



SYGNUS

REAL ESTATE
FINANCE

AUDITED FINANCIAL STATEMENTS

FOR THE
YEAR ENDED

AUG
31ST
2022



KPMG

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INDEPENDENT AUDITOR'S 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 64, which comprise the Group's and Company's statement of financial position as at August 31, 2022, 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 to the financial statements, including a summary of significant accounting policies.

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, 2022 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 *Auditor's 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.



Page 2

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

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 matter and how the matter was addressed in the audit

Valuation of Investment Properties

See Notes 2 (d)(i)(3) and 10 of the consolidated financial statements.

This is a key audit matter because the Group has significant interest in investment properties which are measured at fair value. The fair values of these properties are appraised by a qualified independent property valuator hired by the management, using the market comparable approach or the income approach. Under the market comparable approach, a fair value is estimated based on the principal of substitution under which a potential buyer will not pay more than it will cost to buy a comparable substitute property. Methods or factors applied by management's expert are dependent on the availability and use of reliable comparable sales data. The income approach is a valuation technique where the estimated or actual future cash benefits or income stream is calculated based on the length of the lease and discounted to present value. The estimate of fair values is therefore dependent on the availability of appropriate comparator properties, discount and capitalization rates. These approaches involve an element of subjectivity which could result in material errors.

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

- We engaged with the management to assess the design and implementation of the Group's controls over the determination of fair values.
- We evaluated the competence, independence, and experience of management's independent appraisers with reference to their qualification and industry experience.



Page 3

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

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

- With the support of our own valuation specialists we assessed the methodologies and assumptions applied in determining the fair value of investment properties. For each property we determined a range of prices and compared these to the values determined by management's expert. In order to derive our range (i) for fair values determined using the income approach, we assessed the appropriateness of the valuation model using our experience with properties of these types; making our own assessment of a range of discount rates and capitalisation rates by reference to external sources to the extent available and performed our own fair value calculations to obtain the range; (ii) for fair values determined using the market comparable approach, we determined a number of comparable properties by reference to factors including zoning, physical characteristics and environmental factors, to derive our range.
- We assessed the disclosures of investment property and fair value thereof against the requirements of IAS 40, *Investments Property* and IFRS 13 *Fair Value Measurement*.

Other Information

Management is responsible for the other information. The other information comprises the information in the Group's annual report for the year ended August 31, 2022 but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

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.

Auditor's 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 auditor's 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.

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.

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.



Page 5

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of
SYGNUS REAL ESTATE FINANCE LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is Baldwin Alcindor.

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

Chartered Accountants
Saint Lucia
November 30, 2022.

SYGNUS REAL ESTATE FINANCE LIMITED

Group Statement of Financial Position

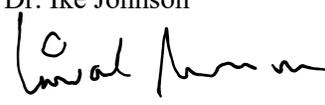
August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
ASSETS			
Cash and cash equivalent	3(b)	463,365	9,104
Due from related parties	4	36,310	-
Investments	5	2,483,919	1,256,844
Interest in joint venture	6	1,200,019	435,411
Other assets	8	127,934	66,377
Deferred tax asset	9	45,842	-
Investment property	10	<u>9,430,686</u>	<u>6,983,187</u>
Total assets		<u>13,788,075</u>	<u>8,750,923</u>
LIABILITIES			
Accounts payable and accrued liabilities	11	1,562,919	189,335
Due to related parties	4	878,268	802,287
Interest payable	12	43,449	16,906
Note payable	13	385,271	-
Loans and borrowings	14	2,610,659	3,032,313
Deferred tax liabilities	9	197,400	-
Preference shares	15	<u>521,107</u>	<u>-</u>
Total liabilities		<u>6,199,073</u>	<u>4,040,841</u>
EQUITY			
Share capital	16	4,718,066	2,532,144
Translation reserve	18	36	(7)
Retained earnings		<u>2,870,900</u>	<u>2,177,945</u>
Total equity		<u>7,589,002</u>	<u>4,710,082</u>
Total liabilities and equity		<u>13,788,075</u>	<u>8,750,923</u>

The financial statements on pages 6 to 64 were approved for issue by the Board of Directors on November 30, 2022 and signed on its behalf by:


 _____ Director
 Dr. Ike Johnson


 _____ Director
 Linval Freeman

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

SYGNUS REAL ESTATE FINANCE LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Net interest income and other income			
Interest income, calculated using the effective interest method	19	118,507	97,476
Other interest income	19	99,124	-
Interest expense	19	(148,097)	(88,648)
		69,534	8,828
Fair value (loss)/gains from financial instruments at fair value through profit or loss (FVTPL)	23(b)	(177,817)	52,676
Foreign exchange (loss)/gain		38,738	(2,540)
Fair value gain on investment property	10	716,379	913,396
Gain on disposal of investment property		-	100,805
Other income		<u>16,832</u>	<u>3,190</u>
		<u>663,666</u>	<u>1,076,355</u>
Operating expenses			
Management fees	4(ii)	220,382	131,682
Corporate service fees	4(ii)	39,192	26,587
Performance fees	4(ii)	12,486	377,909
Other expenses	20	<u>93,382</u>	<u>64,877</u>
		<u>365,442</u>	<u>601,055</u>
Operating profit			
		298,224	475,300
Share of profit of joint venture	6	546,289	29,957
Gain on acquisition of subsidiary	26	<u>-</u>	<u>1,306,341</u>
Profit before taxation			
		<u>844,513</u>	<u>1,811,598</u>
Taxation	21	(151,558)	<u>-</u>
Profit for the year			
		692,955	1,811,598
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive income/(loss)		<u>43</u>	(7)
Total comprehensive income for the year			
		<u>692,998</u>	<u>1,811,591</u>
Basic earnings per stock unit	22	<u>2.20¢</u>	<u>9.93¢</u>
Diluted earnings per stock unit	22	<u>2.06¢</u>	<u>9.93¢</u>

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, 2022

(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
Balances at August 31, 2020	2,083,879	148,300	-	366,347	2,598,526
Total comprehensive income					
Profit for the year	-	-	-	1,811,598	1,811,598
Other comprehensive income	-	-	(7)	-	(7)
	-	-	(7)	<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>448,265</u>	<u>(148,300)</u>	-	-	<u>299,965</u>
Balances at August 31, 2021	2,532,144	-	(7)	2,177,945	4,710,082
Total comprehensive income					
Profit for the year	-	-	-	692,955	692,955
Other comprehensive income	-	-	43	-	43
	-	-	43	<u>692,955</u>	<u>692,998</u>
Transaction with owners					
Issue of ordinary shares	2,307,857	-	-	-	2,307,857
Share issuance costs	<u>(121,935)</u>	-	-	-	<u>(121,935)</u>
	<u>2,185,922</u>	-	-	-	<u>2,185,922</u>
Balances at August 31, 2022	<u>4,718,066</u>	<u>-</u>	<u>36</u>	<u>2,870,900</u>	<u>7,589,002</u>

