preference shares are redeemable on specific dates, and bear entitlements to distributions that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as financial liabilities. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(p) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures*, as the "reporting entity", that is, the Group).

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

With comparatives for the thirteen months period ended August 31, 2020

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(p) Related parties (continued)

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group of companies (which means that each parent, subsidiary and fellow subsidiary is related to the other).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of companies of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the Group.
- (vi) The entity is controlled, or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of companies of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(q) Segment reporting

The Group is categorised into one main business segment, which is investment in real estate assets.

(r) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes share of profit/loss of joint venture and gain on acquisition of subsidiary.

4. Asset held for sale

In the prior period, management committed to a plan to sell a portion of vacant land located at Mammee Bay, which was presented as held for sale. This portion of land was disposed of in January 2021. The asset had a carrying value of \$1,812,448,328 and was sold for a cash consideration of \$1,913,253,045. The resulting gain of \$100,804,717 was recognized separately in the statement of profit or loss.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*5. Related party balances and transactions (continued)

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Due from subsidiaries (a):				
Sygnus REF Jamaica Limited	-	-	608,192	402,837
Sepheus Holdings Limited	-	-	239,625	767,966
Charlemagne Holdings Limited	-	-	437	-
Lakespen Holdings Limited	-	-	7,602	-
Due from joint venture:				
Audere Holding Limited	-	<u>27,887</u>	-	<u>27,833</u>
	<u>-</u>	<u>27,887</u>	<u>855,856</u>	<u>1,198,636</u>
	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Due to subsidiary (a):				
Sepheus Holding Limited	-	-	-	10
Due to other related parties				
Sygnus Capital Limited	612,715	80,472	566,359	80,472
Sygnus Tax Advisory Limited	1,274	198	240	60
Due to joint venture:				
Audere Holdings Limited	<u>188,298</u>	<u>304,037</u>	<u>188,298</u>	<u>304,037</u>
	<u>802,287</u>	<u>384,707</u>	<u>754,897</u>	<u>384,579</u>
Interest payable to subsidiary (note 12):				
Sygnus REF Jamaica Limited	-	-	-	2,522
Interest payable to other related parties				
Due to other related parties				
Sygnus Capital Limited	152	-	152	-
Sygnus Deneb Investments Limited	3,512	-	3,512	-
Sygnus Credit Investments Limited	<u>4,734</u>	<u>870</u>	<u>4,734</u>	<u>870</u>
	<u>8,398</u>	<u>870</u>	<u>8,398</u>	<u>3,392</u>
Interest payable to shareholder	<u>946</u>	<u>-</u>	<u>946</u>	<u>-</u>
Loan payable to subsidiary (note 14):				
Sygnus REF Jamaica Limited	-	-	-	79,123
Loan payable to other related parties				
Sygnus Capital Limited	93,990	-	93,990	-
Sygnus Deneb Investments Limited	363,334	-	363,334	-
Sygnus Credit Investments Limited	<u>256,527</u>	<u>130,000</u>	<u>256,527</u>	<u>130,000</u>
	<u>713,851</u>	<u>130,000</u>	<u>713,851</u>	<u>209,123</u>
Loan payable to shareholder (note 14)	<u>227,084</u>	<u>-</u>	<u>227,084</u>	<u>-</u>

*See note 29

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*5. Related party balances and transactions (continued)

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

- (a) These balances are unsecured, interest free and repayable on demand.

Amounts due from the related parties are considered low credit risk as these parties have intention and ability to settle these balances. No allowance for impairment was recognised.

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
		Restated*		Restated*
Subsidiary:				
Sygnus REF Jamaica Limited				
Interest expense	<u>-</u>	<u>-</u>	<u>3,039</u>	<u>2,522</u>
Other related parties:				
Sygnus Capital Limited				
Interest expense	152	-	152	-
Performance fees	377,909	48,571	377,909	48,571
Management fees	131,682	27,073	131,682	27,072
Corporate service fees	<u>26,587</u>	<u>9,442</u>	<u>26,587</u>	<u>9,442</u>
Sygnus Credit Investments Limited				
Interest expense	14,338	870	14,338	870
Interest income	<u>-</u>	<u>4,290</u>	<u>-</u>	<u>4,290</u>
Sygnus Deneb Investments Limited				
Interest expense	<u>3,558</u>	<u>-</u>	<u>3,558</u>	<u>-</u>
Sygnus Tax Advisory Limited				
Professional fees	<u>3,498</u>	<u>2,935</u>	<u>1,043</u>	<u>2,175</u>
Shareholder				
Interest expense	<u>938</u>	<u>-</u>	<u>938</u>	<u>-</u>
Directors' fees and related expenses (note 21)				
- Short-term benefits	<u>4,105</u>	<u>1,533</u>	<u>4,105</u>	<u>1,533</u>

*See note 29

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*6. Investments

	<u>Group & Company</u>	
	<u>2021</u>	<u>2021</u>
	\$'000	\$'000
Fair value through profit or loss		
Preference shares (i) and [note 24(a)]	778,792	382,360
Amortised cost		
Short-term notes (ii)	<u>478,052</u>	<u>491,636</u>
	<u>1,256,844</u>	<u>873,996</u>

(i) This represents three (3) construction notes maturing within the next year. These investments are with companies in the construction industry. The terms and conditions of each construction notes are as follows:

- (a) The Group is entitled to receive a payment in kind calculated as a percentage of reported gross/net profits of the issuers.
- (b) The issuers have a redemption option whereby the construction notes can be redeemed prior to the maturity date by paying a premium to the Group.

(ii) The short-term notes will mature within one year from the reporting date. They bear interest at rates ranging from 13% to 13.50%.

Information about the Group's exposure to credit risk, market risks and fair value measurements are included in notes 24 and 25.

7. Interest in joint venture

Audere Holdings Limited Company ("Audere") is a joint venture in which the Company has joint control and a 70% ownership interest. Audere is principally engaged in property development.

Audere is structured as a separate vehicle and the company has a residual interest in the net assets of Audere. In accordance with the agreement under which Audere is established, the Company has agreed to make additional contribution to meet costs of development up to US\$2.2 Million. This commitment has been recognized as payable to Audere Holdings Limited [See below and note 5(a)].

