

SYGNUS

REAL ESTATE FINANCE

QUARTERLY REPORT

AS AT MAY 31, 2022



SYGNUS

REAL ESTATE FINANCE

July 15th, 2022

For Immediate Release

Sygnus Real Estate Finance Limited Q3'22 Earnings Call

The graphic features a crumpled paper background. At the top left is the SYGNUS REAL ESTATE FINANCE logo. In the center is a large 'Q3' logo where the 'Q' is red and the '3' is black, enclosed in a black square. Below this is a red bar with 'SYGNUS REAL ESTATE FINANCE' in white, followed by 'Earnings Call' in large black text. On the right is a 3D architectural model of a modern, curved skyscraper. At the bottom is a black bar with white text: 'MONDAY JULY 18 2022 @2:00PM'. Below that is a red bar with white text: 'JOIN US VIRTUALLY VIA zoom or YOUTUBE' with a play button icon.

SYGNUS | REAL ESTATE FINANCE

Q3

SYGNUS REAL ESTATE FINANCE

Earnings Call

MONDAY JULY 18 2022 @2:00PM

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Sygnus Real Estate Finance Limited
Unaudited Results for the 9 Months Ended May 31, 2022

Castries, St Lucia | Friday, July 15th, 2022

Sygnus Real Estate Finance Ltd (“SRF” or “the Company”) is pleased to report on the unaudited financial results for the nine months ended May 31, 2022 (“9 Months 2022”). The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

SRF continued to unlock value from its major real estate investment assets (REIAs) by achieving another set of key milestones namely: advancing the construction of the J\$3.70 billion Belmont Road 9-storey tower to 30% completion; advancing the construction of the built-to-suit industrial warehouse facility on Spanish Town Road to 48% completion; and completing the detailed design phase for the beachfront hospitality investment property in Mammee Bay, which was carried on the balance sheet at a value of J\$3.59 billion. The Company more than doubled its investments in income generating real estate investment notes (REINs) from J\$1.11 billion to J\$2.38 billion, while continuing to work on the planning phase for its J\$2.19 billion industrial property in St Catherine and its J\$1.05 billion commercial property on Hillcrest Avenue, Kingston. SRF has at least J\$2.00 billion of real estate investments at advanced stages of completion to be exited over the next 6 months. The Company remains fully focused on executing its strategy of unlocking value in real estate assets, by 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 REIAs, the Company generated a net loss of J\$197.5 million for 9 Months 2022. For the 3 months ending May 2022 (“Q3 May 2022” or “Q3 2022”), SRF generated a net loss of J\$72.7 million, albeit with net interest income accelerating towards its normalized level. Total shareholders’ equity grew 29.4% or J\$1.52 billion to J\$6.70 billion at the end of May 2022, vs the similar period last year.

	Q3 May 2022	Q3 May 2021	9 Months May 2022	9 Months May 2021	FYE Aug 2021
Summary Results of Operations	JA\$'000	JA\$'000	JA\$'000	JA\$'000	JA\$'000
Interest Income	58,520	25,815	152,700	70,157	97,476
Interest Expense	(35,865)	(20,484)	(101,334)	(53,133)	(88,648)
Net Interest Income	22,654	5,331	51,366	17,024	8,828
Commitment Fees	5,535	-	8,660	3,190	3,190
Gain (Loss) on Sale of Real Estate Asset	-	(8,890)	-	100,805	100,805
Gain on Acquisition of Subsidiary	-	1,306,341	-	1,306,341	1,306,341
Gain (Loss) on Investment Property	-	-	-	913,396	913,396
Share of Gain (Loss) on Joint Ventures	1,444	4,004	161	(2,761)	29,957
Total Investment Income	29,633	1,306,786	60,187	2,337,995	2,362,517
Total Operating Expenses	(94,669)	(40,825)	(272,414)	(150,008)	(601,055)
Net Investment Income	(65,036)	1,265,961	(212,227)	2,187,987	1,761,462
Fair Value Gain (Loss) on Financial Instruments	(18,473)	(7,039)	22,903	47,626	52,676
Net Foreign Exchange Gain (Loss)	10,783	22,099	(8,137)	43,852	(2,540)
Profit Attributable to Shareholders	(72,726)	1,281,021	(197,461)	2,279,465	1,811,598
Basic Earnings Per Share (JA\$)	(0.22)	6.79	(0.63)	12.87	9.93
Diluted Earnings Per Share (JA\$)	(0.21)	6.79	(0.59)	12.87	9.93

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 (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.

