

SYGNUS

REAL ESTATE FINANCE

**QUARTERLY
REPORT**

AS AT NOVEMBER 30, 2021

Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2021

Castries, St Lucia | Friday, January 14, 2022

Sygnus Real Estate Finance Ltd (“SRF” or “the Company”) is pleased to report on the unaudited financial results for the three months ended November 30, 2021. The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected. SRF’s audited financial statements for the 2021 financial year ended August 31, 2021, has also been released along with these interim financial results to the public via the Jamaica Stock Exchange (JSE), as those results were not available at the time of its initial public offering in October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Sygnus Real Estate Finance Limited reported a 159.0% or J\$4.17 billion increase in total shareholders’ equity to a record J\$6.80 billion for the three months ended November 30, 2021 (“3 Month 2022” or “Q1 2022”) vs the similar period last year. The Company secured financing for and began construction of the J\$3.70 billion 9 storey One Belmont commercial tower on Belmont Road, increased its investments to income earning real estate investment notes (“REINs”) to J\$1.58 billion, purchased an investment property at 26 Seaview Avenue, Kingston 10 and advanced the process to unlock value for its strategic beachfront investment property in Mammee Bay, St Ann. The Company remains fully focused on executing its strategy of unlocking value in real estate assets using flexible capital as it seeks to continue increasing shareholder value.

Following a record financial year ended August 31, 2021 (“FYE 2021”) where SRF unlocked J\$1.81 billion in net profits from real estate investment assets, the Company generated a net loss of J\$99.95 million for 3 Month 2022. The company successfully listed its shares on the main JMD and USD markets of the Jamaica Stock Exchange in October 2021, following the closing of its initial public offering (“IPO”) earlier in the quarter. A total of 128,398,400 shares was issued during the IPO which generated gross proceeds of J\$2.31 billion. Fifty two percent of the shares were allocated to the USD share class, with the remainder allocated to the JMD share class.

The impact of the global COVID-19 pandemic on the Caribbean region, especially in Jamaica where all SRF’s real estate investment assets are currently located, remains unclear. The trajectory of Jamaica’s economic recovery remains uncertain, despite apparent green shoots of recovery, and early signs that the global pandemic may eventually become a less severe endemic. SRF’s strategy to unlock value from real estate assets using flexible capital remains well positioned to navigate the volatility of this ongoing global pandemic.

	3 Months Nov 2021	3 Months Nov 2020	FYE Aug 31, 2021
Summary Results of Operations	JA\$ '000	JA\$ '000	JA\$ '000
Interest Income	35,332	22,584	97,476
Interest Expense	(37,555)	(24,639)	(88,648)
Net Interest Income	(2,223)	(2,055)	8,828
Gain (Loss) on Sale of Real Estate Asset	-	-	100,805
Valuation Gain on Investment Property	-	-	913,396
Share of Gain (Loss) on Joint Venture	(2,160)	(2,063)	29,957
Gain on Acquisition of Subsidiary	-	-	1,306,341
Other Income	-	3,190	3,190
Total Investment Income	(4,383)	(928)	2,362,517
Total Operating Expenses	(82,968)	(31,929)	(601,055)
Net Investment Income	(87,351)	(32,857)	1,761,462
Fair Value Gain (Loss) on Financial Instruments	10,866	14,793	52,676
Net Foreign Exchange Gain (Loss)	(23,460)	43,302	(2,540)
Profit Attributable to Shareholders	(99,945)	25,238	1,811,598
Translation Adjustment	(44)	-	(7)
Total Comprehensive Income	(99,989)	25,238	1,811,591
Basic Earnings Per Share (JA\$)	-0.36	0.15	9.93
Diluted Earnings Per Share (JA\$)	-0.30	0.14	9.93

Typically, SRF’s total investment income, or core revenues, is comprised of all the activities that are involved in the unlocking of value from its portfolio of real estate investment assets, namely: net interest income on its REINs; gain or loss on its property investments, namely, on its investment properties or property held for sale; share of gain or loss on joint venture investments; and gain or loss on acquisitions executed through share purchases to acquire property investments. The process to unlock value from real estate assets may invariably result in uneven or “lumpy” core revenues, depending on the timing of the value being created.

Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2021

For 3 Month 2022, core revenues or total investment income, was negative J\$4.38M compared with negative J\$0.93M for the 3 months ended November 30, 2020 ("3 Month 2021" or "Q1 2021"). This outcome was driven primarily by negative net interest income of J\$2.22 million (3 Month 2021: negative J\$2.01 million) and a loss on share of joint venture of J\$2.16 million (3 Month 2021: loss of J\$2.06 million). The outcome for net interest income reflected timing differences in the growth of interest expense due to an increase in debt and preference shares, versus the growth of interest income generated from a larger portfolio of REINs. The weighted average spread between interest income on REINs and interest expense on debt was 5.6%. The share of loss on joint venture reflected SRF's 70% ownership of the One Belmont development that began construction during the quarter. Most of the value being unlocked from One Belmont will occur during the latter stages of construction. For FYE August 2021 SRF generated a record J\$2.36 billion in total investment income.

Net investment income or core earnings for 3 Month 2022 was negative J\$87.35 million vs negative J\$32.86 million for 3 Month 2021, driven by the outturn for total investment income and higher operating expenses of J\$82.97 million versus J\$31.92 million for last year. For FYE August 2021 SRF generated a record J\$1.76 billion in net investment income.

A net loss of J\$99.95 million (3 Month 2021: net profit of J\$25.24 million) was driven by the negative net investment income of J\$87.35 million (3 Month 2021: negative J\$32.86 million), fair value gains on financial instruments of J\$10.87 million (3 Month 2021: J\$14.79 million) and net foreign exchange losses of J\$23.46 million (3 Month 2021: gains of J\$43.20 million). For FYE August 2021 SRF generated a record J\$1.81 billion in net profits.

Basic earnings per share (EPS) was negative J\$0.36 for 3 Month 2022 vs positive J\$0.15 for 3 Month 2021, while diluted EPS was negative J\$0.30 for 3 Month 2022 vs positive J\$0.14 for 3 Month 2021. For FYE August 2021, SRF generated a record basic and diluted earnings per share of positive J\$9.93 and a return on average equity of 49.6%.

Total Operating Expenses

SRF reported a J\$51.04 million increase in total operating expenses to J\$82.97million for 3 Month 2022 (3 Month 2021: J\$31.92 million), which was primarily driven by management fees (58.2% or J\$48.32 million), performance fees (15.0% or J\$12.49 million) and corporate services fees (11.1% or J\$9.24 million). These items represented 84.4% of total operating expenses.

Management fees are computed as 2% of the core assets under management (CAUM), namely total assets less project finance related debt of subsidiary companies and less any minority interests. A 58.3% or J\$3.67 billion growth in CAUM gave rise to the higher management fees. Performance fees are computed annually as 20% of the excess returns above a 6.5% return on equity (ROE) hurdle rate. The performance fees for 3 Month 2021 reflected amounts relating to the audited financial statements for FYE Aug 2021, that were uncorrected and are thus reflected in the current financial results. Total operating expenses for FYE Aug 2021 was J\$601.06 million, with 62.9% or J\$377.91 million due to performance fees arising from value created from generating a 49.6% ROE.

Total operating expenses as a percentage of total CAUM or Management Expense Ratio (MER) was 0.8% (annualized rate of 3.3%) vs 0.5% (annualized rate of 2.0%) for 3 Month 2021 and 6.9% for FYE Aug 2021. For FYE Aug 2021, 4.3% was due solely to performance fees generated by a 49.6% ROE, which when adjusted, resulted in a normalized MER of 2.5%, well within the threshold level is 3.5%.

Fair-Value Gains or Losses

SRF generates a fair value gain or loss on a portion of its real estate investment notes, which are carried at fair value through its income statement. These customized investments are structured as construction notes with a fixed interest rate and a percentage profit participation in the respective real estate project. The real estate projects or assets provide 100% collateral coverage for the REINs. For 3 Month 2022, SRF reported a fair value gain of J\$10.87 million (3 Month 2021: J\$14.79 million) on J\$890.15 million (3 Month 2021: J\$521.48 million) in investments measured at fair value through profit or loss. Fair value gains or losses can vary significantly from period to period, driven by interest rate changes, new investments or by investment exits.

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Net Foreign Exchange Gains or Losses

The net foreign exchange loss of J\$23.46 million (3 Month 2021: gain of J\$43.30 million) was reported for 3 Month 2022. A net foreign exchange gain or loss is recorded based on changes in the exchange rate on SRF's net balance sheet exposure to foreign currency, which in this case is the USD, since its reporting currency is JMD. 83.0% or J\$7.69 billion of SRF's real estate investment assets were denominated in USD, but these assets are only valued once per year or if there is a material change that warrants a new valuation, that is, these assets are not marked-to-market assets. Therefore, although they are USD assets, they are not counted as financial instruments and thus do not affect net foreign exchange gain or loss as calculated and reported in the interim financial statements.