The Group's investment in Audere, which is accounted for using the equity method, is set out below:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Capital invested	106,654	106,654	106,654	106,654
Agreed further contribution	304,037	304,037	304,037	304,037
Cumulative share of profit/(loss)	<u>24,720</u>	<u>(5,237)</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>435,411</u>	<u>405,454</u>	<u>410,691</u>	<u>410,691</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*7. Interest in joint venture (continued)

Set out below is the summarised financial information for Audere:

Summarised Statement of Financial Position

	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Percentage of ownership	70%	70%
Total assets	788,730	614,864
Total liabilities	(168,781)	(37,711)
Net assets (100%)	<u>619,949</u>	<u>577,153</u>
Group's share of net assets	<u>435,411</u>	<u>405,454</u>

Summarised Statement of Profit or Loss and Other Comprehensive Income

	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Profit/(loss) for the year, being total comprehensive income/loss (100%)	<u>42,796</u>	(7,482)
Group's share of profit/(loss) (70%)	<u>29,957</u>	(5,237)

8. Investment in subsidiaries

Ordinary shares at cost:

	<u>Company</u>	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Sygnus REF Jamaica Limited	10	10
Sepheus Holdings Limited	10	10
Charlemagne Holdings Limited	1,009,540	-
Lakespen Holdings Limited	<u>875,045</u>	<u>-</u>
	<u>1,884,605</u>	<u>20</u>

9. Other assets

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Prepaid expenses	43,685	1,913	11,803	1,556
Interest receivable	4,348	16,140	4,348	16,140
Advance payment for shares (i)	-	350,105	-	350,105
Deposit on real estate acquisition (ii)	<u>18,344</u>	<u>11,175</u>	<u>-</u>	<u>-</u>
	<u>66,377</u>	<u>379,333</u>	<u>16,151</u>	<u>367,801</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*9. Other assets (continued)

- (i) The Company entered into a share purchase agreement in the prior year with a connected party for the acquisition of 1,000,000 ordinary shares in Lakespen Holdings Limited incorporated in St. Lucia. The acquisition was completed on April 16, 2021 (see note 27).
- (ii) At the end of the reporting period, the Company paid an initial deposit and related costs of \$18,344,000 on property to be acquired for investment purposes. The remaining consideration of US\$1.08 Million becomes due and payable upon the satisfaction of certain conditions under the agreement. Deposits from the prior period were capitalized during the year.

10. Investment property

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
At beginning of the year	2,502,248	-
New acquisitions during the year:		
Mammee Bay (i)	-	3,551,961
Spanish Town Road (ii)	-	332,747
Lady Musgrave Road (iii)	220,959	-
Hillcrest Avenue (iv)	<u>1,011,406</u>	-
	<u>1,232,365</u>	<u>3,884,708</u>
Property acquired in business combination (note 27)		
Lakespen Property (v)	2,181,386	-
Additions and improvements during the year	153,792	29,283
Fair value adjustment [see (vi) below]	913,396	400,704
Land at Mammee Bay reclassified as asset held for sale (note 4)	-	(1,812,448)
	<u>6,983,187</u>	<u>2,502,248</u>

- (i) This represents land acquired in the hospitality sector. Development plans are being explored and a determination for its use was undecided at the year end.
- (ii) The property at Spanish Town Road is being developed as industrial warehouses for lease to a third party and is expected to be completed in 2022.
- (iii) This represents land acquired for development in the commercial sector. Various options are being explored for its optimal use which was undetermined at year end.
- (iv) This represents land acquired in the commercial or residential sector. Its future use was undetermined at year end.
- (v) This represents land acquired in the industrial sector. Its future use was undetermined at the year end.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*10. Investment property (continued)

(vi) Amounts recognised in profit or loss

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Operating expenses	(15,404)	(2,405)
Fair value gain	<u>913,396</u>	<u>400,704</u>

No income is earned from these properties during the year.

(vii) Measurement of fair values

The properties are stated at fair market value, as appraised by a qualified independent valuator, NAI Jamaica Langford & Brown. The fair value measurement for all properties has been categorized as Level 2 in the fair value hierarchy based on the inputs to the valuation technique used.

The same valuation technique was applied to all investment properties.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market comparable approach. This technique take into account a comparison of similar properties for which the size, terms and conditions of sale are known. Where necessary, the price is further reduced to account for other existing factors that would impact property value.	<ul style="list-style-type: none"> The price per acre. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> The level of current and future economic activity in the location and the impact on the strength of the demand is greater/ (less) than judged. The comparable sales prices are greater/(less) than judged.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*11. Accounts payable and accrued liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Audit fees	12,258	5,250	5,000	3,150
Directors' fees and related expenses	845	383	845	383
Security deposits (i)	10,199	46,273	10,199	46,273
Other payables and accrued expenses (ii)	<u>166,033</u>	<u>2,260</u>	<u>1,938</u>	<u>1,945</u>
	<u>189,335</u>	<u>54,166</u>	<u>17,982</u>	<u>51,751</u>

(i) These balances were withheld by the Group as part of investment transactions in the event of a default in payments.

(ii) Included in other payables is an amount of \$113,542,000 (US\$750,000) representing the remaining purchase consideration due and payable upon the removal of restrictive covenants for property acquired at Lady Musgrave Road. Amount has been recognized as payment is highly probable, and the liability can be reliably estimated.

12. Interest payable

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
J\$ Preference shares	-	3,226	-	-
US\$ vendor mortgage	-	7,003	-	-
Short term loan	946	-	946	-
Revolving line of credit	7,562	-	7,562	-
Loans from related parties (note 5)	<u>8,398</u>	<u>870</u>	<u>8,398</u>	<u>3,392</u>
	<u>16,906</u>	<u>11,099</u>	<u>16,906</u>	<u>3,392</u>

13. Note payable

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
US\$ Promissory note	<u>-</u>	<u>1,334,696</u>

In the prior period, a subsidiary entered into an agreement for the acquisition of land (Mammee Bay). As part of the purchase consideration, a US\$9 Million promissory note was issued by the vendor, secured by a corporate guarantee from Sygnus Real Estate Finance Limited.