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For 9 Months 2022, core revenues or total investment income, was J\$60.2 million compared with J\$2.34 billion for the 9 months ended May 31, 2021 (“9 Months 2021”) and J\$29.6 million for Q3 2022 compared with J\$1.31 billion for the 3 months ended May 2021 (“Q3 May 2021” or “Q3 2021”). The lower results for 9 Months May 2022 and Q3 2022 was primarily driven by the aforementioned “lumpiness” in revenues, as there were no gains unlocked during the current periods, relative to the corresponding periods last year. More importantly, at each financial year end, the Company is likely to benefit from the annual revaluation of its investment properties carried on the balance sheet, which are primarily denominated in US dollars. Net interest income grew by 201.7% for 9 Months May 2022 and 325.0% for Q3 2022 relative to the corresponding periods last year, as deployment of capital into income generating REINs continued to grow towards its steady state investment level. The share of gain or loss on joint ventures reflected SRF’s 70% ownership of the One Belmont development and a 51% ownership in Monadh Rois, a forthcoming luxury residential development. Most of the value being unlocked from the One Belmont development will occur during the latter stages of construction, while Monadh Rois is still in the early planning stages.

Net investment income or core earnings for 9 Months 2022 was negative J\$212.2 million vs J\$2.19 billion last year. For Q3 May 2022, net investment income was negative J\$65.0 million vs J\$1.27 billion last year. The negative results reflected the “lumpiness” of SRF’s earnings during the early stages of its capital deployment, which have not yet reached the optimal steady state to offset its operating expenses. This gap will continue to shrink as net investment income increases. More importantly, at each financial year end, the Company is likely to benefit from the annual revaluation of its investment properties carried on the balance sheet, which are primarily denominated in US dollars.

The net loss of J\$197.5 million vs net profit of J\$2.28 billion last year was driven by the negative net investment income of J\$212.2 million, fair value gains on financial instruments of J\$22.9 million and a net foreign exchange loss of J\$8.1 million. For Q3 May 2022, a net loss of J\$72.7 million vs a net profit of J\$1.28 billion last year was driven by the negative net investment income of J\$65.0 million, a fair value loss of J\$18.5 million and net foreign exchange gains of J\$10.8 million.

Basic earnings per share (EPS) was negative J\$0.63 for 9 Months May 2022 (negative J\$0.22 for Q3 2022) vs J\$12.87 for 9 Months May 2021 (J\$6.79 for Q3 May 2021), while diluted EPS was negative J\$0.59 for 9 Months May 2022 (negative J\$0.21 for Q3 May 2022) vs J\$12.87 for 9 Months May 2021 (J\$6.79 for Q3 May 2021).

Total Operating Expenses

SRF reported a J\$122.4 million or 81.6% increase (Q3 2022: J\$53.9 million or 131.9% increase) in total operating expenses to J\$272.4 million for 9 Months May 2022 (Q3 2022: J\$94.7 million), which was primarily driven by management fees, corporate services fees and performance fees. These items collectively represented 72.2% (Q3 2022: 69.4%) or J\$196.7 million (Q3 2022: J\$65.7 million) 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 57.9% or J\$4.28 billion growth in CAUM gave rise to the higher management and corporate services 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 9 Month 2022 reflected amounts relating to the audited financial statements for FYE Aug 2021, that were uncorrected and reflected during the first quarter, and thus reflected in the current financial results.

Management Expense Ratio

Total operating expenses as a percentage of total CAUM or Management Expense Ratio (MER) was 3.1% (annualized) at the end of the 9 Months May 2022 vs 2.7% at the end of 9 Months May 2021. The target threshold level is 3.50%.