SRF had a net foreign currency exposure of negative US\$13.95 million or J\$2.17 billion (3 Month 2021: negative US\$18.92 million or J\$2.76 billion), driven primarily by a US\$10 million vendor mortgage used as part of the purchase consideration for the acquisition of the Mammee Bay investment property and US\$1.7 million in preference shares.

Real Estate Investment (REI) Activity

At the end of 3 Month 2022, SRF's real estate investment portfolio rose by 50.6% or J\$3.11 billion to a record J\$9.26 billion, spanning 14 investments vs J\$6.15 billion in 11 investments for 3 Month 2021. For FYE Aug 2021 SRF's real estate investment portfolio was J\$8.69 billion. The fair value of real estate investment notes rose by 67.5% or J\$635.94 million to J\$1.58 billion, primarily driven by additional capital deployment into projects which have an average yield of 10.1%, compared with J\$941.76 million at an average yield of 9.90% in 3 Month 2021. All REINs mature in under 12 months. Some REINs are structured with a profit-sharing component thus unlocking additional upside upon exiting the investment. During the quarter, SRF also completed the strategic purchase of 0.63 acres of investment property located at 26 Seaview Avenue, Kingston 10. SRF had J\$677.9 million in dry powder on the balance sheet at the end of 3 Month 2022, driven primarily by net proceeds from its initial public offering.

	3 Months Nov 2021	3 Months Nov 2020	FYE Aug 2021
Summary of Investment Activity	J\$ '000	J\$ '000	J\$ '000
Fair Value of Real Estate Investment Assets	9,264,306	6,150,709	8,693,786
Number of Real Estate Investment Assets(#)	14	11	13
Dry Powder	677,909	121,390	9,104
Number of investments Exited(#)	Nil	Nil	2
Value of Investments Exited	Nil	Nil	2,112,580
Number of Real Estate Investment Notes(#)	7	5	6
Fair Value of Real Estate Investment Notes (REINs)	1,577,695	941,757	1,256,844
Fair Value Yield on REINs(%)	10.10%	9.90%	9.30%

Summary Update of Major Projects

SRF's major investment projects were at various stages of development as it continued the diligent execution of its robust investment pipeline.

One Belmont: Belmont Road, Kingston | Commercial – Corporate Offices: The Company started its One Belmont 9 storey commercial tower (78,790 sq ft) on Belmont Road on September 21, 2021, after securing J\$3.70 billion in financing for its execution. The financing package included J\$2.5 billion in commercial bank construction loans and J\$650.0 million in preference shares primarily from institutional investors, with the remainder representing the equity of the joint venture partners, of which SRF is a 70% shareholder. The preference share financing was structured with a unique convertibility feature that gives the holder the option to convert their preference shares into ownership of one or more floors of One Belmont, at a particular price per square foot. The project is currently 8% completed and is on track for completion in April 2023. Despite the global pandemic, SRF is seeing very strong demand from marquee corporate clients for long term lease of floors and is currently negotiating letters of intent (LOIs) with a number of these prospective tenants.

Spanish Penwood: Spanish Town Road, Kingston | Industrial - Warehouse: The Spanish Penwood industrial warehouse project (32,553 sq ft) began on June 14, 2021, and is a purpose-built facility tailored to suit the specific needs of IMCA Jamaica, the agents for the Caterpillar dealership. A 10-year USD triple-net lease was executed for the entire facility in February 2021.

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The project, which is fully funded by SRF, including the purchase of the land, is 17% completed and remains on target for completion by July 2022. SRF has commitments from three institutional investors for 100% purchase of the tenanted facility.

Mammee Bay, St Ann | Hospitality: Following the completion of a feasibility study and a master plan by its international consulting partners, SRF has advanced the value creation process for this 14.5-acre beachfront strategic asset to the schematic and detailed design phase. Concurrent with the schematic design is the design for the proposed enhancement of 1,700 ft of beach being executed jointly with a partner. The next major decision point for Mammee Bay will occur in May 2022 after achieving a particular milestone. The schematic and detailed design process is being led by a world-renowned international consortium of architects, engineers and professionals in the hospitality industry.

Former French Embassy, Hilcrest Avenue, Kingston | Commercial – Corporate Offices or Residential - Townhouses: SRF completed the purchase of this investment property during the quarter, after making the full payment on July 02, 2021. The Company is working with its partners to optimize the strategy to extract the best value from this 3.2-acre property located in Kingston 6.