The note was repaid during the year.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*14. Loans and borrowings

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
US\$ vendor mortgage (i)	1,513,892	1,482,995	-	-
US\$ short term loan (ii) (note 5)	227,084	-	227,084	-
Revolving line of credit (iii)	590,473	-	590,473	-
Loans from related parties:				
[see (iv), note 5]	<u>713,851</u>	<u>130,000</u>	<u>713,851</u>	<u>209,123</u>
	3,045,300	1,612,995	1,531,408	209,123
Less: transaction costs				
Incurred during the year	(14,902)	-	(10,866)	-
Amortised for the year	<u>1,915</u>	<u>-</u>	<u>1,358</u>	<u>-</u>
	<u>3,032,313</u>	<u>1,612,995</u>	<u>1,521,900</u>	<u>209,123</u>

- (i) This represents a US\$10 Million facility granted as part of the purchase consideration for the acquisition of land. The mortgage is for a period of 5 years at an interest rate of 5% per annum. This loan is secured by the property acquired.
- (ii) This represents a US\$1.5 Million short-term loan from a shareholder that was granted as part of the purchase consideration for the acquisition of land. The loan is at an interest rate of 1% per annum and matures on December 31, 2021.
- (iii) This represents a secured 2-year revolving facility of up to US\$3.9 Million, funded in either USD or JMD. Interest is payable quarterly at 5% (JMD rate of 6%) . The facility matures on May 14, 2023 and is secured by a collateral mortgage by way of guarantee on property owned by the Group.
- (iv) This represents:
- Unsecured loans of US\$1.1 Million and JMD\$90 Million with Sygnus Credit Investments at interest rates of 8.5% and 9% respectively. The loans mature on October 31, 2021 and October 11, 2021 respectively.
 - An unsecured facility of US\$2.4 Million with Sygnus Deneb Investments Limited at an interest rate of 6%. The loan matures on October 31, 2021.
 - Unsecured loans of up to US\$1.1 Million and JMD\$7 Million with Sygnus Capital Investments at interest rates of 6% respectively. The loans mature between October 20, 2021 and October 31, 2021.
 - Unsecured loans for J\$130 Million with Sygnus Credit Investments Limited and J\$79.123 Million with Sygnus REF Jamaica Limited in the prior period which were repaid during the year.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*15. Preference shares

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
4% convertible redeemable preference shares	<u>-</u>	<u>79,123</u>

On September 4, 2019, Sygnus REF Jamaica Limited issued 5,958,075 fixed rate convertible cumulative redeemable preference shares at a price of J\$13.28 per share by private offering.

The shares were redeemed on May 7, 2021.

16. Share capital

Authorised capital:

- (i) Unlimited JMD and USD ordinary shares
- (ii) One (1) special rights redeemable preference share of US\$1

	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Issued and fully paid:		
198,127,832 (2020: 168,127,832 ordinary shares and one (1) special share	2,576,272	2,128,007
Less: transaction costs of share issue	<u>(44,128)</u>	<u>(44,128)</u>
	<u>2,532,144</u>	<u>2,083,879</u>

- (a) In the prior period, the Company effected a private placement of ordinary shares denominated in both Jamaican dollars and United States dollars. The Company issued 168,127,832 ordinary shares and raised capital of \$2,083,879 net of transaction costs.
- (b) During the year, the Company issued 30,000,000 US\$ class ordinary shares at a value of US\$3 Million (US\$0.10 cents per share) as part of the agreed purchase consideration for properties acquired. 20,000,000 shares were issued in respect of the Bernard Lodge property [see (c) below] and 10,000,000 shares were issued in respect of the Mammee Bay property (see note 17).
- (c) During the year, the Company entered into an agreement for the acquisition of land for which an agreed portion of the purchase consideration was for the issue of 20,000,000 US\$ class ordinary shares in Sygnus Real Estate Finance Limited. The share issue was completed on May 3, 2021.
- (d) At the reporting date, Sygnus Capital Management Limited, a related company, holds 1,000,000 ordinary shares in the Company. The remaining ordinary shares are held by private investors. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.
- (e) The special rights redeemable preference share is owned by Sygnus Capital Group Limited, a related entity. Sygnus Capital Group Limited is the parent of company of Sygnus Capital Management Limited. At any meeting of the holders of any class of shareholders of the Company, the holder of the Special Share carries 101% of the aggregate votes, vested in all ordinary shares issued by the Company.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*17. Prepaid share reserve

	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
At beginning of year	148,300	-
Issued during the year (i)	<u>(148,300)</u>	<u>148,300</u>
At end of the year	<u>-</u>	<u>148,300</u>

- (i) The balance in the prior period represented the agreed portion of the purchase consideration for the acquisition of land (Mammee Bay) for the issue of 10,000,000 US\$ class ordinary shares in Sygnus Real Estate Finance Limited. The share issue was completed on November 24, 2020.

18. Foreign exchange translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the foreign subsidiary. There was no translation reserve in prior year. The translation reserve as at August 31, 2021 is \$7,000.

19. Net interest income

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Interest income, calculated using the effective interest method				
Cash	94	196	91	104
Investments	<u>97,382</u>	<u>76,136</u>	<u>97,382</u>	<u>76,136</u>
	<u>97,476</u>	<u>76,332</u>	<u>97,473</u>	<u>76,240</u>
Interest expense				
Note payable	(8,842)	-	-	-
Loans and borrowings	(77,634)	(11,099)	(30,960)	(3,392)
Preference shares	<u>(2,171)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(88,648)</u>	<u>(11,099)</u>	<u>(30,960)</u>	<u>(3,392)</u>
Net interest income	<u>8,828</u>	<u>65,233</u>	<u>66,513</u>	<u>72,848</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*20. Foreign exchange gain/(loss)

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Exchange gain/ (loss) was recognized on:				
Cash	12,506	16,088	12,506	16,088
Related party balances	(1,454)	(6,999)	(5,529)	44,330
Fair value through profit or loss				
investments	685	12,497	685	12,497
Note payable	32,813	-	-	-
Loans and borrowings	(45,660)	-	(14,763)	-
Other	(1,430)	<u>1,738</u>	(348)	<u>613</u>
	<u>(2,540)</u>	<u>23,324</u>	<u>(7,449)</u>	<u>73,528</u>

21. Other expenses

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Advertising	4,329	275	4,329	169
Audit fees and expenses	14,476	5,250	6,358	3,150
Bank charges	236	151	233	151
Directors' fees and related				
expenses [note 5(ii)]	4,105	1,533	4,105	1,533
Insurance	3,253	1,290	3,253	1,290
Irrecoverable tax	5,318	10,431	3,005	9,754
Professional fees	11,811	32,370	6,492	23,667
Property expenses	5,007	-	-	-
Registration fees	5,850	10	3,900	-
Repairs and maintenance	-	920	-	-
Security	10,230	593	50	-
Other	<u>262</u>	<u>511</u>	<u>1</u>	<u>-</u>
	<u>64,877</u>	<u>53,334</u>	<u>31,726</u>	<u>39,714</u>

22. Taxation

Income earned by the Company for the year is exempt from income tax as these transactions were conducted with member states of CARICOM.