Fair-Value Gains or Losses

SRF generates a fair value gain or loss on a portion of its REINs, which are carried at fair value through its income statement. These customized investments are primarily, but not exclusively, 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 9 Months 2022, SRF reported a fair value gain of J\$22.9 million (9 Months May 2021: J\$47.6 million) on J\$1.45 billion (9 Months May 2021: J\$678.8 million) in REINs. This gain was driven by deployment of capital into new projects. For Q3 May 2022, SRF generated fair value losses of J\$18.5 million

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compared with losses of J\$7.0 million in the corresponding period. These losses were primarily driven by adverse movements in interest rates which impacted fair values. Fair value gains or losses may vary significantly from period to period, driven by changes in interest rates, capital deployed into new investments or by investment exits.

Net Foreign Exchange Gains or Losses

A net foreign exchange loss of J\$8.1 million was reported for 9 Months 2022 (9 Months May 2021: gain of J\$43.9 million). For Q3 May 2022, there was a net foreign exchange gain of J\$10.8 million (Q3 May 2021: a gain of J\$22.1 million). 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. The vast majority 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\$14.6 million or J\$2.24 billion (9 Month 2021: negative US\$11.4 million or J\$1.69 billion), driven primarily by a US\$10.0 million vendor's mortgage.

Real Estate Investment (REI) Activity

At the end of Q3 May 2022, SRF's investment in real estate investment assets grew by 52.6% or J\$3.81 billion to a record J\$11.06 billion, spanning 14 investments vs J\$7.25 billion in 11 investments as at Q3 May 2021. SRF deployed J\$2.42 billion in new investment commitments vs J\$619.2 million last year, driven by a combination of joint venture investments, acquisition of new investment assets and investments into REINs. Fair value in REINs rose by 115.0% or J\$1.27 billion to a record J\$2.38 billion, primarily driven by additional capital deployment into projects with an average yield of 10.4%, compared with J\$1.11 billion at an average yield of 9.8% as at Q3 May 2021. Some REINs are structured with a profit-sharing component, thus unlocking additional upside upon exiting the investment. Additionally, due to the rising interest rate environment, SRF has entered new REINs at higher interest rates which contributed to the higher weighted average yield on a comparative basis. During Q3 May 2022, SRF exited J\$300.0 million in REINs which was redeployed into a new REIN at a higher interest rate. Over the next 6 months, SRF is expected to exit in excess of J\$2.00 billion from real estate investments that are at advanced stages of completion.

	Q3 May 2022	Q3 May 2021	FYE Aug 2021
Summary of Investment Activity	J\$ '000	J\$ '000	J\$ '000
Fair Value of Real Estate Investment Assets	11,064,553	7,252,379	8,693,786
New Commitments in Real Estate Investment Assets	2,417,331	619,163	2,609,719
Number of Real Estate Investment Assets (#)	14	11	13
Dry Powder*	545,894	49,973	9,104
Number of investments Exited (#)	2	2	2
Value of Investments Exited	352,841	2,112,580	2,112,580
Number of Real Estate Investment Notes (#)	8	6	6
Fair Value of Real Estate Investment Notes	2,381,945	1,107,716	1,256,844
Fair Value Yield on Real Estate Investment Notes (%)	10.4%	9.8%	9.3%

* Does not include undrawn credit facilities, available bridge facilities, and construction loans

SRF had J\$545.9 million in dry powder on the balance sheet at the end of Q3 May 2022 vs J\$50.0 million last year. This dry powder does not include undrawn revolving credit facilities, available bridge facilities and J\$2.50 billion in construction loans. In addition, SRF is currently raising debt capital through the issuance of a medium term secured note facility of up to J\$720.0 million via a private placement.

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Summary Update of Some Major Strategic Assets

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

One Belmont: Belmont Road, Kingston | Commercial – Corporate Offices: The J\$3.70 billion 9 storey commercial project is currently 30% completed and remains on track for completion in April/May 2023. SRF has successfully executed long term agreements-to-lease for three of the five floors or 60% of the building. The leases are in US dollars.