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, 2022

(expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Cash flows from operating activities			
Profit for the year		692,955	1,811,598
Adjustments for:			
Interest income	19	(217,631)	(97,476)
Interest expense	19	148,097	88,648
Share of profit of joint venture	6	(546,289)	(29,957)
Foreign exchange (gain)/loss		(19,331)	35,347
Gain on acquisition on subsidiary	26	-	(1,306,341)
Gain on disposal of investment property		-	(100,805)
Fair value loss/(gain) on investments	23(b)	177,817	(52,676)
Fair value gain on investment property	10	(716,379)	(913,396)
Taxation		<u>151,558</u>	<u>-</u>
		(329,203)	(565,058)
Changes in operating assets and liabilities:			
Other receivables		55,972	(30,597)
Due from related parties		(36,310)	27,887
Accounts payable and accrued liabilities		1,373,582	133,738
Due to related parties		<u>75,981</u>	<u>416,126</u>
		1,140,022	(17,904)
Interest received		128,895	109,268
Interest paid		<u>(121,553)</u>	<u>(82,841)</u>
Net cash provided by operating activities		<u>1,147,364</u>	<u>8,523</u>
Cash flows from investing activities			
Acquisition of investments		(1,754,628)	(520,277)
Proceeds from investments matured		349,736	190,790
Investment in joint venture	6	(218,319)	-
Deposit paid on real estate acquisition	8	(28,792)	(18,344)
Acquisition of investment property	10	(188,505)	(1,232,365)
Additions to investment property	10	(1,542,615)	(153,792)
Proceeds from disposal of asset held for sale	10(vii)	<u>-</u>	<u>1,913,253</u>
Net cash (used in)/provided by investing activities		<u>(3,383,123)</u>	<u>179,265</u>
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	16	2,307,857	-
Proceeds from the issue of preference shares	15	521,107	-
Redemption of preference shares		-	(79,123)
Issue of note payable	13	385,271	-
Repayment of note payable	13	-	(1,334,696)
Transaction costs related to issue of shares	16	(121,935)	-
Loans and borrowings		<u>(421,654)</u>	<u>1,148,684</u>
Net cash provided by/(used in) financing activities		<u>2,670,646</u>	<u>(265,135)</u>
Effect of foreign exchange movements on cash		<u>19,374</u>	<u>12,505</u>
Net increase/(decrease) in cash		454,261	(64,842)
Cash at beginning of year		<u>9,104</u>	<u>73,946</u>
Cash at end of year		<u><u>463,365</u></u>	<u><u>9,104</u></u>

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

SYGNUS REAL ESTATE FINANCE LIMITED

Company Statement of Financial Position

August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

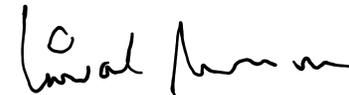
	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
ASSETS			
Cash and cash equivalent	3(b)	161,594	9,028
Due from related parties	4	2,015,615	855,856
Investments	5	2,483,919	1,256,844
Interest in joint venture	6	629,010	410,691
Investment in subsidiaries	7	1,884,605	1,884,605
Other assets	8	<u>96,836</u>	<u>16,151</u>
Total assets		<u>7,271,579</u>	<u>4,433,175</u>
LIABILITIES			
Accounts payable and accrued liabilities	11	128,748	17,982
Due to related parties	4	1,299,251	754,897
Interest payable	12	35,865	16,906
Note payable	13	385,271	-
Loans and borrowings	14	<u>1,431,796</u>	<u>1,521,900</u>
Total liabilities		<u>3,280,931</u>	<u>2,311,685</u>
EQUITY			
Share capital	16	4,718,066	2,532,144
Accumulated deficit		(727,418)	(410,654)
Total equity		<u>3,990,648</u>	<u>2,121,490</u>
Total liabilities and equity		<u>7,271,579</u>	<u>4,433,175</u>

The financial statements on pages 6 to 64 were approved for issue by the Board of Directors on November 30, 2022 and signed on its behalf by:



Director

Dr. Ike Johnson



Director

Linval Freeman

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

SYGNUS REAL ESTATE FINANCE LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Net interest income and other income			
Interest income, calculated using the effective interest method	19	118,452	97,473
Other interest income	19	99,124	-
Interest expense	19	<u>(69,346)</u>	<u>(30,960)</u>
		148,230	66,513
Fair value (loss)/gain from financial instruments at fair value through profit or loss (FVTPL)	23(b)	(177,817)	52,676
Foreign exchange gain/(loss)		35,526	(7,449)
Other income		<u>3,125</u>	<u>3,190</u>
		<u>9,064</u>	<u>114,930</u>
Operating expenses			
Management fees	4(ii)	220,382	131,682
Corporate service fees	4(ii)	39,192	26,587
Performance fees	4(ii)	12,486	377,909
Other expenses	20	<u>53,768</u>	<u>31,726</u>
		<u>325,828</u>	<u>567,904</u>
Loss for the year		<u>(316,764)</u>	<u>(452,974)</u>

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, 2022

(expressed in Jamaica dollars unless otherwise indicated)

	<u>Company</u>			
	<u>Share capital</u> \$'000 [Note 16]	<u>Prepaid share reserve</u> \$'000 [Note 17]	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Balances at August 31, 2020,	2,083,879	148,300	42,320	2,274,499
Total comprehensive income				
Loss for the year, being total comprehensive income	-	-	(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>-</u>	<u>-</u>
	<u>448,265</u>	<u>(148,300)</u>	<u>-</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>
Total comprehensive income				
Loss for the year, being total comprehensive income	-	-	(316,764)	(316,764)
Transaction with owners				
Issue of ordinary shares	2,307,857	-	-	2,307,857
Share issuance costs	<u>(121,935)</u>	<u>-</u>	<u>-</u>	<u>(121,935)</u>
	<u>2,185,922</u>	<u>-</u>	<u>-</u>	<u>2,185,922</u>
Balances at August 31, 2022	<u>4,718,066</u>	<u>-</u>	<u>(727,418)</u>	<u>3,990,648</u>