Depending on the jurisdiction and nature of business, income tax is computed at 1% and 25% of profit for the year. The provision for income tax on the results for the period, adjusted for tax purposes, was nil.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*22. Taxation (continued)

- (a) The actual taxation charge differs from the “expected” tax charge for the period as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
		Restated*		Restated*
Profit before taxation	<u>1,811,598</u>	<u>366,347</u>	<u>(452,974)</u>	<u>42,320</u>
Computed “expected” tax charge of 1%	(4,554)	423	(4,530)	423
Computed “expected” tax credit of 25%	<u>232,660</u>	<u>82,316</u>	<u>-</u>	<u>-</u>
	228,106	82,739	(4,530)	423
Tax effect of treating items differently for financial statements and tax reporting purposes -				
Net foreign exchange (gain)/loss	(1,058)	11,760	74	(734)
Interest income from CARICOM member states	(697)	(762)	(697)	(762)
Fair value gains from investments in CARICOM member states	(527)	(147)	(527)	(147)
Disallowed income and Expenses	(235,689)	(95,539)	5,680	915
Others	<u>9,865</u>	<u>1,949</u>	<u>-</u>	<u>305</u>
Actual tax credit recognized	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (b) As capital gains are not taxable in Jamaica, no deferred tax was recognised in respect of fair value gains on investment properties for the Group. Other than fair value gains, the Group did not have profit on their operating activity, therefore all expenses were disallowed for income tax purpose and no deferred tax recognized in respect of those items.

23. Earnings per stock unit

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 year.

	<u>2021</u>	<u>2020</u>
		Restated*
Net profit attributable to stockholders of the parent (\$'000)	1,811,598	366,347
Weighted average number of ordinary stock units in issue ('000)	182,457	168,128
Basic earnings per stock unit (\$)	<u>9.93</u>	<u>2.18</u>

* See note 29

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*23. Earnings per stock unit (continued)

Diluted earnings per stock unit reflects the impact of convertible preference shares and stock options. The Group did not have any instruments that had a dilutive effect on its basic earnings per share for the current year.

	<u>2020</u>
	Restated*
Net profit attributable to stockholders of the parent (\$'000)	366,347
Weighted average number of ordinary stock units in issue ('000)	184,593
Diluted earnings per stock unit (\$)	<u>1.98</u>

24. Fair value of financial instruments

The amounts included in the financial statements for cash, due from related parties, other receivables, accounts payable and accrued liabilities and due to related parties reflect the approximate fair values because of the short-term maturity of these instruments.

The definition of fair value is described in note 3(d).

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and those inputs have a significant effect on the instrument valuation. This category includes instruments that are valued based on prices for similar instruments for which significant adjustments or assumptions are made to reflect differences between the instruments.

Accounting classification and fair values:

The Company's and the Group's investments measured at fair value are classified at Level 2 in the fair value hierarchy. There were no transfers between levels during the year.

* See note 29

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*24. Fair value of financial instruments (continued)

- (a) The following table shows the valuation techniques used in measuring the fair value, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Range of estimates for unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow method	<ul style="list-style-type: none"> Adjusted profit of the issuer(s) based on probability of achievement Risk-adjusted discount rates 	<ul style="list-style-type: none"> Probability of achievement of 40% Fixed income discount rate of 6.74% to 10.00% and equity discount rate of 18.28% to 24.24% 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Adjusted profit was higher/(lower) The cost of debt was (higher)/lower Interest rates changed

- (b) The following shows a reconciliation of the fair value measurements:

	<u>Group & Company</u>	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
At beginning of the year/period	382,360	-
Acquisition during the year/period	343,756	367,707
Fair value gains recognised in profit or loss	<u>52,676</u>	<u>14,653</u>
	<u>778,792</u>	<u>382,360</u>

Fair value of financial assets and liabilities maturing within one year is assumed to approximate their carrying amounts and is included in the level 2 fair value hierarchy. The Company and the Group do not have financial assets or liabilities which mature beyond one year except for a mortgage facility which is at market rate and therefore fair value is considered to approximate the carrying amount.

25. Financial risk management

The Company and the Group have exposure to credit risk, liquidity risk and market risk from its operations and the use of financial instruments, and concentration risks related to real estate assets:

(a) Overview

The Company and the Group through its Investment Manager have developed and implemented a risk management policy that involves the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's and the Group's risk management policies are established to identify and analyse the risks faced by the Company and the Group in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(a) Overview (continued)**

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and the Group's activities.

The risk management policy of the Company and the Group also adopt best practice measures to address perceived or real conflicts of interest that may arise in the operations and management of the business.

The Board of Directors is ultimately responsible for the risk management policies of the Company and the Group. The Board's risk management mandate is carried out through the following committees:

(i) Audit and Governance Committee

The primary purpose of this Committee is to assist the Board in fulfilling its oversight responsibilities. In performing its duties, the Committee maintains effective working relationships with the Board, the Enterprise Risk Management Committee and the Group's external auditors.

The Committee plays a key role in corporate governance and internal controls. The Committee is also responsible for assisting the Board of Directors in its compliance with regulatory requirements.

(ii) Credit Risk and Investment Risk

The Company and the Group have delegated the management of credit risk and investment risk to the Investment and Risk Management Committee ("IRMC"), a sub-committee of the Board of the Investment Manager, Sygnus Capital Limited. The Committee is responsible for the overall risk management function of the Company and the Group and is responsible for all credit and investment decisions relating to the Company and the Group's investment portfolio.

This committee consists of three members, two of whom are independent of the Company, including the Chairman.

The Committee reviews and approves all investment recommendations and also determines the level conditions that will be attached to each investment.

