2022 ANNUAL REPORT

UNLOCKING VALUE IN REAL ESTATE

SYGNUS | REAL ESTATE FINANCE

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Mission

To provide flexible capital to unlock value in real estate across the Caribbean.

The 3i's Principles

Ensure your interests come first.

In providing capital to unlock value in real estate assets across the Caribbean region, Sygnus Real Estate Finance Limited (SRF) is driven by three core principles:

INNOVATION

We constantly seek new opportunities to deploy capital at the value creation stage of the real estate life cycle.

INDEPENDENCE

We remain free of influences that are not aligned with putting the interests of partners and stakeholders first.

INTEGRITY

We are honest, reliable and ethical in all interactions with partners, stakeholders and the wider community.

Snapshot

Unlocking value in real estate.

3 Year Operating History

29.6%
Average ROE

Net Profit	FY 2022	FY 2021	FY 2020
	693.0 MILLION J$	1.81 BILLION J$	366.3 MILLION J$

J$13.14B
Real Estate Investment Assets up by **51%**

J$7.59B
Shareholders' Equity up by **61%**

J$23.24
Book Value Per Share

J$1.35B
Total Investment Income vs. J$2.36B in FY2021 **

** Due to exceptional gain of $1.31B in FY2021. 27% higher when adjusted for exceptional gain

J$693M
Net Profit vs. J$1.81B in FY2021
(affected by exceptional gain in FY2021)

9-storey One Belmont Commercial Tower

Spanish Penwood Industrial Facility

80%
LEASE AGREEMENTS

67%
COMPLETED

73%
COMPLETED

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting (AGM) of SYGNUS REAL ESTATE FINANCE LIMITED ("SRF") will be held on Wednesday May 3, 2023 at 11:00 a.m., at Bella Rosa Road, Gros Islet, Saint Lucia. The AGM will be in a hybrid format-a physical meeting and video conferencing-to consider and, if thought fit, pass the following resolutions:

1. Audited Company Accounts

Resolution No. 1
"THAT the Audited Company Accounts for the year ended August 31, 2022, and the Reports of the Directors and Auditors, circulated with the Notice convening the meeting, be and are hereby adopted."

2. Election of Directors

Resolution No. 2
Article 124 of the Company's Articles of Association provides that at the first Annual General Meeting of the Company, all the directors (except the Managing Director (if one is appointed) or the director(s) appointed by the holder of the Special Share) shall retire and at the annual general meeting in every subsequent year, one-third of the directors (except the Managing Director (if one is appointed) and the director(s) appointed by the holder of the Special Share) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. If there are fewer than three (3) directors, one director shall retire from office. The directors retiring under this Article are Messrs. Linval Freeman, Horace Messado, Pierre Williams, David Cummings and Ms. Elizabeth Stair who, being eligible, offer themselves for re-election.

The proposed resolutions are as follows:

(I) "THAT Mr. Linval Freeman, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."

(ii) "THAT Mr. Pierre Williams, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."

(iii) "THAT Ms. Elizabeth Stair, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers herself for re-election as a director of the Company, be re-elected a director of the Company."

(iv) "THAT Mr. Horace Messado, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."

(v) "THAT Mr. David Cummings, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."

3. To approve Directors' Remuneration

Resolution No. 3
"THAT the amount shown in the Audited Accounts of the Company for the financial year ended August 31, 2022 as remuneration to the Directors for their services be and is hereby approved."

4. To appoint Auditors and authorise the Directors to fix their Remuneration

Resolution No. 4
"THAT KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be agreed by the Directors of the Company."

5. Special Business: Service of Notices and other documents by Electronic Means

Resolution No. 5
"THAT pursuant to Article 185 of the Amended and Restated Articles of Association of the company, the Shareholders agree to accept Notices or any document required to be sent by the Company in Electronic Format."

By Order of the Board

Dated the 10th day of March, 2023.