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, 2022

(expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Cash flows from operating activities			
Loss for the year		(316,764)	(452,974)
Adjustments for:			
Interest income	19	(217,576)	(97,473)
Interest expense	19	69,346	30,960
Exchange (gain)/loss on foreign balances		(19,701)	7,449
Fair value (loss)/gain on investments	23(b)	<u>177,817</u>	<u>(52,676)</u>
		(306,878)	(564,714)
Changes in operating assets and liabilities:			
Other receivables		8,050	(10,247)
Due from related parties		(1,159,759)	342,095
Accounts payable and accrued liabilities		110,767	(33,432)
Due to related parties		<u>544,354</u>	<u>364,789</u>
		(803,466)	98,941
Interest received		128,840	109,265
Interest paid		<u>(50,387)</u>	<u>(17,446)</u>
Net cash (used in)/provided by operating activities		<u>(725,013)</u>	<u>190,310</u>
Cash flows from investing activities			
Acquisition of investments		(1,754,628)	(520,277)
Proceeds from investments matured		349,736	190,790
Investment in subsidiary		-	(1,234,515)
Investment in joint venture	6	<u>(218,319)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,623,211)</u>	<u>(1,564,002)</u>
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	16	2,307,857	-
Notes payable		385,271	-
Transaction costs related to issuance of ordinary shares	16	(121,935)	-
Loans and borrowings		<u>(90,104)</u>	<u>1,298,014</u>
Net cash provided by financing activities		<u>2,481,089</u>	<u>1,298,014</u>
Effect of foreign exchange movements on cash		<u>19,701</u>	<u>12,506</u>
Net increase/(decrease) in cash		152,566	(63,172)
Cash at beginning of year		<u>9,028</u>	<u>72,200</u>
Cash at end of year		<u><u>161,594</u></u>	<u><u>9,028</u></u>

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, 2022

(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 no employees and its real estate activities are managed and administered by Sygnus Capital Limited, a related company incorporated in Jamaica that is licensed and regulated by the Financial Services Commission.

The Company has four wholly owned subsidiaries, Sepheus Holdings Limited, Sygnus REF Jamaica Limited, Charlemagne Holdings Limited, and Lakespen Holdings Limited ("LHL"). LHL 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% and 51% interest in joint ventures, Audere Holdings Limited and Monadh Rois Limited respectively. Monadh Rois Limited was incorporated during the year and began operations on December 1, 2021. The joint ventures are registered and domiciled in Jamaica.

The subsidiaries hold real estate and provide financing while the joint ventures engage in property development. These consolidated financial statements comprise the Company, its subsidiaries and joint ventures (together referred to as "the Group").

On October 4, 2021 the Company successfully completed an initial public offering (IPO) of ordinary shares, with two classes of shares issued in Jamaica and United States Dollars, both of which are listed separately on the Jamaica Stock Exchange. See Note 16.

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, 2022 (the reporting date). They were authorised for issue by the Company's Board of Directors.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(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:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis.

A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

The amendments did not have a significant impact on the financial statements.

New and amended standards and interpretations issued but not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards and interpretations have been issued which are not yet effective and which the Group has not yet adopted. The Group has assessed the relevance of all such standards, amendments and interpretations and has determined the following are likely to be relevant to its operations:

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 9 *Financial Instruments* and IFRS 16 *Leases* and are effective for annual periods beginning on or after January 1, 2022.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(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 and interpretations issued but not yet effective (continued):

- Annual Improvements to IFRS Standards 2018-2020 cycle (continued)
 - (i) IFRS 9 *Financial Instruments* amendment clarifies that for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities -in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
 - (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Group is assessing the impact the amendment will have on its future financial statements.

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

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 Group is assessing the impact the amendment will have on its future financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 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, the Group classifies a liability as current when it does 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, a right to defer settlement must have substance and exist at the reporting date. The Group 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 Group 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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(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 and interpretations issued but not yet effective (continued):

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how the Group classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the Group's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that the reporting entity can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group is assessing the impact the amendment will have on its future financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements”.

The Group is assessing the impact the amendment will have on its future financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(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 and interpretations issued but not yet effective (continued):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) - e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The Group is assessing the impact the amendment will have on its future financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions - e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group is assessing the impact that the amendment will have on its financial statements.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

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

(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.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities including the repayment of facilities as disclosed in note 24(c)

(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

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(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)

(1) Impairment of financial assets (continued)

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

- 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 24(b).

(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 23).

(3) Valuation of investment property

The fair value of investment property is determined by a property valuation specialist engaged by Management, who uses recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The properties are valued using either the market comparable approach or the income approach. The market comparable approach is used due to the level of transactions involving comparable property in the areas during the year. Under the market comparable 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. The income approach is a valuation technique whereby the estimated or actual future cash benefits or income stream is calculated based on the length of the lease and discounted to present value. This approach applies the use of valuation tables derived for professional valuation purposes. The estimate of fair values is therefore dependent on the availability of appropriate discount and capitalization rates, [see note 10 (viii)].

(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies

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

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

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.

(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(b) Cash and cash equivalent

Cash and cash equivalent 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.

(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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'.
- 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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Impairment of financial assets (continued)

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.

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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(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)

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, 2022*(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(g) 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.

(h) Foreign currency transactions and balances

Non-monetary assets and liabilities denominated in foreign currencies are measured at the exchange rate at the date of transaction.

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

Monetary 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.

(i) 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.

(j) 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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*3. Significant accounting policies (continued)

(j) Taxation (continued)

(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 is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

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.

(k) 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.

(l) 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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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, 2022

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(o) 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.

(p) Segment reporting

An operating segment is a component of the Company/Group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

The Group operates in the real estate industry and maintains an integrated operating structure. The operations of the Group are reviewed as a whole and not in segments by its investment managers (Sygnus Capital Limited) in the position of CODM. Based on the information presented to and reviewed by the CODM, the Group is categorised into one main business segment, which is investment in real estate assets. The group uses profit or loss before finance cost and taxation to measure performance of its business as a whole. .

(q) 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 ventures and gain on acquisition of subsidiary.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

4. Related party balances and transactions

- (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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due from subsidiaries (a):				
Sygnus REF Jamaica Limited	-	-	859,079	608,192
Sepheus Holdings Limited	-	-	1,107,313	239,625
Charlemagne Holdings Limited	-	-	-	437
Lakespen Holdings Limited	-	-	12,913	7,602
Due from joint venture:				
Audere Holding Limited	<u>36,310</u>	<u>-</u>	<u>36,310</u>	<u>-</u>
	<u>36,310</u>	<u>-</u>	<u>2,015,615</u>	<u>855,856</u>
Due to subsidiary (a):				
Charlemagne Holdings Limited	-	-	461,947	-
Due to related parties with common directors:				
Sygnus Capital Limited	661,288	612,715	621,979	566,359
Sygnus Tax Advisory Limited	1,939	1,274	284	240
Due to joint venture:				
Monadh Rois Limited	215,041	-	215,041	-
Audere Holdings Limited	<u>-</u>	<u>188,298</u>	<u>-</u>	<u>188,298</u>
	<u>878,268</u>	<u>802,287</u>	<u>1,299,251</u>	<u>754,897</u>
Interest payable to related parties: (note 12)				
Audere Holdings Limited	4,685	-	4,685	-
Sygnus Capital Limited	4,865	152	4,865	152
Sygnus Deneb Investments Limited	3,507	3,512	3,507	3,512
Sygnus Credit Investments Limited	<u>12,743</u>	<u>4,734</u>	<u>12,743</u>	<u>4,734</u>
	<u>25,800</u>	<u>8,398</u>	<u>25,800</u>	<u>8,398</u>
Interest payable to shareholder	<u>-</u>	<u>946</u>	<u>-</u>	<u>946</u>
Loan payable to related parties: (note 14)				
Sygnus Capital Limited	249,970	93,990	249,970	93,990
Sygnus Deneb Investments Limited	251,970	363,334	251,970	363,334
Sygnus Credit Investments Limited	<u>336,935</u>	<u>256,527</u>	<u>336,935</u>	<u>256,527</u>
	<u>838,875</u>	<u>713,851</u>	<u>838,875</u>	<u>713,851</u>
Project management fees payable: (note 11)				
Sygnus Capital Limited	<u>194,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loan payable to shareholder (note 14)	<u>-</u>	<u>227,084</u>	<u>-</u>	<u>227,084</u>
Investment				
Audere Holdings Limited [note 5 (iii)]	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Interest receivable				
Audere Holdings Limited [note 8 (i)]	<u>18,433</u>	<u>-</u>	<u>18,433</u>	<u>-</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*4. 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. Settlement of balances are expected in cash. No allowance for impairment was recognised.