(iii) Enterprise Risk Management Committee

In addition to the IRMC, the Company and the Group have also established an Enterprise Risk Management Committee, a sub-committee of the Board.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(a) Overview (continued)****(iii) Enterprise Risk Management Committee (continued)**

This Committee assists the Board in providing leadership, direction, and oversight pertaining to the Company's and the Group's risk governance and framework, including the risk appetite statement, risk limits and tolerances ("Risk Appetite Statement"). The Committee also assists the Board to foster a culture within the Company and the Group that demonstrates the benefits of a risk-based approach to risk management and internal controls. The Committee works closely with the Audit and Governance Committee.

(iv) Real Estate Investment Advisory Committee

The Company's and the Group's Investment Manager, through its Real Estate Investment Advisory Committee (RIAC) is responsible for analysing and recommending all real estate investment proposals to the IRMC and supporting the IRMC with the monitoring of the real estate investment portfolio. The RIAC comprises five (5) members including two (2) external real estate consultant experts.

Risk management policies are established to identify and analyze the risks faced by the Company and the Group in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and the Group's activities.

(v) Impact of COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices across the Caribbean, where the Company and the Group have portfolio company investments. In response to the pandemic, Management has adopted several measures specifically around financial risk management.

These measures include:

- Proactive risk management process to monitor and manage Covid-19 risks, namely:
 1. Continuous data and information gathering, monitoring and assessing risks faced by the Company and the Group;
 2. Developing action plans to mitigate any risks identified in collaboration with partners.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(a) Overview (continued)****(v) Impact of COVID-19 (continued)**

These measures include (continued):

- Effective management of liquidity given disruption in financial markets, to ensure ample liquidity is available to fund operating expenses and finance existing real estate projects whilst making selective new investments.

Management is expecting that demand for flexible capital in the Caribbean real estate industry will remain robust despite the disruptive economic environment occasioned by the global pandemic. Management has committed to continue executing on and exploring new opportunities that fits the risk and return investment profile.

(b) Credit risk

Credit risk is the risk of a financial loss arising from a counterparty to a financial contract failing to discharge its obligations. The Company and the Group manage this risk by establishing policies for granting credit and entering into financial contracts. The Company's and the Group's credit risk is concentrated primarily in due from related parties, other assets and investments.

Exposure to credit risk:

The maximum credit exposure, the total amount of loss the Company and the Group would suffer if every counter-party to the Company's and the Group's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position.

Cash are held with financial institutions and collateral is not required for such accounts, as management regards the institutions as strong. The strength of these financial institutions is continually reviewed by the IRMC and the Enterprise Risk Management Committee.

The Company and the Group manage credit risk related to other receivables by limiting exposure to specific counterparties and by monitoring settlements.

Investments expose the Company and the Group to credit losses as there is a risk that the counterparty will fail to fulfill its contractual obligations. The Company and the Group manage this risk by contracting only with counterparties that management considers to be financially sound.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(b) Credit risk (continued)***Exposure to credit risk (continued):*

The estimation of expected credit losses for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company and the Group measure credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Existing facilities are in a similar industry sector, and are currently extended to customers within Jamaica.

Expected credit loss measurement:

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition.

<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(i) Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company and the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s and the Group’s historical experience and third-party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(b) Credit risk (continued)**

Expected credit loss measurement (continued):

(i) Significant increase in credit risk (SICR) (continued)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company and the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's and the Group's historical experience and third-party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company and the Group use three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a movement of two notches from the credit risk rating at origination.

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company and the Group.

If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):**(ii) Definition of default*

In assessing whether a borrower is in default, the Company and the Group consider indicators that are:

- qualitative: e.g. the counterparty is more than 90 days past due on its contractual payments; and
- quantitative: e.g. the counterparty meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

(iii) Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company and the Group have performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

The Company and the Group use a forward-looking score card model to estimate the potential of future economic conditions.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, supranational organisations and selected private-sector forecasters.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(b) Credit risk (continued)***(iv) Credit risk grading*

The Company and the Group assess the probability of default using internal ratings. These are segmented into rating classes. The Company's and the Group's rating scale is shown below.

Rating	Description	Definition	Category
1	Exceptional	Portfolio company is performing exceptional	Standard Monitoring
2	Very Good	Portfolio company is performing very good	
3	Good	Portfolio company is performing good	
4	Average	Portfolio company is performing average	
5	Below average	Portfolio company is performing below average	Early Warning
6	Underperforming	Portfolio company in under-performing	Enhanced Monitoring
7	Non-performing	Portfolio company is non-performing	Restructured/Default

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Company and the Group to assess the potential loss as a result of the risk to which it is exposed and to take corrective action.

(v) Credit quality analysis

The following table contains information about the credit quality of financial assets measured at amortised cost and represents their carrying amounts at the reporting date.

**Investments
at amortised cost**

	<u>Group and Company</u>	
	2021	
	Stage 1	Total
	\$'000	\$'000
Credit grade:		
Standard monitoring	<u>478,052</u>	<u>478,052</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(b) Credit risk (continued)***(v) Credit quality analysis (continued)*

The following table contains information about the credit quality of financial assets measured at amortised cost and represents their carrying amounts at the reporting date.
(continued)

	<u>Group and Company</u>	
	<u>2020</u>	
	Stage 1	Total
	\$'000	\$'000
Credit grade:		
Standard monitoring	<u>491,636</u>	<u>491,636</u>

(vi) Collateral

The Group requires collateral and corporate and personal guarantees when issuing investment notes to its counterparties. The Group has not recognized loss allowance on investment notes carried at amortized cost, as these notes are adequately collateralized.

The carrying amounts of investments carried at amortized cost represent the maximum credit exposure. The total carrying amount of the investments carried at amortized cost is \$479,900,684. These investment notes were issued for real estate development purposes and they all mature within a year.

These financial assets are collateralized by real estate assets. These real estate assets are measured at fair value using the market approach which is a level 2 approach under the IFRS13 fair value hierarchy. There were no significant changes in the quality of these collaterals for the reporting period. The total fair value of collaterals used to secure financial assets with credit exposure is \$2,405,512,506.

(vii) Impairment allowance

No impairment loss was recognised during the year.

(c) Liquidity risk

Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Company and the Group generally make investments in financial instruments issued by private companies, substantially all of which are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for the Company and the Group to sell or dispose of such investments in a timely manner at or close to fair value, if the need arises.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(c) Liquidity risk (continued)**

In addition, the Company and the Group face liquidity risk in the form of funding risk. This is the risk that the Company and the Group may encounter difficulty in raising funds to meet commitments associated with its investments and obligations as they fall due.