Lakespen Holdings, St Catherine | Industrial – Warehouses, Light Manufacturing, Distribution: SRF completed the 100% acquisition of the shares of the holding company that owns 55 acres of industrial property in Lakespen, St Catherine in April 2021. SRF unlocked J\$1.31 billion in value from the investment, which was reported as a gain on acquisition during FYE Aug 2021. Since the acquisition, an international logistics design and engineering firm completed a master plan for the property. The master plan was subjected to a feasibility study by a Washington D.C. based international logistics consultant. SRF will now be embarking on the schematic and detailed design phase as the next step in additional value creation. This process is being led by an international consortium of architects, engineers and consultants.

Summary Update of Some Major Real Estate Investment Notes

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

Ocean's Edge: Discovery Bay, St Ann | 16 Luxury Ocean Front Town-Houses: This project is over 80% completed with 100% of units sold or under offer. The target completion date is March/April 2022.

Norbrook Wasser: Norbrook, Kingston | 8 Luxury Apartments: This project is over 80% completed with 100% of units sold or under offer. The target completion date is March/April 2022.

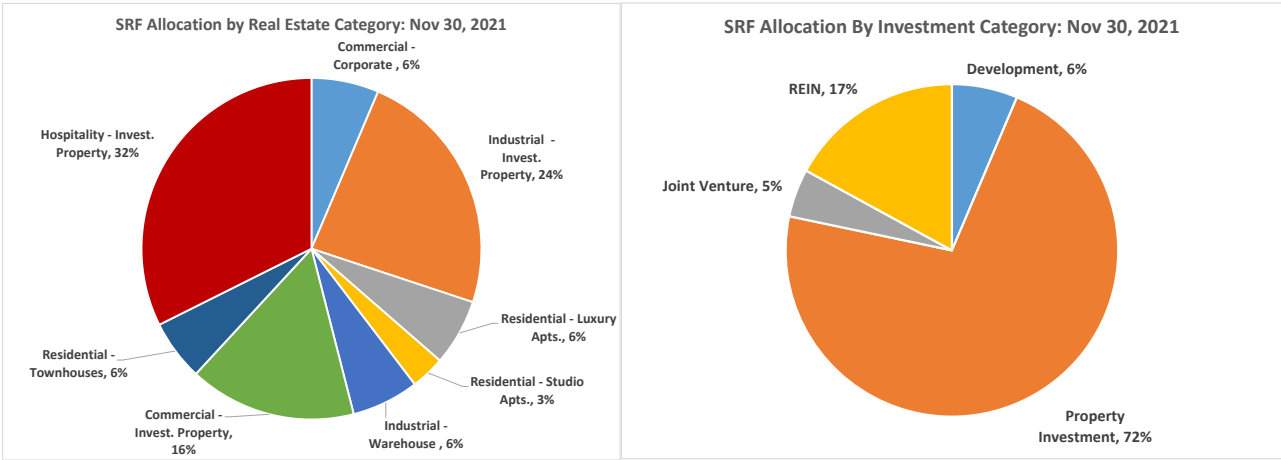
Surreal at the Sugar-Mill: Montego Bay, St James: 26 Luxury Apartments, 2 Town-Houses: This project is over 85% completed and is experiencing strong demand for a product of this quality. The target completion date is March/April 2022.

Allocation by Real Estate Category and Investment Category

As at 3 Month 2022, SRF's investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property with 32.0% (Mammee Bay), industrial-investment property with 24.0% (Lakespen Holdings) and commercial-investment property with 16.0% (includes Former French Embassy).

SRF's capital was allocated across four investment categories, namely property investments at 72.0%, REINs at 17.0%, development at 6.0% and investment in joint venture at 5.0%. The large allocation to property investments is reflective of SRF being in the very early stages of its investment life cycle, which averages 3 to 5 years. By design, SRF's strategy requires the Company to make strategic property acquisitions, and then unlock the underlying value by monetizing these assets over time.

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Unaudited Results for the 3 Months Ended November 30, 2021