- (ii) The statement of profit or loss and other comprehensive income includes expenses incurred with related parties. At the end of the period performance fees in the amount of \$59.6 Million were waived. Performance fees are paid to Sygnus Capital Limited in its capacity as Investment Manager. The expenses with related parties arising in the normal course of business were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000	\$'000
Subsidiary:				
Sygnus REF Jamaica Limited				
Interest expense	<u>-</u>	<u>-</u>	<u>2,549</u>	<u>3,039</u>
Related parties with common directors:				
Sygnus Capital Limited				
Interest expense	4,993	152	4,993	152
Performance fees	12,486	377,909	12,486	377,909
Management fees	220,382	131,682	220,382	131,682
Corporate service fees	<u>39,192</u>	<u>26,587</u>	<u>39,192</u>	<u>26,587</u>
Sygnus Credit Investments Limited				
Interest expense	<u>15,797</u>	<u>14,338</u>	<u>15,797</u>	<u>14,338</u>
Sygnus Deneb Investments Limited				
Interest expense	<u>7,827</u>	<u>3,558</u>	<u>7,827</u>	<u>3,558</u>
Sygnus Tax Advisory Limited				
Professional fees	<u>1,604</u>	<u>3,498</u>	<u>1,604</u>	<u>1,043</u>
Audere Holdings Limited				
Interest expense	<u>2,811</u>	<u>-</u>	<u>2,811</u>	<u>-</u>
Interest income	<u>35,156</u>	<u>-</u>	<u>35,156</u>	<u>-</u>
Shareholder				
Interest expense	<u>-</u>	<u>938</u>	<u>-</u>	<u>938</u>
Directors' fees and related expenses (note 20)				
- Short-term benefits	<u>10,270</u>	<u>4,105</u>	<u>10,270</u>	<u>4,105</u>

- (iii) Transaction with Directors

Directors, key management of the company and their immediate relatives hold 715,400 (2021: Nil) ordinary shares of the company

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*5. Investments

	<u>Group & Company</u>	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Fair value through profit or loss		
Preference shares (i) and [note 23(b)]	1,773,059	778,792
Amortised cost		
Short-term notes (ii)	488,640	478,052
Medium-term notes (iii)	<u>222,220</u>	<u>-</u>
	<u>2,483,919</u>	<u>1,256,844</u>

- (i) This represents four (4) construction notes maturing within the next two years. 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 payment 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 25%.
- (iii) The medium-term notes will mature within two to five years. They bear interest at rates ranging from 11.50% to 14%. Included in this balance is an amount with a related party for \$150 Million.

Information about the Group's exposure to credit risk, market risks and fair value measurements are included in notes 23 and 24.

6. Interest in joint venture

Audere Holdings Limited Company ("Audere") and Monadh Rois Limited ("Monadh") are joint ventures in which the Company has joint control and a 70% and 51% ownership interest respectively. Audere and Monadh are principally engaged in property development.

Audere and Monadh are structured as separate vehicles and the Company has a residual interest in their net assets. In accordance with the agreement under which Monadh is established, the Company has agreed to make additional contribution to meet costs of development up to \$215,041,000 (US\$1.4 Million). This commitment has been recognized as payable to Monadh Rois Limited [See below and note 4(i)].

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

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000	\$'000
Capital invested	410,691	106,654	410,691	106,654
Agreed further contribution	218,319	304,037	218,319	304,037
Cumulative share of profit	<u>571,009</u>	<u>24,720</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>1,200,019</u>	<u>435,411</u>	<u>629,010</u>	<u>410,691</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

6. Interest in joint venture (continued)

The following table summarises the financial information for Audere Holdings Limited Company and Monadh Rois Limited, as included in the Group's financial statements as at and for the year ended August 31, 2022.

	2022			2021
	Audere Holding Company Limited \$'000	Monadh Rois Limited \$'000	Total \$'000	Audere Holding Company Limited \$'000
Percentage ownership interest	70%	51%		70%
Cash and cash equivalents	50,862	-		247
Investment property	2,895,930	271,494		484,446
Other assets	568,541	208,654		188,298
Total liabilities	(2,161,730)	(1,765)		(53,042)
Net assets attributable to equity holders (100%)	<u>1,353,603</u>	<u>478,383</u>		<u>619,949</u>
Group's share of net assets	947,522	243,975	1,191,497	433,964
Other adjustment	1,448	-	1,448	1,447
Foreign exchange adjustments	-	7,074	7,074	-
Carrying amount of investment	<u>948,970</u>	<u>251,049</u>	<u>1,200,019</u>	<u>435,411</u>
Income	976,563	66,016		47,177
Operating expenses	(3,484)	(1,803)		(4,412)
Finance income	2,879	-		31
Finance cost	-	(36)		-
Profit from continuing operations	975,958	64,177		42,796
Taxation	(242,304)	-		-
Profit after tax, being total comprehensive income	<u>733,654</u>	<u>64,177</u>		<u>42,796</u>
Share of total comprehensive income during the year or since date of investment:				
Profit from continuing operations	<u>513,558</u>	<u>32,731</u>	<u>546,289</u>	<u>29,957</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*6. Interest in joint venture (continued)

Share of profit in Audere has increased significantly due to the gains recognised during the year on the fair value of investment property held by the joint venture.

Management exercises judgement in determining the classification of the joint venture arrangement in Audere Holdings Limited based on its 70% ownership interest. Considerations made in determining the appropriate classification of its interest in the joint venture includes; the representation in the Board of Directors, 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.