Maturities of assets and liabilities, and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and the Group and the exposure to changes in interest rates and exchange rates.

The Company and the Group are not subject to any externally imposed liquidity requirements.

The Company and the Group maintain an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

This risk is monitored and mitigated by (i) obtaining revolving credit lines from reputable banks and (ii) raising capital through initial public offerings (IPOs).

Maturity analysis for liabilities

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	Group 2021			
	0-12 <u>months</u>	Over <u>1 year</u>	Total contractual <u>cash flows</u>	Total carrying <u>amount</u>
	\$'000	\$'000	\$'000	\$'000
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities	189,335	-	189,335	189,335
Due to related parties	802,287	-	802,287	802,287
Interest payable	16,906	-	16,906	16,906
Loans and borrowings	<u>1,993,705</u>	<u>1,292,150</u>	<u>3,285,855</u>	<u>3,032,313</u>
Total financial liabilities	<u>3,002,233</u>	<u>1,292,150</u>	<u>4,294,383</u>	<u>4,040,841</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(c) Liquidity risk (continued)**

	Group 2020			
	0-12 <u>months</u>	Over <u>1 year</u>	Total contractual <u>cash flows</u>	Total carrying <u>amount</u>
	\$'000	\$'000	\$'000	\$'000
	Restated*		Restated*	Restated*
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities	54,166	-	54,166	54,166
Due to related parties	384,707	-	384,707	384,707
Interest payable	11,099	-	11,099	11,099
Note payable	1,343,837	-	1,343,837	1,334,696
Loans and borrowings	139,575	1,705,120	1,844,695	1,612,995
Preference shares	<u>82,622</u>	<u>-</u>	<u>82,622</u>	<u>79,123</u>
Total financial liabilities	<u>2,016,006</u>	<u>1,705,120</u>	<u>3,721,126</u>	<u>3,476,786</u>
	Company 2021			
	0-12 <u>months</u>	Over <u>1 year</u>	Total contractual <u>cash flows</u>	Total carrying <u>amount</u>
	\$'000	\$'000	\$'000	\$'000
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities	17,982	-	17,982	17,982
Due to related parties	754,897	-	754,897	754,897
Interest payable	16,906	-	16,906	16,906
Loans and borrowings	<u>1,596,095</u>	<u>-</u>	<u>1,596,095</u>	<u>1,521,900</u>
Total financial liabilities	<u>2,385,880</u>	<u>-</u>	<u>2,385,880</u>	<u>2,311,685</u>
	Company 2020			
	0-12 <u>months</u>	Over <u>1 year</u>	Total contractual <u>cash flows</u>	Total carrying <u>amount</u>
	\$'000	\$'000	\$'000	\$'000
	Restated*		Restated*	Restated*
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities	51,751	-	51,751	51,751
Due to related parties	384,579	-	384,579	384,579
Interest payable	3,392	-	3,392	3,392
Loans and borrowings	<u>222,902</u>	<u>-</u>	<u>222,902</u>	<u>209,123</u>
Total financial liabilities	<u>662,624</u>	<u>-</u>	<u>662,624</u>	<u>648,845</u>

*See note 29

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(d) Market risk**

Market risk is the risk that the value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Such risks arise from open positions in interest rates and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as foreign exchange and interest rates. The market risk arising from investment activities is reviewed and assessed by the Real Estate Investment Advisory Committee and the Investment and Risk Management Committee. Investment transactions are monitored by the Board of Directors.

The elements of market risk that affect the Company and the Group are as follows:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, financial instruments will vary because of exchange rate fluctuations. The Company and the Group incur foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The currency giving rise to this risk is the United States dollar.

The exposure to foreign currency risk at the reporting date was as follows:

	Group			
	2021		2020	
	US\$	J\$ equivalent	US\$	J\$ equivalent
Foreign currency assets:				
Cash	<u>1</u>	<u>61</u>	<u>348</u>	<u>51,675</u>
	<u>1</u>	<u>61</u>	<u>348</u>	<u>51,675</u>
Foreign currency liabilities:				
Accounts payable and accrued liabilities	1,001	151,530	14	2,123
Due to related parties	183	27,696	40	5,969
Interest payable	78	11,783	47	7,003
Notes payable	-	-	9,000	1,334,696
Loans and borrowings	<u>18,446</u>	<u>2,792,516</u>	<u>10,000</u>	<u>1,482,995</u>
	<u>19,708</u>	<u>2,983,525</u>	<u>19,101</u>	<u>2,832,786</u>
Net exposure	<u>(19,707)</u>	<u>(2,983,464)</u>	<u>(18,753)</u>	<u>(2,781,111)</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(d) Market risk (continued)**

(i) Foreign currency risk (continued)

	<u>Company</u>			
	<u>2021</u>		<u>2020</u>	
	<u>US\$</u>	<u>J\$ equivalent</u>	<u>US\$</u>	<u>J\$ equivalent</u>
Foreign currency assets:				
Cash	1	61	348	51,675
Due from related parties	<u>3,513</u>	<u>531,900</u>	<u>6,376</u>	<u>945,565</u>
	<u>3,514</u>	<u>531,961</u>	<u>6,724</u>	<u>997,240</u>
Foreign currency liabilities:				
Accounts payable and accrued liabilities	9	1,311	14	2,123
Due to related parties	28	4,308	40	5,969
Interest payable	78	11,783	-	-
Loans and borrowings	<u>8,469</u>	<u>1,282,104</u>	<u>-</u>	<u>-</u>
	<u>8,584</u>	<u>1,299,505</u>	<u>54</u>	<u>8,092</u>
Net exposure	<u>(5,070)</u>	<u>(767,544)</u>	<u>6,670</u>	<u>989,148</u>

Exchange rate for the Jamaica dollar to the US dollar was J\$151.3892 to US\$1 (2020: J\$148.2995 to US\$1).

Sensitivity to foreign exchange movements

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis represents outstanding United States dollar denominated assets and liabilities as at the period-end.