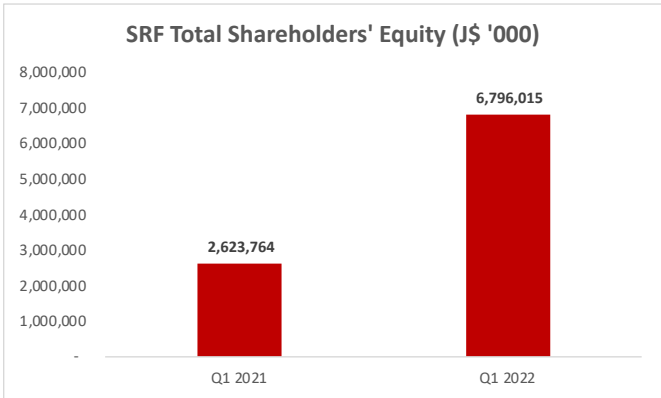
Balance Sheet Summary

For 3 Month 2022, SRF’s total assets increased by 58.3% or J\$3.67 billion to J\$9.97 billion vs J\$6.29 billion at 3 Month 2021. This was primarily driven by a 50.6% or J\$3.11 billion increase in real estate investment assets to J\$9.26 billion vs J\$6.15 billion for 3 Month 2021. This was complemented by a 458.5% or J\$556.52 million increase in dry powder from J\$121.39 million to J\$677.91 million, driven by net inflows from the J\$2.31 billion initial public offering in October 2021. A J\$2.45 billion or 50.9% increase in property investments to J\$7.25 billion combined with a J\$635.94 million or 67.5% increase in real estate investment notes to J\$1.58 billion were the main drivers of real estate investment assets.

Investment in joint venture of J\$433.25 million reflected SRF’s 70% ownership interest in Audere Holdings, the special purpose entity that is executing the One Belmont commercial tower. The carrying value of this investment is adjusted each period for any gain or loss on a proportionate basis.

Shareholders’ Equity

For 3 Month 2021, shareholders’ equity grew by 159.0% or J\$4.17 billion to J\$6.80 billion vs J\$2.62 billion for 3 Month 2021, reflecting the value that has been created for shareholders over the past 9 quarters. Book value per share was J\$20.81 at 3 Month 2022 after considering the newly issued shares in the IPO, vs J\$14.73 at 3 Month 2021. For FYE Aug 2021, prior to closing its IPO, the book value per share was J\$23.78, a substantial premium of 23.2% to the general offer price in the IPO of J\$19.30, and a 32.9% premium to the discounted price of J\$17.90. The Company raised capital in a private placement in August 2019 at J\$13.40 per share reflecting a 55.3% increase in value creation for those initial shareholders over the span of two financial years.



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Unaudited Results for the 3 Months Ended November 30, 2021

	Nov 30, 2021	Nov 30, 2020	FYE Aug 31, 2021
Summary of Balance Sheet Information	JA\$ '000	JA\$ '000	JA\$ '000
Cash and Cash Equivalents	677,909	121,390	9,104
Repurchase Agreements	-	-	-
Un-deployed Cash / Dry Powder	677,909	121,390	9,104
Property Held for Sale	-	1,812,448	-
Investment Property	7,253,359	2,614,330	6,983,187
Advanced Payment for Land Acquisition (Shares)	-	350,105	-
Deposit on Investment Property & Projects	-	28,678	18,344
Property Investments	7,253,359	4,805,561	7,001,531
Investments Measured at Fair Value through P&L	890,152	521,484	778,792
Investments Measured at Amortised Cost	687,544	420,273	478,052
Real Estate Investment Notes	1,577,696	941,757	1,256,844
Investment in Joint Venture	433,251	403,391	435,411
Real Estate Investment Assets	9,264,306	6,150,709	8,693,786
	9,942,215	6,272,099	8,702,890
Other Assets:			
Prepaid Expenses	1,375	1,024	43,685
Investment Income Receivable	20,122	21,072	4,348
Sundry Receivables	1,560	-	-
Total Assets	9,965,272	6,294,195	8,750,923
Share Capital	4,718,066	2,232,179	2,532,144
Translation Reserve	(51)	-	(7)
Retained Earnings	2,078,000	391,585	2,177,945
Total Shareholders' Equity	6,796,015	2,623,764	4,710,082
Total Liabilities and Equity	9,965,272	6,294,195	8,750,923

Covid-19 Impact and Outlook

The Caribbean region continues to feel the effects of the global COVID-19 pandemic, with varying degrees of impact. For SRF, the global pandemic impacts each segment of the real estate market differently as outlined below.

Industrial Segment: The pandemic has revealed a strong preference for assets in the industrial and logistics segment of real estate, which is evidenced not only by the global supply bottlenecks, but also by the rapid technological shifts that have occurred over the past 24 months. We remain constructively bullish on this segment irrespective of the trajectory of the global pandemic and expect demand to remain extremely high.

Hospitality Segment: We see significant pent-up global demand for the hospitality product, given the restricted movement of persons over the past two years. The high-end of the hospitality market appears to be in high demand, especially when viewed through the lens of demand for private aircraft to visit luxury destinations, which has reached unprecedented levels.

Residential Segment: The demand versus supply picture varies depending on which sub-segment of the residential market is being analyzed. There is an apparent shortage of units at the lower end of the income scale as well as for certain types of units such as townhouses, while some sub-segments have built up a large supply in the pipeline relative to more moderate demand.