7. Investment in subsidiaries

Ordinary shares at cost:

	<u>Company</u>	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Sygnus REF Jamaica Limited	10	10
Sepheus Holdings Limited	10	10
Charlemagne Holdings Limited	1,009,540	1,009,540
Lakespen Holdings Limited	<u>875,045</u>	<u>875,045</u>
	<u>1,884,605</u>	<u>1,884,605</u>

8. Other assets

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000	\$'000
Prepaid expenses	4,247	43,685	3,752	11,803
Interest receivable (i)	93,084	4,348	93,084	4,348
Other receivables	1,811	-	-	-
Deposit on real estate acquisition (ii)	<u>28,792</u>	<u>18,344</u>	<u>-</u>	<u>-</u>
	<u>127,934</u>	<u>66,377</u>	<u>96,836</u>	<u>16,151</u>

(i) Included in this balance is \$18.4 Million which relates to an investment held with a related party. See note 5(iii).

(ii) At the end of the reporting period, the Group paid an initial deposit of \$28,792,000 on property to be acquired for investment purposes. The remaining consideration of approximately \$251,886,000 (US\$1.67 Million) becomes due and payable upon the satisfaction of certain conditions under the agreement. Deposits from the prior period were capitalized during the year.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*9. Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against income tax liabilities. Deferred income tax is calculated on temporary differences using a principal tax rate of 25%.

Deferred tax assets and liabilities recognized on the statement of financial position are as follows:

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Deferred income tax asset	45,842	-
Deferred income tax liabilities	<u>(197,400)</u>	<u>-</u>
Net deferred income tax liabilities	<u>(151,558)</u>	<u>-</u>

The amounts comprising the tax asset/(liability) and the movements therein are as follows:

	<u>2022</u>		
	<u>Balance at</u>	<u>Recognised</u>	<u>Balance</u>
	<u>beginning of</u>	<u>in profit or loss</u>	<u>at end of</u>
	<u>year</u>	<u>in profit or loss</u>	<u>year</u>
	\$	\$	\$
		(note 21)	
Accrued interest expense	-	27,028	27,028
Unrealised foreign exchange (gain)/loss	-	15,149	15,149
Interest receivable	-	1,765	1,765
Investment property	-	(201,453)	(201,453)
Tax loss	<u>-</u>	<u>5,953</u>	<u>5,953</u>
Net deferred income tax liabilities	<u>-</u>	<u>(151,558)</u>	<u>(151,558)</u>

In the prior year, no deferred tax was recognized in the financial statements as the differences between the accounting and tax treatments were deemed to be at a rate of 0%.

10. Investment property

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
At beginning of the year	<u>6,983,187</u>	<u>2,502,248</u>
New acquisitions during the year:		
Seaview Avenue (ii)	188,505	-
Lady Musgrave Road (iii)	-	220,959
Hillcrest Avenue (iv)	<u>-</u>	<u>1,011,406</u>
	<u>188,505</u>	<u>1,232,365</u>
Property acquired in business combination (note 26)		
Lakespen Property (v)	-	2,181,386
Additions and improvements during the year	1,542,615	153,792
Fair value adjustment [see (viii) below]	<u>716,379</u>	<u>913,396</u>
	<u>9,430,686</u>	<u>6,983,187</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

10. Investment property (continued)

- (i) Investment property includes land held at Mammee bay, with fair value of \$4.5 Billion, for which a vendor mortgage is currently held. See note 14(i).
- (ii) This represents land acquired in the commercial or residential sector. Its future use was undetermined at year end.
- (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. This property is being used as collateral for a revolving credit facility held with a major commercial bank. See Note 14 (iii).
- (vi) Amounts recognised in profit or loss

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Operating expenses	(18,560)	(15,404)
Lease rental income	13,707	-
Fair value gain	<u>716,379</u>	<u>913,396</u>

- (vii) In the prior period, management committed to a plan to sell a portion of vacant land located at Mammee Bay, which was transferred from investment property to asset held for sale. This portion of land was disposed of in January 2021. The asset had a carrying value of \$1,812,448,000 and was sold for a cash consideration of \$1,913,253,000.
- (viii) Measurement of fair values

The properties are stated at fair market value, as appraised by a qualified independent valuator, NAI Jamaica Langford & Brown. The valuation model has been applied in accordance with those recommended by the International Valuation Standards Committee and is consistent with the principles of IFRS 13. The fair value measurement for the Group's investment properties are generally valued under the market comparable approach and are categorised as Level 2 in the fair value hierarchy based on the inputs to the valuation technique used. This valuation technique takes into account a comparison of similar properties for which the size, terms and conditions of sale are known. The fair value measurement under this approach has been categorised as Level 2 [See note 10(viii)] in the fair value hierarchy. The unit of comparison applied by the Group is the price per acre.

At year end, one of the Group's property fair value measurement has been categorised as Level 3 based on unobservable inputs and the valuation technique used, as shown in the following table:

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

10. Investment property (continued)

(viii) Measurement of fair values

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Income approach:</i> This is an approach whereby the estimated or actual future cash benefits or income stream is calculated and discounted to present value. The approach applies the use of valuation tables derived for professional valuation purposes.</p>	<ul style="list-style-type: none"> Discount rate [(2022:7.5%-8.5%); (2021:Nil)] Capitalization rate [2022: 7%-8%); (2021:Nil)] based on the length of the lease. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Discount rate is lower/higher. Capitalization rate is higher/ lower.

(ix) Fair value hierarchy by fair value measurement used

	Group	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Level 2	8,570,957	6,983,187
Level 3	<u>859,729</u>	<u>-</u>
	<u>9,430,686</u>	<u>6,983,187</u>

The following table shows a reconciliation from the opening balances for Level 3 fair values:

	\$'000
Balance at August 31, 2021	-
Transfer from level 2 fair value	557,486
Additions and improvements during the year	263,834
Change in fair value recognised in profit or loss	<u>38,409</u>
Balance at August 31, 2022	<u>859,729</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*10. Investment property (continued)

(ix) Fair value hierarchy by fair value measurement used (continued)

The Group holds investment property that was previously fair valued using the market comparable approach and was classified as Level 2. During the year, the valuation technique was changed to the income approach as that was deemed to be more appropriately aligned to the Group's business model and use of the property. Consequently, the fair value measurement was transferred from Level 2 to Level 3 of the fair value hierarchy at August 31, 2022.