	<u>Group</u>			
	<u>2021</u>		<u>2020</u>	
	<u>% change in currency rate</u>	<u>Effect on profit \$'000</u>	<u>% change in currency rate</u>	<u>Effect on profit \$'000</u>
Currency:				
USD	-6	(179,008)	-6	(166,867)
USD	+2	<u>59,669</u>	+2	<u>55,622</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(d) Market risk (continued)**

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange movements (continued)

	Company			
	2021		2020	
	<u>% change in currency rate</u>	<u>Effect on profit \$'000</u>	<u>% change in currency rate</u>	<u>Effect on profit \$'000</u>
USD	-6	(46,053)	-6	59,349
USD	+2	<u>15,351</u>	+2	<u>(19,783)</u>

(ii) Interest rate risk

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company and the Group take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company and the Group manage this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close a gap, if it becomes necessary.

Management of interest rate risk

Interest rate risk exposure is measured using sensitivity analysis. Interest rate risk is managed by maintaining an appropriate mix of variable and fixed rate instruments.

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments were:

	Group		Company	
	<u>2021 \$'000</u>	<u>2020 \$'000</u>	<u>2021 \$'000</u>	<u>2020 \$'000</u>
Variable rate instruments	<u>9,104</u>	<u>73,946</u>	<u>9,028</u>	<u>72,200</u>
Fixed rate instruments	<u>1,256,844</u>	<u>873,966</u>	<u>1,256,844</u>	<u>873,996</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*25. Financial risk management (continued)**(d) Market risk (continued)**

(ii) Interest rate risk (continued)

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates. These are substantially the interest sensitive instruments impacting the Company's and the Group's financial results. For floating rate assets, the analysis assumes the amount of the asset outstanding at the reporting date was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If market interest rates had been 100 basis points higher or lower and all other variables were held constant, the effect on the Company's and the Group's profit would have been as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Effect on profit				
Increase 100 basis points	<u>91</u>	<u>739</u>	<u>90</u>	<u>722</u>
Effect on profit				
Decrease 100 basis points	<u>(91)</u>	<u>(739)</u>	<u>(90)</u>	<u>(722)</u>

(e) Real estate concentration risk

The Company's and the Group's investment portfolio will be primarily concentrated in various types of debt and equity investments in real estate assets or backed by real estate assets across the Caribbean region. The Company's and the Group's business is significantly related to the real estate industry and may thus be susceptible to a general economic slowdown or a downturn in the real estate industry.

This risk is mitigated by investing across (i) a wide spectrum of real estate assets – commercial, industrial, residential, hospitality and infrastructure, (ii) different stages of the life cycle – greenfield, brownfield, distressed and opportunistic and (iii) different types of instruments – the entire spectrum of private credit investments and equity. This risk is further mitigated by targeting a 3-year average life of investments, i.e. by seeking to exit its real estate investments over an average 3 year period.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*26. Capital management

The Company's and the Group's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide benefits for its stakeholders and to maintain an optimal capital structure to enable investments with additional companies. The Company may utilise leverage and may borrow up to 2.5X its total equity to fund investments in additional portfolio companies and projects. There are no externally imposed capital requirements.

The Company's and the Group's approach to capital management is monitored by the Enterprise Risk Committee and Board of Directors.

27. Business combination

On April 16, 2021, the Group acquired 100% shareholding in Lakespen Holdings Limited for a consideration of US\$6 Million. The purchase consideration (including the JMD equivalents) is broken down as follows:

	USD \$'000	JMD \$'000
Cash paid (i)	2,500	350,105
Ordinary shares issued	2,000	299,965
Promissory note	<u>1,500</u>	<u>224,975</u>
	<u>6,000</u>	<u>875,045</u>

- (i) This was paid as an advance payment in the prior year (see note 9).
- (ii) Acquisition costs of \$3,430,733 have been charged to operating expenses in the statement of profit or loss and other comprehensive income.
- (iii) Revenue included in the statement of profit or loss and other comprehensive income since April 16, 2021 was \$394,149 and deficit for the same period totaled \$2,367,182. Had the acquisition occurred from September 1, 2020, the statement of profit or loss and other comprehensive income would show revenue of \$2bn and profit of \$2bn for the year ended.

Details of the fair value of net assets acquired and net cash outlay on acquisition are as follows:

	Fair value \$'000
Investment property	2,189,564
Trade payables	(8,178)
Net identifiable assets acquired	2,181,386
Consideration paid	<u>875,045</u>
Gain on acquisition	<u>1,306,341</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)***28. Subsequent event**

On October 4, 2021 the Company raised capital through an initial public offering (IPO) of ordinary shares, whereby it issued 128,398,400 shares and raised capital of J\$2.3 billion. The split was between two classes of shares issued in Jamaica and United States Dollars, which are listed separately on the Jamaica Stock Exchange.

29. Prior year adjustment

During 2021, the Company determined that performance fees due to its investment manager Sygnus Capital Limited, in respect of the 2020 financial year was not recognized. Consequently, expenses and amounts due to related party, Sygnus Capital Limited were understated. This has been corrected by restating each of the affected financial statement line items for the prior period. Prior year was the first year of operations, therefore there are no periods preceding 2020 to be reported. The following tables summarize the impact on the Company's and the Group's financial statements.

(i) Statement of financial position

	August 31, 2020					
	Group			Company		
	As previously reported	Adjustments	As restated	As previously reported	Adjustment	As restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Cash	73,946	-	73,946	72,200	-	72,200
Assets held for resale	1,812,448	-	1,812,448	-	-	-
Due from related parties	27,887	-	27,887	1,198,636	-	1,198,636
Investments	873,996	-	873,996	873,996	-	873,996
Investment in joint venture	405,454	-	405,454	410,691	-	410,691
Investment in subsidiary	-	-	-	20	-	20
Other assets	379,333	-	379,333	367,801	-	367,801
Investment property	<u>2,502,248</u>	-	<u>2,502,248</u>	-	-	-
	<u>6,075,312</u>	-	<u>6,075,312</u>	<u>2,923,344</u>	-	<u>2,923,344</u>
LIABILITIES						
Accounts payable and accrued liabilities	54,166	-	54,166	51,751	-	51,751
Due to related companies	336,136	48,571	384,707	336,008	48,571	384,579
Interest payable	11,099	-	11,009	3,392	-	3,392
Notes payable	1,334,696	-	1,334,696	-	-	-
Loans and borrowings	1,612,995	-	1,612,995	209,123	-	209,123
Preference shares	<u>79,123</u>	-	<u>79,123</u>	-	-	-
	<u>3,428,215</u>	<u>48,571</u>	<u>3,476,786</u>	<u>600,274</u>	<u>48,571</u>	<u>648,856</u>
SHAREHOLDERS' EQUITY						
Share capital	2,083,879	-	2,083,879	2,083,879	-	2,083,879
Prepaid share reserve	149,300	-	148,300	148,300	-	148,300
Retained earnings	<u>414,918</u>	<u>(48,571)</u>	<u>366,347</u>	<u>90,891</u>	<u>(48,571)</u>	<u>42,320</u>
	<u>2,647,097</u>	<u>(48,571)</u>	<u>2,598,526</u>	<u>2,323,070</u>	<u>(48,571)</u>	<u>2,274,499</u>
	<u>6,075,312</u>	-	<u>6,075,312</u>	<u>2,923,344</u>	-	<u>2,923,344</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021