Commercial Segment: The pandemic has recalibrated “work-from-home” and work-life-balance. However, as the pandemic drags on the disadvantages of work-from-home are also becoming apparent (break down in culture increased stress levels in the home environment etc), and the need to return to office for many, albeit in a different setting is expected to resume at some point. The bigger picture is that Jamaica has no available class A office space in capital city Kingston, as there is a large supply constraint, with very little supply coming on the market over the past two decades.

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Mitigating Commodity and Supply Chain Risks

The global logistics and supply chain bottleneck has impacted nearly every industry, including real estate and construction. SRF has been encouraging the use of forward purchasing of price sensitive construction materials to lock in the costs to mitigate against volatile commodity prices occasioned by the global pandemic. This has resulted in substantial cost savings when this strategy has been deployed. Near term, the price of certain commodities used in construction appear to be moderating, which would be good news for end purchasers of real estate products. Where certain items being shipped from overseas are delayed due to shipping and logistic bottlenecks, the professionals on SRF development projects have reshuffled project execution by bringing forward other milestones to mitigate against execution slippage. In one instance, the project team has sought and received approval to work one day one weekends, which has helped to put the project ahead of schedule to act as a buffer against future slippage that may occur from unforeseen circumstances.

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TOP TEN SHAREHOLDERS			
No	Shareholders	Shareholdings	% Holdings
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LTD	42,000,000	12.9%
2	SJIML A/C 3119	20,000,000	6.1%
3	DYNAMIX HOLDINGS INCORPORATED	20,000,000	6.1%
4	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY	18,919,000	5.8%
5	WILDELLE LIMITED	17,000,000	5.2%
6	JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL EQUITY	10,810,000	3.3%
7	MF&G ASSET MANAGEMENT LTD - JAMAICA INVESTMENT FUND	10,807,160	3.3%
8	MF&G ASSET MANAGEMENT LTD - JAMAICA INVESTMENT FUND	10,807,160	3.3%
9	LYTTLETON OVEL SHIRLEY	10,000,000	3.1%
10	BARNETT LIMITED	8,264,500	2.5%
	Subtotal	168,607,820	51.6%
	Total	326,526,232	100.0%


SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS & CONNECTED PARTIES				
No	Shareholders	Shareholdings	Connected Parties	% Holdings
1	LINVAL FREEMAN	400,000	N/A	0.12%
2	PIERRE WILLIAMS	NIL	N/A	0.0%
3	HORACE MESSADO	NIL	N/A	0.0%
4	DAVID CUMMINGS	NIL	N/A	0.0%
5	ELIZABETH STAIR	55,900	Jason Stair Stephanie Stair	0.0%
6	DR IKE J. JOHNSON	56,700	N/A	0.02%
		5,273,400	SYGNUS CAPITAL GROUP	1.62%
	Subtotal	5,786,000		

SHAREHOLDINGS OF CONNECTED PARTIES				
1	SYGNUS CAPITAL GROUP	5,273,400	DR IKE J JOHNSON	1.62%
	Total	326,526,232		100.0%

SYGNUS REAL ESTATE FINANCE LIMITED
 Consolidated Statement of Financial Position
 November 30, 2021

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30 Nov 2021 \$'000	Unaudited 30 Nov 2020 \$'000	Audited 31 Aug 2021 \$'000
ASSETS			
Cash and cash equivalents	677,909	121,390	9,104
Asset held for sale	-	1,812,448	-
Investments	1,577,696	941,757	1,256,844
Interest in joint venture	433,251	403,391	435,411
Other assets	23,057	400,879	66,377
Investment property	7,253,359	2,614,330	6,983,187
	9,965,272	6,294,195	8,750,923
LIABILITIES			
Accounts payable and accrued liabilities	134,232	117,714	189,335
Due to related parties	481,295	373,918	802,287
Interest payable	27,812	35,855	16,906
Notes payable	-	1,313,915	-
Loans and borrowings	1,999,289	1,749,906	3,032,313
Preference shares	526,629	79,123	-
	3,169,257	3,670,431	4,040,841
EQUITY			
Share capital	4,718,066	2,232,179	2,532,144
Translation reserve	(51)	-	(7)
Retained earnings	2,078,000	391,585	2,177,945
	6,796,015	2,623,764	4,710,082
	9,965,272	6,294,195	8,750,923