11. Accounts payable and accrued liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000	\$'000
Audit fees	16,427	12,258	8,000	5,000
Directors' fees and related expenses	603	845	603	845
Security deposits (i)	119,627	10,199	119,627	10,199
Deposit on property (ii)	582,689	-	-	-
Project management fees (iii)	194,432	-	-	-
Advance payment from lease tenant	2,736	-	-	-
Other payables and accrued expenses (iv)	<u>646,405</u>	<u>166,033</u>	<u>518</u>	<u>1,938</u>
	<u>1,562,919</u>	<u>189,335</u>	<u>128,748</u>	<u>17,982</u>

- (i) These balances were withheld by the Group as part of investment transactions in the event of a default in payments.
- (ii) This represents a deposit received on the purchase price of a property held by a subsidiary.
- (iii) This represents amounts due under development management contracts for ongoing real estate projects. The development management contracts are held with a related party who acts in the capacity of development manager. [see note 4(i)]
- (iv) This represents costs associated with operational expenses and ongoing development activities in the ordinary course of business. In the prior period, there was 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. This amount was settled during the year.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*12. Interest payable

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
J\$ Preference shares	7,584	-	-	-
Short term loan	3,572	946	3,572	946
Revolving line of credit	6,493	7,562	6,493	7,562
Loans from related parties [note 4(i)]	<u>25,800</u>	<u>8,398</u>	<u>25,800</u>	<u>8,398</u>
	<u>43,449</u>	<u>16,906</u>	<u>35,865</u>	<u>16,906</u>

13. Note payable

	<u>Group & Company</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Senior secured indexed note	<u>385,271</u>	<u>-</u>

This represents secured fixed rate note with an interest rate of 7.75% per annum payable on a quarterly basis. The note matures on June 20, 2024.

14. Loans and borrowings

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
US\$ vendor mortgage (i)	1,181,507	1,513,892	-	-
US\$ short term loan (ii) [note 4(i)]	-	227,084	-	227,084
Revolving line of credit (iii)	596,996	590,473	596,996	590,473
Loans from related parties: [see (iv), note 4(i)]	<u>838,875</u>	<u>713,851</u>	<u>838,875</u>	<u>713,851</u>
	2,617,378	3,045,300	1,435,871	1,531,408
Less: transaction costs				
Incurred	(12,987)	(14,902)	(9,508)	(10,866)
Amortised for the year	<u>6,268</u>	<u>1,915</u>	<u>5,433</u>	<u>1,358</u>
	<u>2,610,659</u>	<u>3,032,313</u>	<u>1,431,796</u>	<u>1,521,900</u>

- (i) This represents \$1,179 Million (US\$7.8 Million), [2021: \$1,510 Million (US\$10 Million)] facility granted as part of the purchase consideration for the acquisition of land. The mortgage matures on November 24, 2025 and carries an interest rate of 5% per annum. This loan is secured by the property acquired. See note 10(i).

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*14. Loans and borrowings (continued)

- (ii) This represented a \$227 Million (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 was at an interest rate of 1% per annum and was repaid during the year.
- (iii) This represents a secured 2-year revolving facility of up to \$588 Million (US\$3.9 Million), funded in either USD or JMD. Interest is payable quarterly at 5% (JMD rate of 6%). The facility matures on June 30, 2024 and is secured by a collateral mortgage by way of guarantee on property owned by the Group. See note 10(v).
- (iv) This represents:
- (a) An unsecured loan of \$336.9 Million (US\$2.2 Million) with Sygnus Credit Investments Limited at an interest rate of 11.5%. The loan matures on October 29, 2022.
- (b) An unsecured loan of \$251.9 Million (US\$1.67 Million) with Sygnus Deneb Investments Limited at an existing interest rate of 6.50%, with a step-up in rate to 6.75% effective September 27, 2022. The loan matures on March 27, 2023.
- (c) Unsecured loans of \$249.3 Million (US\$1.65 Million) and \$0.69 Million with Sygnus Capital Limited at an interest rate of 6.50% respectively. The loans mature between October 18, 2022 and November 9, 2022.
- (d) Unsecured loans with related parties in the prior period which were repaid during the year.
- (v) Reconciliation of movements of loans and borrowings to cash flows arising from financing activities:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000	\$'000
Balance at September 1	<u>3,032,313</u>	<u>1,612,995</u>	<u>1,521,900</u>	<u>209,123</u>
Changes from financing cash flows:				
Proceeds from loans	-	1,148,684	-	1,298,014
Repayment of loans	(421,654)	-	(90,104)	-
	<u>(421,654)</u>	<u>1,148,684</u>	<u>(90,104)</u>	<u>1,298,014</u>
Promissory note	-	<u>224,975</u>	-	-
The effect of changes in foreign exchange rate	(8,203)	<u>45,659</u>	-	<u>10,757</u>
Other charges				
Interest expense	134,092	77,635	65,308	30,960
Interest paid	(119,170)	(64,648)	(50,387)	(17,446)
Capitalised borrowing costs	(6,719)	(12,987)	<u>4,075</u>	(9,508)
	<u>8,203</u>	-	-	<u>4,006</u>
Balance at August 31	<u>2,610,659</u>	<u>3,032,313</u>	<u>1,431,796</u>	<u>1,521,900</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*15. Preference shares

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
1.5% convertible cumulative redeemable preference shares	<u>521,107</u>	<u>-</u>

During the year, the Group through one of its subsidiaries, issued by private placement, fixed rate USD indexed convertible cumulative redeemable preference shares at a price of US \$10. The issued shares are net of transaction costs and mature on September 15, 2025 at which time they are convertible into rolling shares at the option of the holder if there is a change in control of the subsidiary holding the shares.

The significant terms and conditions of the preference shares are as follows:

- The right to a cumulative preferential dividend payable at the rate agreed semi-annually.
- The right, on winding up, to receive all dividends over any form of capital distributions to ordinary shareholders.
- Full voting rights on winding up.
- May be redeemed in full or in part before maturity, subject to 60 days' notice.
- The cumulative convertible redeemable preference shares do not carry the right to vote at any general meeting of the subsidiary .

16. Share capital

Authorised capital:

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

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Issued and fully paid:		
326,526,232 (2021: 198,127,832) ordinary shares and one (1) special share	4,884,130	2,576,272
Less: transaction costs of share issue	<u>(166,064)</u>	<u>(44,128)</u>
	<u>4,718,066</u>	<u>2,532,144</u>

- (a) 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 \$2.3 Billion and incurred transaction costs of \$122 Million. The split was between two classes of shares issued in Jamaica and United States Dollars, which are listed separately on the Jamaica Stock Exchange.
- (b) In the prior period, 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).

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*16. Share capital (continued)

- (c) In the prior period, 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 Group Limited (“SCG”), a related company, holds 5,273,400 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 also owned by SCG. 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.

17. Prepaid share reserve

	<u>2022</u> \$'000	<u>2021</u> \$'000
At beginning of year	-	148,300
Issued during the year (i)	<u>-</u>	<u>(148,300)</u>
At end of the year	<u>-</u>	<u>-</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 shares were issued 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. The translation reserve as at August 31, 2022 is \$36,000 (2021: -\$7,000).