*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)*29. Prior year adjustment (continued)

(ii) Statement of profit or loss and other comprehensive income

	August 31, 2020					
	Group			Company		
	As previously reported \$'000	Adjustments \$'000	As restated \$'000	As previously reported \$'000	Adjustment \$'000	As restated \$'000
Net interest income and other revenue						
Interest income calculated using the effective interest method	76,332	-	76,332	76,240	-	76,240
Interest revenue	(11,099)	-	(11,099)	(11,099)	-	(3,392)
	65,233	-	65,233	72,848	-	72,848
Fair value gains from financial instruments at FVTPL	14,653	-	14,653	14,653	-	14,653
Foreign exchange gains	23,324	-	23,324	73,528	-	72,528
Fair value gain on investment Property	400,704	-	400,704	-	-	-
Other revenue	6,090	-	6,090	6,090	-	6,090
	<u>510,004</u>	<u>-</u>	<u>510,004</u>	<u>167,119</u>	<u>-</u>	<u>167,119</u>
Operating expenses						
Management fees	27,073	-	27,073	27,072	-	27,072
Corporate services fees	9,442	-	9,442	9,442	-	9,442
Performance fees	-	48,571	48,571	-	48,571	48,571
Other expenses	53,334	-	53,334	39,714	-	39,714
	<u>89,849</u>	<u>48,571</u>	<u>138,420</u>	<u>76,228</u>	<u>48,571</u>	<u>124,799</u>
Operating profit	420,155	(48,571)	371,584	90,891	(48,571)	42,320
Share of loss from joint venture	(5,237)	-	(5,237)	-	-	-
Profit for the period, being total comprehensive income	<u>414,918</u>	<u>(48,571)</u>	<u>366,347</u>	<u>90,891</u>	<u>(48,571)</u>	<u>42,320</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020**(expressed in Jamaica dollars unless otherwise indicated)***29. Prior year adjustment (continued)****(iii) Statement of cashflows**

	August 31, 2020					
	Group			Company		
	As previously reported \$'000	Adjustments \$'000	As restated \$'000	As previously reported \$'000	Adjustment \$'000	As restated \$'000
Cash flows from operating activities						
Profit for the period	414,918	(48,571)	366,347	90,891	(48,571)	42,320
Adjustment						
Interest income	(76,332)	-	(76,332)	(76,240)	-	(76,240)
Interest expense	11,099	-	11,099	3,392	-	3,392
Share of loss of joint venture	5,237	-	5,237	-	-	-
Exchange gain on foreign balances	(23,324)	-	(23,324)	(73,528)	-	(73,528)
Fair value gains on investments	(14,653)	-	(14,653)	(14,653)	-	(14,653)
Fair value gain on investment property	(400,704)	-	(400,704)	-	-	-
	(83,759)	(48,571)	(132,330)	(70,138)	(48,571)	(118,709)
Changes in operating assets and liabilities:						
Other receivables	(1,913)	-	(1,913)	(1,556)	-	(1,556)
Due from related parties	164,842	-	164,842	(1,005,907)	-	-
Accounts payable and accrued liabilities	55,903	-	55,903	52,364	-	52,354
Due to related parties	(19,329)	48,571	29,242	31,872	48,571	80,443
	115,744	-	115,744	(993,365)	-	(993,365)
Interest received	60,192	-	60,192	60,100	-	60,100
Interest paid	-	-	-	-	-	-
Net cash provided by (used in)/operating activities	<u>175,936</u>	<u>-</u>	<u>175,936</u>	<u>(933,265)</u>	<u>-</u>	<u>(933,265)</u>
Cash flows from investing activities						
Investments	(846,846)	-	(846,846)	(846,846)	-	(846,846)
Investment in subsidiaries	-	-	-	(20)	-	(20)
Investment in joint venture	(106,654)	-	(106,654)	(106,654)	-	(106,654)
Advance payment for shares	(350,105)	-	(350,105)	(350,105)	-	(350,105)
Deposit paid on real estate acquisition	(11,174)	-	(11,174)	-	-	-
Acquisition of investment property	(2,101,544)	-	(2,101,544)	-	-	-
Asset held for sale	(1,812,448)	-	(1,812,448)	-	-	-
Net cash used in investing activities	<u>(5,228,771)</u>	<u>-</u>	<u>(5,228,771)</u>	<u>(1,303,625)</u>	<u>-</u>	<u>(1,303,625)</u>
Cash flows from financing activities						
Proceeds from the issue of ordinary shares	2,083,879	-	2,083,879	2,083,879	-	2,083,879
Proceeds from the issue of preference shares	79,123	-	79,123	-	-	-
Issue of note payable	1,334,696	-	1,334,696	-	-	-
Loans and borrowings	<u>1,612,995</u>	<u>-</u>	<u>1,612,995</u>	<u>209,123</u>	<u>-</u>	<u>209,123</u>
Net cash provided by financing activities	5,110,693	-	5,110,693	2,293,002	-	2,293,002
Effect of foreign exchange effects on cash	<u>16,088</u>	<u>-</u>	<u>16,088</u>	<u>16,088</u>	<u>-</u>	<u>16,088</u>
Net increase in cash being balance at the end of the period	<u>73,946</u>	<u>-</u>	<u>73,946</u>	<u>72,200</u>	<u>-</u>	<u>72,200</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2021*With comparatives for the thirteen months period ended August 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)*29. Prior year adjustment (continued)

- (iv) Basic earnings per stock unit and diluted earnings per stock unit in 2020 financial statements were reported as 2.47¢ and 2.25¢ respectively. Restated basic earnings per stock unit and diluted earnings per stock unit for 2020 is 2.18¢ and 1.98¢ respectively.