 Dr. Ike Johnson Director



 Linval Freeman Director

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three months ended November 30, 2021
(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three months ended 30 Nov 2021 \$'000	Unaudited Three months ended 30 Nov 2020 \$'000	Unaudited Year ended 31 Aug 2021 \$'000
Net interest income and other revenue			
Interest income, calculated using the effective interest method	35,332	22,584	97,476
Interest expense	<u>(37,555)</u>	<u>(24,639)</u>	<u>(88,648)</u>
	(2,223)	(2,055)	8,828
Fair value gains from financial instruments at fair value through profit or loss (FVTPL)	10,866	14,793	52,676
Foreign exchange (loss)/gain	(23,460)	43,302	(2,540)
Fair value gain on investment property	-	-	913,396
Gain on disposal of investment property	-	-	100,805
Other	-	3,190	3,190
	<u>(14,817)</u>	<u>59,230</u>	<u>1,076,355</u>
Operating expenses			
Management fees	48,317	14,620	131,682
Corporate service fees	9,235	3,289	26,587
Performance fees	12,486	-	377,909
Other expenses	12,930	14,020	64,877
	<u>82,968</u>	<u>31,929</u>	<u>601,055</u>
Operating profit	(97,785)	27,301	475,300
Share of (loss)/profit of joint venture	(2,160)	(2,063)	29,957
Gain on acquisition of subsidiary	-	-	1,306,341
	<u>-</u>	<u>-</u>	<u>1,306,341</u>
(Loss)/profit for the period	<u>(99,945)</u>	<u>25,238</u>	<u>1,811,598</u>
Other comprehensive loss			
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive loss	(44)	-	(7)
	<u>(44)</u>	<u>-</u>	<u>(7)</u>
Total comprehensive (expense)/income for the period	<u>(99,989)</u>	<u>25,238</u>	<u>1,811,591</u>
Basic earnings per stock unit	(\$0.36)	\$0.15	\$9.93
Diluted earnings per stock unit	(\$0.30)	\$0.14	\$9.93

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Changes in Equity
Three months ended November 30, 2021
(Expressed in Jamaican dollars unless otherwise indicated)

	Share capital \$'000	Prepaid share reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000
Balances at August 31, 2020, as restated	2,083,879	148,300	-	366,347	2,598,526
Profit for the period, being total comprehensive income	-	-	-	25,238	25,238
Transactions with owners:					
Prepaid shares issued	148,300	(148,300)	-	-	-
Balances at November 30, 2020	2,232,179	-	-	391,585	2,623,764
Balances at August 31, 2021	2,532,144	-	(7)	2,177,945	4,710,082
Total comprehensive expense:					
Loss for the period	-	-	-	(99,945)	(99,945)
Other comprehensive loss	-	-	(44)	-	(44)
	-	-	(44)	(99,945)	(99,989)
Transactions with owners:					
Issue of ordinary shares	2,185,922	-	-	-	2,185,922
Balances at November 30, 2021	4,718,066	-	(51)	2,078,000	6,796,015

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Cash Flows
Three months ended November 30, 2021
(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three months ended 30 Nov 2021 \$'000	Unaudited Three months ended 30 Nov 2020 \$'000	Audited Year ended 31 Aug 2021 \$'000
Cash flows from operating activities			
Profit for the period	(99,945)	25,238	1,811,598
Adjustments for:			
Interest income	(35,332)	(22,584)	(97,476)
Interest expense	37,555	24,639	88,648
Share of loss/(profit) of joint venture	2,160	2,063	(29,957)
Exchange loss/(gain) on foreign balances	23,410	(43,302)	35,347
Gain on acquisition of subsidiary	-	-	(1,306,341)
Gain on disposal of investment property	-	-	(100,805)
Fair value gains on investments	(10,866)	(14,793)	(52,676)
Fair value gain on investment property	-	-	(913,396)
	<u>(83,018)</u>	<u>(28,739)</u>	<u>(565,058)</u>
Changes in operating assets and liabilities:			
Other receivables	77,438	12,065	(30,492)
Due from related parties	-	27,887	27,887
Accounts payable and accrued liabilities	(42,785)	63,757	133,738
Due to related parties	(323,179)	(10,717)	416,126
	<u>(371,544)</u>	<u>64,253</u>	<u>(17,799)</u>
Interest received	19,558	17,652	109,268
Interest paid	(26,649)	-	(82,841)
	<u>(378,635)</u>	<u>81,905</u>	<u>8,628</u>
Net cash (used in)/provided by operating activities			
Cash flows from investing activities			
Investment securities, net	(309,985)	(52,968)	(329,487)
Deposit paid on real estate acquisition	(18,344)	(28,678)	(18,450)
Acquisition of investment property	(188,505)	(107,440)	(1,232,365)
Business acquisition	-	-	(224,974)
Additions to investment property	(81,667)	(4,642)	(153,792)
Proceeds from disposal of investment property	-	-	1,913,253
	<u>(598,501)</u>	<u>(193,728)</u>	<u>(45,815)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	2,307,857	-	-
Transaction costs associated with shares issued	(121,935)	-	-
Issue of preference shares	516,229	-	-
Redemption of preference shares	-	-	(79,123)
Repayment of note payable	-	-	(1,334,696)
Loans and borrowings	(1,091,473)	160,001	1,373,658
	<u>1,610,678</u>	<u>160,001</u>	<u>(40,161)</u>
Net cash provided by/(used in) financing activities			
Effect of exchange rate fluctuations on cash and cash equivalents	35,263	(734)	12,506
Net increase/(decrease) in cash and cash equivalents	668,805	47,444	(64,842)
Cash and cash equivalents at beginning of period	9,104	73,946	73,946
Cash and cash equivalents at end of period	<u><u>677,909</u></u>	<u><u>121,390</u></u>	<u><u>9,104</u></u>