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022

(expressed in Jamaica dollars unless otherwise indicated)

19. Net interest income

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income, calculated using the effective interest method				
Cash	289	94	234	91
Investments	<u>118,218</u>	<u>97,382</u>	<u>118,218</u>	<u>97,382</u>
	<u>118,507</u>	<u>97,476</u>	<u>118,452</u>	<u>97,473</u>
Other interest income	<u>99,124</u>	<u>-</u>	<u>99,124</u>	<u>-</u>
Interest expense				
Note payable	(4,038)	(8,842)	(4,038)	-
Loans and borrowings	(134,092)	(77,635)	(65,308)	(30,960)
Preference shares	(9,967)	(2,171)	-	-
	<u>(148,097)</u>	<u>(88,648)</u>	<u>(69,346)</u>	<u>(30,960)</u>
Net interest income	<u>69,534</u>	<u>8,828</u>	<u>148,230</u>	<u>66,513</u>

20. Other expenses

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising	11,849	4,329	11,734	4,329
Audit fees and expenses	17,705	14,476	8,428	6,358
Bank charges	424	236	390	233
Directors' fees and related expenses [note 4(ii)]	10,270	4,105	10,270	4,105
Insurance	4,163	3,253	4,163	3,253
Irrecoverable tax	5,986	5,318	3,228	3,005
Professional fees	17,650	11,811	9,224	6,492
Property expenses	7,940	5,007	-	-
Registrar fees	6,324	5,850	6,324	3,900
Security	10,094	10,230	-	50
Other	<u>977</u>	<u>262</u>	<u>7</u>	<u>1</u>
	<u>93,382</u>	<u>64,877</u>	<u>53,768</u>	<u>31,726</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*21. Taxation

- (a) 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 for subsidiaries at 25% and 30% of the profit before tax for the year, adjusted for taxation purposes and comprises:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Current income tax:		
Provision for charge on current year's profits	-	-
Origination and reversal of temporary differences	157,511	-
Tax losses (note 9)	(5,953)	-
	<u>151,558</u>	-
Total income tax charge	<u>151,558</u>	<u>-</u>

- (b) The actual taxation charge differs from the "expected" tax charge for the period as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u> \$'000	<u>2021</u> \$'000	<u>2022</u> \$'000	<u>2021</u> \$'000
Profit/(loss) before taxation	<u>844,513</u>	<u>1,811,598</u>	<u>(316,764)</u>	<u>(452,974)</u>
Computed "expected" tax charge of 1%/30%	(95,573)	(4,554)	(95,029)	(4,530)
Computed "expected" tax credit of 25%	<u>154,200</u>	<u>232,660</u>	-	-
	58,627	228,106	(95,029)	(4,530)
Tax effect of treating items differently for financial statements and tax reporting purposes -				
Net foreign exchange (gain)/loss	(26,575)	(1,058)	(10,658)	74
Interest income from CARICOM member states	(67,777)	(697)	(67,140)	(697)
Fair value loss/(gain) from investments in CARICOM member states	55,682	(527)	55,682	(527)
Disallowed income and Expenses	134,197	(235,689)	117,145	5,680
Tax loss	(5,953)	-	-	-
Others	-	<u>19,865</u>	-	-
Actual tax charge recognized	<u>151,558</u>	<u>-</u>	<u>-</u>	<u>-</u>

The effective tax rate for the Group for 2022 was 17.94% (2021: nil) of pre-tax profit of \$844,513,000 (2021: \$1,811,598,000).

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*22. 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>2022</u>	<u>2021</u>
Net profit attributable to stockholders of the parent (\$'000)	692,955	1,811,598
Weighted average number of ordinary stock units in issue ('000)	314,918	182,457
Basic earnings per stock unit (\$)	<u>2.20</u>	<u>9.93</u>

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 prior year.

	<u>2022</u>
Net profit attributable to stockholders of the parent (\$'000)	692,955
Weighted average number of ordinary stock units in issue ('000)	335,939
Diluted earnings per stock unit (\$)	<u>2.06</u>

23. 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 3 in the fair value hierarchy. There were no transfers between levels during the year.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*23. 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 6.68% to 10.87% and equity discount rate of 36.09% to 45.26% 	<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>2022</u>	<u>2021</u>
	\$'000	\$'000
At beginning of the year	778,792	382,360
Acquisition during the year	1,172,084	343,756
Fair value (loss)/gain recognized in profit or loss	(177,817)	<u>52,676</u>
	<u>1,773,059</u>	<u>778,792</u>

- (c) Fair value of financial assets and liabilities maturing within one year is assumed to approximate their carrying amounts. For note payable, loans and borrowings and preference shares which bears a fixed interest rate, the fair value is considered to be carrying value as the interest rate approximates the market rate and no discount is anticipated on settlement.

24. 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:

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(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 risk management policy of the Company and the Group is established to identify and analyse the risks faced by the Company and the Group to set appropriate limits and controls, as well as to monitor risks and adherence to those limits.

The risk management policy and systems are reviewed regularly to reflect changes in market conditions and activities of the Company and Group.

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 policy 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 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) Investment and Risk Management Committee

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 ensuring adherence to the risk policy 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 a minimum 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 Committee

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

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(a) Overview (continued)****(iii) Enterprise Risk 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, risk limits and tolerances of the Company and the Group. 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 experts.

(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 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 the risks identified in collaboration with partners.
- 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 of the Company and the Group.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(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 is 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.

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).

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

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):**(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).

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, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. 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 unlikelihood 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.

(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 (Stage 1)
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 (Stage 2)
6	Underperforming	Portfolio company in under-performing	Enhanced Monitoring (Stage 3)
7	Non-performing	Portfolio company is non-performing	Restructured/ Default (Stage 3)

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):**(iv) Credit risk grading (continued)*

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>	
	<u>2022</u>	
	Stage 1	Total
	\$'000	\$'000
Credit grade:		
Standard monitoring	<u>710,860</u>	<u>710,860</u>
	<u>Group and Company</u>	
	<u>2021</u>	
	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, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):**(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 \$747,239,349 (2021: \$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 4,622,673,016 (2021: \$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.

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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(c) Liquidity risk (continued)**

The management of the Group and its parent company seek to maintain flexibility in funding by monitoring budgeted commitments in relation to operating cash inflows and by keeping committed lines of credit available as part of Company borrowing arrangements.

Based on the Group's business model, the group will not maintain adequate liquid assets to cover its liabilities. Management believes that the repayment of the facilities will be met out of operating cashflows from investments to be liquidated in the short term and from asset sales. The risk is further monitored and mitigated by (i) obtaining revolving credit lines from reputable banks and (ii) raising capital through initial public offerings (IPOs). As at the reporting date, the Group had investments that can be liquidated in the amount of \$2,484 Million and asset pending sale of \$1,164 Million.