Spanish Penwood: Spanish Town Road, Kingston | Industrial - Warehouse: The Spanish Penwood built-to-suit facility tailored to the specific needs of IMCA Jamaica is 48% completed and is on track for a September/October 2022 completion date. The entire facility was pre-sold to institutional investors with a secured US dollar long term lease in place, thus guaranteeing SRF's investment exit upon completion of construction. SRF has received 50% of the agreed sale price from the institutional buyers.

Mamree Bay, St Ann | Hospitality: SRF has substantially advanced the value creation process for this 14-acre beachfront strategic asset by successfully completing the detailed design phase, led by an international consortium of partners and experts in the hospitality field. Over the next 60 days, SRF will enter the decision phase on Mamree Bay, which was being carried on the balance sheet at an increased value of J\$3.59 billion.

Hillcrest Avenue, Kingston | Commercial – Corporate Offices or Residential - Townhouses: The Company continues working with its partners to optimize the strategy to extract the best value from this 3.2-acre property. The building on the property, which housed the former French Embassy, was recently renovated to facilitate a short-term tenant. SRF continues to work with its strategic partners on the possible development plans to unlock the optimal value for this asset.

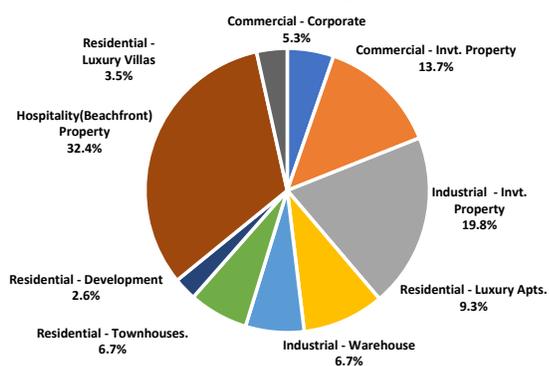
Lakespen Holdings, St Catherine | Industrial – Warehouses, Light Manufacturing, Distribution: SRF continues to work on the development planning phase with its strategic partners to unlock the optimal value on this industrial asset which was carried on the balance sheet at a value of J\$2.19 billion.

Allocation by Real Estate Category and Investment Category

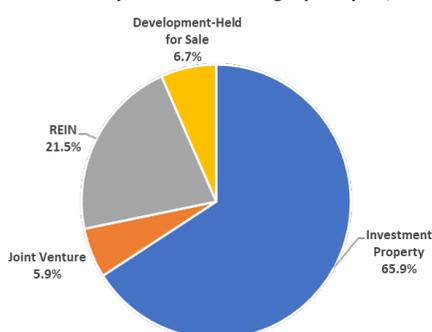
As at Q3 May 2022, SRF's investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property with 32.4%, industrial-investment property with 19.8% and commercial-investment property with 13.7%.

SRF's capital was primarily allocated across two investment categories, namely property investments at 65.9% and REINs at 21.5%, for a combined total of 77.4%. 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.

SRF Allocation By Real Estate Category, May 31, 2022



SRF Allocation by Investment Category: May 31, 2022



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Balance Sheet Summary

At the end of Q3 May 2022, SRF's total assets increased by 57.9% or J\$4.28 billion to J\$11.68 billion vs J\$7.39 billion as at Q3 May 2021. This was primarily driven by a 39.8% or J\$2.29 billion increase in investment property to J\$8.03 billion vs J\$5.74 billion for Q3 May 2021, and a 115.0% or J\$1.27 billion increase in REINs. This contributed to a 52.6% or J\$3.81 billion increase in real estate investment assets from J\$7.25 billion to J\$11.06 billion.

Investments in joint ventures of J\$653.89 million reflected SRF's 70% ownership interest in Audere Holdings, the special purpose entity that is executing the One Belmont commercial tower and the 51% ownership interest in Monadh Rois, a special purpose entity that is the owner of prime real estate in Kingston 6.