1. Identification

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

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

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements for three months ended November 30, 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended August 31, 2021. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group’s financial position and performance since its last audited financial statements.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended August 31, 2021 which were prepared in accordance with International Financial Reporting Standards (IFRS).

New standards effective in the current period

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

(b) Basis of preparation

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

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

(c) Functional and presentation currency

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

3. Significant accounting policies

(a) Joint venture arrangements

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

(b) Investment property

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

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

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

(c) 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 continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell.

(d) 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.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification and measurement

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

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

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

(ii) Impairment

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

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

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

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

(e) Segment reporting

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

SYGNUS REAL ESTATE FINANCE LIMITED
Notes to the consolidated financial statements
Three months ended November 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

4. Earnings per share

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

	2021		2020	
	Basic	Diluted	Basic	Diluted
Net (loss)/profit attributable to stockholders of the parent (\$'000)	(99,945)	(99,945)	25,238	25,238
Weighted average number of ordinary stock units in issue (*000)	279,964	328,177	168,897	175,362
Earnings per stock unit (\$)	<u>(0.36)</u>	<u>(0.30)</u>	<u>0.15</u>	<u>0.14</u>

5. Investments

	2021	2020
	\$'000	\$'000
Fair value through profit or loss:		
Preference shares	890,152	521,484
Amortised cost:		
Short-term notes	526,655	420,273
Medium-term notes	<u>160,889</u>	<u>-</u>
	<u>1,557,696</u>	<u>941,757</u>

6. Investment property

	2021	2020
	\$'000	\$'000
At beginning of the year	6,983,187	2,502,248
Acquisitions during the period:		
56 Lady Musgrave Road	-	107,440
26 Seaview Avenue	188,505	-
Additions and improvements during the period	<u>81,667</u>	<u>4,642</u>
At end of the period	<u>7,253,359</u>	<u>2,614,330</u>

SYGNUS REAL ESTATE FINANCE LIMITED
Notes to the consolidated financial statements
Three months ended November 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

7. Loans and borrowings

	2021 \$'000	2020 \$'000
US\$10Mn vendor mortgage	1,551,562	1,459,906
Revolving line of credit	447,727	-
Short-term loan from related party	<u>-</u>	<u>290,000</u>
	<u>1,999,289</u>	<u>1,749,906</u>

8. Related party transactions

Investment management services are being provided to the Group by a related company under a separate Investment Management Agreement, for which the management fee of \$48,317,000 (2020: \$14,620,000) was incurred for the quarter. Performance fee earned under this Investment Management Agreement totaling \$12,486,000 (2020: \$Nil) is also reflected in the statement of profit or loss and other comprehensive income and represents an uncorrected amount in respect of the 2021 audit. The performance fee is accrued but not yet paid.

Corporate and accounting services are also provided to the Group by a related company under a governing Corporate Services Agreement. An amount totaling \$9,235,000 (2020: \$3,289,000) was expensed for the quarter in respect of services that have been provided under this Agreement.

9. Share capital

Authorised capital:

(i) Unlimited JMD and USD ordinary shares

(ii) One (1) special rights redeemable preference share of US\$1

	2021 \$'000	2020 \$'000
Issued and fully paid:		
326,526,232 (2020: 178,127,832 ordinary shares and one (1) special share	4,884,129	2,276,307
Less: transaction costs of share issue	<u>(166,063)</u>	<u>(44,128)</u>
	<u>4,718,066</u>	<u>2,232,179</u>

On October 4, 2021 the Company raised capital through an Initial Public Offering (IPO) whereby it issued 128,398,400 shares and raised capital of \$2.3 Billion. Transaction costs associated with the IPO were \$122 Million. There were two classes of shares issued in Jamaica and United States Dollars, which are listed separately on the Jamaica Stock Exchange.