Maturity analysis for liabilities

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

	Group 2022			
	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**	980,230	-	980,230	980,230
Due to related parties	878,268	-	878,268	878,268
Interest payable	43,449	-	43,449	43,449
Note payable	45,135	424,966	470,101	385,271
Loans and borrowings	1,903,607	891,607	2,795,214	2,610,659
Preference shares	<u>7,919</u>	<u>537,274</u>	<u>545,193</u>	<u>521,107</u>
Total financial liabilities	<u>3,858,608</u>	<u>1,853,847</u>	<u>5,712,455</u>	<u>5,418,984</u>

** excludes non-refundable deposit on property, see note 11.

	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, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(c) Liquidity risk (continued)**

	Company 2022			
	0-12	Over	Total contractual	Total carrying
	<u>months</u>	<u>1 year</u>	<u>cash flows</u>	<u>amount</u>
	\$'000	\$'000	\$'000	\$'000
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities	128,748	-	128,748	128,748
Due to related parties	1,299,251	-	1,299,251	1,299,251
Interest payable	35,865	-	35,865	35,865
Note payable	45,135	424,966	470,101	385,271
Loans and borrowings	<u>1,507,301</u>	<u>-</u>	<u>1,507,301</u>	<u>1,431,796</u>
Total financial liabilities	<u>3,016,300</u>	<u>424,966</u>	<u>3,441,266</u>	<u>3,280,931</u>

	Company 2021			
	0-12	Over	Total contractual	Total carrying
	<u>months</u>	<u>1 year</u>	<u>cash flows</u>	<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>

(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(d) Market risk (continued)**

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:

	<u>Group</u>			
	<u>2022</u>		<u>2021</u>	
	<u>US\$</u>	<u>J\$ equivalent</u>	<u>US\$</u>	<u>J\$ equivalent</u>
Foreign currency assets:				
Cash	1,093	164,923	1	61
Interest receivable	95	14,276	-	-
Due from related parties	-	70	-	-
Investments	<u>2,499</u>	<u>376,923</u>	<u>-</u>	<u>-</u>
	<u>3,687</u>	<u>556,192</u>	<u>1</u>	<u>61</u>
Foreign currency liabilities:				
Accounts payable and accrued liabilities	4,470	674,198	1,001	151,530
Due to related parties	164	24,677	183	27,696
Interest payable	228	34,326	78	11,783
Notes payable	2,575	388,383	-	-
Loans and borrowings	14,573	2,198,038	18,446	2,792,516
Preference shares	<u>3,500</u>	<u>527,904</u>	<u>-</u>	<u>-</u>
	<u>25,510</u>	<u>3,847,526</u>	<u>19,708</u>	<u>2,983,525</u>
Net exposure	<u>(21,823)</u>	<u>(3,291,334)</u>	<u>(19,707)</u>	<u>(2,983,464)</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(d) Market risk (continued)**

(i) Foreign currency risk (continued)

	Company			
	2022		2021	
	<u>US\$</u>	<u>J\$ equivalent</u>	<u>US\$</u>	<u>J\$ equivalent</u>
Foreign currency assets:				
Cash	1,019	153,673	1	61
Interest receivable	95	14,276	-	-
Due from related parties	-	-	3,513	531,900
Investments	<u>2,499</u>	<u>376,923</u>	-	-
	<u>3,613</u>	<u>544,872</u>	<u>3,514</u>	<u>531,961</u>
Foreign currency liabilities:				
Accounts payable and accrued liabilities	305	45,962	9	1,311
Due to related parties	107	16,193	28	4,308
Interest payable	177	26,792	78	11,783
Note payable	2,575	388,383	-	-
Loans and borrowings	<u>6,757</u>	<u>1,019,175</u>	<u>8,469</u>	<u>1,282,104</u>
	<u>9,921</u>	<u>1,496,455</u>	<u>8,584</u>	<u>1,299,505</u>
Net exposure	<u>(6,308)</u>	<u>(951,583)</u>	<u>(5,070)</u>	<u>(767,544)</u>

Exchange rate for the Jamaica dollar to the US dollar was J\$150.8297 to US\$1 (2021: J\$151.3892 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.

	Group			
	2022		2021	
	<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	-4	(131,662)	-6	(179,008)
USD	+1	<u>32,916</u>	+2	<u>59,669</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(d) Market risk (continued)**

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange movements (continued)

	<u>Company</u>			
	<u>2022</u>		<u>2021</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>
USD	-4	(38,063)	-6	(46,053)
USD	+1	<u>9,516</u>	+2	<u>15,351</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:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u> \$'000	<u>2021</u> \$'000	<u>2022</u> \$'000	<u>2021</u> \$'000
Variable rate instruments	<u>463,365</u>	<u>9,104</u>	<u>161,594</u>	<u>9,028</u>
Fixed rate instruments	<u>2,483,919</u>	<u>1,256,844</u>	<u>2,483,919</u>	<u>1,256,844</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. 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 200 (2021:100) 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 50 (2021:100) 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000	\$'000
Effect on profit				
Increase 200 (2021:100) basis points	<u>9,267</u>	<u>91</u>	<u>3,232</u>	<u>90</u>
Effect on profit				
Decrease 50 (2021:100) basis points	<u>(2,317)</u>	<u>(91)</u>	<u>(808)</u>	<u>(90)</u>

(e) Real estate concentration risk

The investment portfolio of the Company and the Group 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 Group will also include companies that invest in a single real estate asset or project and thus takes on some standalone risk in relation to that asset or project, The business of the Company and the Group is therefore 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.

In general the portfolio of the Company and the Group has its concentration risk mitigated by investing across (i) a wide spectrum of real estate assets – commercial, industrial, residential and hospitality, (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, 2022*(expressed in Jamaica dollars unless otherwise indicated)*24. Financial risk management (continued)**(e) Real estate concentration risk (continued)**

The following table summarises real estate risk exposure for investments and investment properties at their carrying amounts as categorised by industry sectors.

<u>Group</u>				
	<u>Investments</u>	<u>Investment Property</u>	<u>Total 2022</u>	<u>Total 2021</u>
Commercial	150,000	1,719,458	1,869,458	1,585,005
Industrial	-	3,197,590	3,197,590	2,747,905
Hospitality	-	4,513,638	4,513,638	2,950,277
Residential	<u>2,333,919</u>	-	<u>2,333,919</u>	<u>956,844</u>
	<u>2,483,919</u>	<u>9,430,686</u>	<u>11,914,605</u>	<u>8,240,031</u>
<u>Company</u>				
		<u>Investments</u>	<u>Total 2022</u>	<u>Total 2021</u>
Commercial		150,000	150,000	300,000
Residential		<u>2,333,919</u>	<u>2,333,919</u>	<u>956,844</u>
		<u>2,483,919</u>	<u>2,483,919</u>	<u>1,256,844</u>

25. Capital management

The objective of the Company and the Group when managing capital is to safeguard its ability to continue as a going concern 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 the relevant policy limit to fund investments in additional transactions 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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the Financial Statements (Continued)

Year ended August 31, 2022*(expressed in Jamaica dollars unless otherwise indicated)*26. 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	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) In the prior period, acquisition costs of \$3,430,733 was charged to operating expenses in the statement of profit or loss and other comprehensive income.
- (ii) In the prior period, revenue included in the statement of profit or loss and other comprehensive income since the acquisition date was \$394,149. Had the acquisition occurred from September 1, 2020, the statement of profit or loss and other comprehensive income would show revenue of \$2 Billion and profit of \$2 Billion 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>