Shareholders' Equity

At the end of Q3 May 2022, shareholders' equity grew by 29.4% or J\$1.52 billion to J\$6.70 billion vs J\$5.77 billion for Q3 May 2021.

	31-May-22	31-May-21	FYE Aug 2021
Summary of Balance Sheet Information	JAS'000	JAS'000	JAS'000
Cash and Cash Equivalents	545,894	49,973	9,104
Repurchase Agreements	-	-	-
Un-deployed Cash/Dry Powder	545,894	49,973	9,104
Property Held for Sale	736,725	-	-
Investment Property	7,291,991	5,741,971	6,983,187
Advanced Payment for Land Acquisition (Shares)	-	-	-
Deposit on Investment Property & Projects	-	-	18,344
Property Investments	8,028,716	5,741,971	7,001,531
Investments Measured at Fair Value through P&L	1,453,889	678,762	778,792
Investments Measured at Amortised Cost	928,056	428,953	478,052
Real Estate Investment Notes	2,381,945	1,107,716	1,256,844
Investment in Joint Ventures	653,892	402,693	435,411
Real Estate Investment Assets	11,064,553	7,252,379	8,693,786
	11,610,448	7,302,352	8,702,890
Other Assets:			
Prepaid Expenses	12,003	78,691	43,685
Investment Income Receivable	55,098	13,686	4,348
Due from Related Entities	-	-	-
Total Assets	11,677,548	7,394,728	8,750,923
Share Capital	4,718,066	2,532,144	2,532,144
Prepaid Share Reserve	-	-	-
Foreign Currency translation reserve	(21)	-	-
Retained Earnings	1,980,485	2,645,812	2,177,945
Total Shareholders' Equity	6,698,529	5,177,956	4,710,089
Total Liabilities and Equity	11,677,548	7,394,728	8,750,923

Real Estate Outlook

The undulating impact of the global COVID-19 pandemic on economies and the global supply chain has been compounded by the war between Russia and the Ukraine, has triggered an inflationary spiral which is impacting the global economy, and Jamaica, where all of SRF's investment assets are located for the time being. Although the health risks from COVID-19 have substantially abated, bouts of mutation with new COVID-19 variants continue to represent a significant health threat. Commodity prices, which escalated to record levels during the early part of 2022 have since receded substantially with global steel prices down more than 40% for their 2022 peak and lumber prices down 50% from their 2022 peak as rising inflation, chased by rising interest rates, have increased concerns of demand destruction in multiple economic sectors.

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Industrial Segment: The pandemic has revealed a strong preference for assets in the industrial and logistics segment of the real estate market, which is evidenced not only by 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 which is typically resilient to economic cycles.

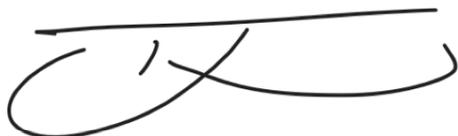
Hospitality Segment: Significant pent-up global demand for the hospitality product, especially in the luxury subsegment, has been fueled by reduced restrictions on movement of persons with a decline in COVID-19 incidence, and the unfettered reopening of borders to global travel. Jamaica leads the Caribbean tourism recovery, albeit not quite back to 2019 levels. We remain bullish on the hospitality sector, especially in the luxury sub-segment.

Residential Segment: Rising interest rates has triggered what may be the start of demand destruction in some segments of the residential market in nearly every major city worldwide since mid-June 2022, as the keenly watched house-price-to median-income ratio rises to record levels. In the past, this indicator combined with rising mortgage rates has been a leading indicator of a correction in some segments of the housing market, if not the entire market. Locally in Jamaica, we remain bullish on particular segments of the residential market depending on demand/supply dynamics, but remain neutral on the overall market as some segments may be sensitive to rising mortgage rates.

Commercial Segment: Globally, the pandemic has recalibrated “work-from-home” and work-life-balance, which has impacted the dynamics of corporate office space amid a “hybrid” work environment. However, on the Jamaican landscape, particularly in Kingston, Jamaica, there is no available class A office space. This reflects a large supply constraint built up over the past two decades. We remain bullish on commercial real estate in the Kingston.

SYGNUS REAL ESTATE FINANCE LIMITED
 Consolidated Statement of Financial Position
 May 31, 2022
 (Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 31 May 2022 \$'000	Unaudited 31 May 2021 \$'000	Audited 31 Aug 2021 \$'000
ASSETS			
Cash and cash equivalents	545,894	49,973	9,104
Asset held for sale	736,725	-	-
Investments	2,381,945	1,107,716	1,256,844
Interest in joint venture	653,892	402,693	435,411
Other assets	67,101	92,375	66,377
Investment property	7,291,991	5,741,971	6,983,187
	11,677,548	7,394,728	8,750,923
LIABILITIES			
Accounts payable and accrued liabilities	988,517	58,202	189,335
Due to related parties	931,206	343,995	802,287
Interest payable	20,834	20,503	16,906
Loans and borrowings	2,512,889	1,794,072	3,032,313
Preference shares	525,573	-	-
	4,979,019	2,216,772	4,040,841
EQUITY			
Share capital	4,718,066	2,532,144	2,532,144
Translation reserve	(21)	-	(7)
Retained earnings	1,980,484	2,645,812	2,177,945
	6,698,529	5,177,956	4,710,082
	11,677,548	7,394,728	8,750,923



Director

Dr. Ike Johnson



Director

Linval Freeman

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Nine months ended May 31, 2022
(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three months ended 31 May 2022 \$'000	Unaudited Three months ended 31 May 2021 \$'000	Unaudited Nine months ended 31 May 2022 \$'000	Unaudited Nine months ended 31 May 2021 \$'000	Audited Year ended 31 Aug 2021 \$'000
Net interest income and other revenue					
Interest income, calculated using the effective interest method	58,519	25,815	152,700	70,157	97,476
Interest expense	(35,865)	(20,484)	(101,334)	(53,133)	(88,648)
Fair value gains from financial instruments at fair value through profit or loss (FVTPL)	22,654	5,331	51,366	17,024	8,828
Net foreign exchange gain/(loss)	(18,473)	(7,039)	22,903	47,626	52,676
Fair value gain on investment property	10,783	22,099	(8,137)	43,852	(2,540)
Gain on disposal of investment property	-	-	-	913,396	913,396
Other	-	(8,890)	-	100,805	100,805
	5,535	-	8,660	3,190	3,190
	20,499	11,501	74,792	1,125,893	1,076,355
Operating expenses					
Management fees	55,813	29,448	155,940	88,703	131,682
Corporate service fees	9,884	6,046	28,226	18,216	26,587
Performance fees	-	-	12,486	-	377,909
Other expenses	28,972	5,331	75,762	43,089	64,877
	94,669	40,825	272,414	150,008	601,055
Operating (loss)/profit	(74,170)	(29,324)	(197,622)	975,885	475,300
Share of profit/(loss) of joint venture	1,444	4,004	161	(2,761)	29,957
Gain on acquisition of subsidiary	-	1,306,341	-	1,306,341	1,306,341
(Loss)/profit for the period	(72,726)	1,281,021	(197,461)	2,279,465	1,811,598
Other comprehensive loss					
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive loss	16	-	(14)	-	(7)
Total comprehensive (loss)/profit for the period	(72,710)	1,281,021	(197,475)	2,279,465	1,811,591
Basic earnings per stock unit	(\$0.22)	\$6.79	(\$0.63)	\$12.87	\$9.93
Diluted earnings per stock unit	(\$0.21)	\$6.79	(\$0.59)	\$12.87	\$9.93

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Changes in Equity
Nine months ended May 31, 2022
(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	-	-	-	2,279,465	2,279,465
Transactions with owners:					
Issue of ordinary shares	299,965	-	-	-	299,965
Prepaid shares issued	148,300	(148,300)	-	-	-
Balances at May 31, 2021	2,532,144	-	-	2,645,812	5,177,956
Balances at August 31, 2021	2,532,144	-	(7)	2,177,945	4,710,082
Total comprehensive expense:					
Loss for the period	-	-	-	(197,461)	(197,461)
Other comprehensive loss	-	-	(14)	-	(14)
	-	-	(14)	(197,461)	(197,475)
Transactions with owners:					
Issue of ordinary shares	2,185,922	-	-	-	2,185,922
Balances at May 31, 2022	4,718,066	-	(21)	1,980,484	6,698,529

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Cash Flows
Nine months ended May 31, 2022
(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Nine months ended 31 May 2022 \$'000	Unaudited Nine months ended 31 May 2021 \$'000	Audited Year ended 31 Aug 2021 \$'000
Cash flows from operating activities			
(Loss)/profit for the period	(197,461)	2,279,465	1,811,598
Adjustments for:			
Interest income	(152,700)	(70,157)	(97,476)
Interest expense	101,334	53,133	88,648
Share of (profit)/loss of joint ventures	(161)	2,761	(29,957)
Exchange loss on foreign balances	6,062	(11,050)	35,347
Gain on acquisition of subsidiary	-	(1,306,341)	(1,306,341)
Gain on disposal of investment property	-	(100,805)	(100,805)
Fair value gains on investments	(22,903)	(47,626)	(52,676)
Fair value gain on investment property	-	(913,396)	(913,396)
	<u>(265,829)</u>	<u>(114,016)</u>	<u>(565,058)</u>
Changes in operating assets and liabilities:			
Other receivables	50,026	9,817	(30,597)
Due from related parties	-	27,887	27,887
Accounts payable and accrued liabilities	813,885	2,368	133,738
Due to related parties	126,960	(46,429)	416,126
	<u>725,042</u>	<u>(120,373)</u>	<u>(17,904)</u>
Interest received	101,951	72,611	109,268
Interest paid	(97,406)	(43,729)	(82,841)
	<u>(97,406)</u>	<u>(43,729)</u>	<u>(82,841)</u>
Net cash provided by/ (used in) operating activities	<u>729,587</u>	<u>(91,491)</u>	<u>8,523</u>
Cash flows from investing activities			
Investment securities, net	(1,102,199)	(186,094)	(329,487)
Interest in joint venture	(218,319)	-	-
Deposit paid on real estate acquisition	-	(75,419)	(18,344)
Acquisition of investment property	(188,505)	(107,440)	(1,232,365)
Additions to investment property	(857,024)	(37,501)	(153,792)
Proceeds from disposal of investment property	-	1,913,253	1,913,253
	<u>(2,366,047)</u>	<u>1,506,799</u>	<u>179,265</u>
Net cash (used in)/provided by investing activities	<u>(2,366,047)</u>	<u>1,506,799</u>	<u>179,265</u>
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	517,928	-	-
Redemption of preference shares	-	(79,123)	(79,123)
Repayment of note payable	-	(1,334,696)	(1,334,696)
Loans and borrowings, net	(555,840)	(43,689)	1,148,684
	<u>(555,840)</u>	<u>(43,689)</u>	<u>1,148,684</u>
Net cash provided by/(used in) financing activities	<u>2,148,010</u>	<u>(1,457,508)</u>	<u>(265,135)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	25,240	18,227	12,505
	<u>25,240</u>	<u>18,227</u>	<u>12,505</u>
Net increase/(decrease) in cash and cash equivalents	536,790	(23,973)	(64,842)
Cash and cash equivalents at beginning of period	9,104	73,946	73,946
	<u>9,104</u>	<u>73,946</u>	<u>73,946</u>
Cash and cash equivalents at end of period	<u><u>545,894</u></u>	<u><u>49,973</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% and a 51% interest in joint ventures, Audere Holdings Limited and Monadh Rois Limited respectively. The Company, its subsidiaries and joint ventures are collectively referred to as “the Group” in these financial statements.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements for the nine months ended May 31, 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended August 31, 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
Nine months ended May 31, 2022
(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.

	2022		2021	
	Basic	Diluted	Basic	Diluted
Net (loss)/profit attributable to stockholders of the parent (\$'000)	(197,461)	(197,461)	2,279,465	2,279,465
Weighted average number of ordinary stock units in issue ('000)	311,006	335,749	177,175	177,175
Earnings per stock unit (\$)	<u>(0.63)</u>	<u>(0.59)</u>	<u>12.87</u>	<u>12.87</u>

5. Investments

	2022	2021
	\$'000	\$'000
Fair value through profit or loss:		
Preference shares	1,453,889	678,763
Amortised cost:		
Short-term notes	321,333	428,953
Medium-term notes	<u>606,723</u>	<u>-</u>
	<u>2,381,945</u>	<u>1,107,716</u>

6. Investment property

	2022	2021
	\$'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	-
Property acquired in business combination	-	2,181,386
Property reclassified as asset held for sale	(736,725)	-
Fair value adjustment	-	913,396
Additions and improvements during the period	<u>857,024</u>	<u>37,501</u>
At end of the period	<u>7,291,991</u>	<u>5,741,971</u>

7. 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 \$155,940,000 (2021: \$88,703,000) was incurred for the period. Performance fee earned under this Investment Management Agreement totaling \$12,486,000 (2021: \$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 financial year. 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 \$28,226,000 (2021: \$18,216,000) was expensed for the period in respect of services that have been provided under this Agreement.

Loans from related parties are separate from transactions noted above and are detailed in Note 8.

8. Loans and borrowings

	2022 \$'000	2021 \$'000
US\$ vendor mortgage	1,287,312	1,481,320
US\$ short-term loan	-	222,752
Loans from related parties	646,375	90,000
Revolving line of credit	<u>579,202</u>	<u>-</u>
	<u>2,512,889</u>	<u>1,794,072</u>

9. Share capital

Authorised capital:

(i) Unlimited JMD and USD ordinary shares

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

	2022 \$'000	2021 \$'000
Issued and fully paid:		
326,526,232 (2021: 198,127,832 ordinary shares and one (1) special share	4,884,129	2,576,272
Less: transaction costs of share issue	<u>(166,063)</u>	<u>(44,128)</u>
	<u>4,718,066</u>	<u>2,532,144</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.

Sygnus Real Estate Finance Limited
Unaudited Results for the 9 Months Ended May 31, 2022

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
1	Linval Freeman	400,000	N/A	0.12%
2	Pierre Williams	Nil	N/A	Nil
3	Horace Messado	83,700	Lisa-Gayle Thomas-Messado	0.03%
4	David Cummings	Nil	N/A	Nil
5	Elizabeth Stair	55,900	Jason Stair	0.02%
			Stephanie Stair	
6	Dr. Ike J. Johnson	56,700	N/A	0.02%
		5,273,400	Sygnus Capital Group Limited	1.62%
Subtotal		5,786,000		1.80%
No	Senior Management	Shareholdings	Connected Parties	% Holdings
1	Sygnus Capital Group Limited	5,273,400	Dr. Ike J. Johnson	1.62%
2	MSCI Inc.	Nil	N/A	Nil
Total Shares outstanding as at May 31, 2022			326,526,232	

Sygnus Real Estate Finance Limited
Unaudited Results for the 9 Months Ended May 31, 2022

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LIMITED	42,000,000	12.9%
2	SJIML A/C 3119	20,000,000	6.1%
3	DYNAMIX HOLDINGS INCORPORATED	20,000,000	6.1%
4	JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL EQUITY	16,217,000	5.0%
5	WILDELLE LIMITED	12,000,000	3.7%
6	MF&G ASSET MANAGEMENT LTD. - CAPITAL GROWTH FUND	10,807,160	3.3%
7	MF&G ASSET MANAGEMENT LTD. - INCOME & GROWTH FUND	10,807,160	3.3%
8	LYTTLETON OVEL SHIRLEY	10,000,000	3.1%
9	BARNETT LIMITED	8,264,500	2.5%
10	D.R.N.A	8,264,400	2.5%
	Subtotal	158,360,220	48.5%
	Total	326,526,232	100.0%