____
Secretary

Note to Members

1. A member may be represented at a meeting by a proxy who may speak and vote on behalf of the member. A proxy need not be a member of the Company.
2. If you are unable to attend the meeting in person a Form of Proxy is enclosed for your convenience. The Form of Proxy should be delivered to the Registered Office of the Company or in respect of members resident in Jamaica at Unit 28, 80 Lady Musgrave Road, Kingston 10, Saint Andrew, Jamaica not less 48 hours before the time appointed for the meeting. The Form of Proxy may also be emailed to **srf@sygnusgroup.com**.
3. A corporation may execute a Form of Proxy under the hand of a duly authorised officer or attorney of the company with the seal of the company affixed.
4. For members in Jamaica the Form of Proxy shall bear the stamp duty of J$100.00. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the proxy form.
5. **For members in Jamaica, a satellite location will be at the Montego Bay Suite at The Jamaica Pegasus Hotel. The Meeting will commence at 10:00 a.m. Jamaica time.**

Directors' Report

The directors of Sygnus Real Estate Finance Limited ("SRF" or the "Company") are pleased to present their Annual Report together with the Group's Audited Financial Statements for the year ended August 31, 2022.

Financial Highlights	FY August 2022 J$ '000	FY August 2021 J$ '000	FY August 2020 J$ '000
Total Investment Income	1,349,034	2,362,516	466,790
Net Investment Income	983,592	1,761,462	328,370
Net Profit Attributable to Shareholders	692,956	1,811,598	366,347
Total Shareholders' Equity	7,589,002	4,710,082	2,598,526

Details of these results are set out in the Management Discussion and Analysis, and the Financial Statements sections of the report.

Dividends

No dividends were declared by the Company during the financial year ended August 31, 2022.

Meetings

There were six (6) Board meetings held during the year. The Audit and Governance Committee also held six (6) meetings during the year and the Enterprise Risk Committee held four (4) meetings during the year.

Directors

In accordance with Article 124 of the Company's Articles of Association all the directors (except the Managing Director (if one is appointed) or the director(s) appointed by the holder of the Special Share) shall retire at the first annual general meeting. The directors retiring from office pursuant to this Article are Mr. Linval Freeman, Mr. Pierre Williams, Ms. Elizabeth Stair, Mr. Horace Messado and Mr. David Cummings, who being eligible, offer themselves for re-election.

Risk Management

The Board of Directors of the Company is ultimately responsible for the risk management policies of SRF and has delegated the management of same to the Investment and Risk Management Committee (IRMC). The IRMC is the Board sub-committee of the Investment Manager, Sygnus Capital Limited (SCL), and is responsible for making all investment decisions. We provide additional details on our risk management policies on page 34 of the report titled Risk Management Report.

Auditors

Our auditors, KPMG, have indicated their willingness to continue in office for the next financial year.

Acknowledgement

The directors would like to express their sincere appreciation to the shareholders, stakeholders and other business partners of the Company for their continued support and partnership.

Horace Messado, FCCA, MBA
Chairman of the Board

On behalf of the Board of Directors

Company Profile

A Specialty Real Estate Company

Sygnus Real Estate Finance Limited ("SRF" or the "Company") was incorporated on June 19, 2018 in Saint Lucia as an international business company ("IBC") under the International Business Companies Act, 1999 (as amended) of Saint Lucia. SRF is an alternative investment company focusing on the specialty real estate investment channel. The Company is dedicated to unlocking value in real estate assets across the Caribbean by deploying flexible capital through debt, equity and quasi-equity investments. SRF has total assets of J$13.79 billion and total equity of J$7.59 billion and owns or controls real estate assets in the industrial, hospitality, corporate, and residential segments of the asset class.

The Company's shares were listed on the Main Market of the Jamaica Stock Exchange ("JSE") on October 5, 2021. By virtue of the shares being listed on the Main Market of the JSE, the Company is subject to all laws applicable to issuers of securities in Jamaica and companies listed on the Jamaica Stock Exchange.


One Belmont lobby

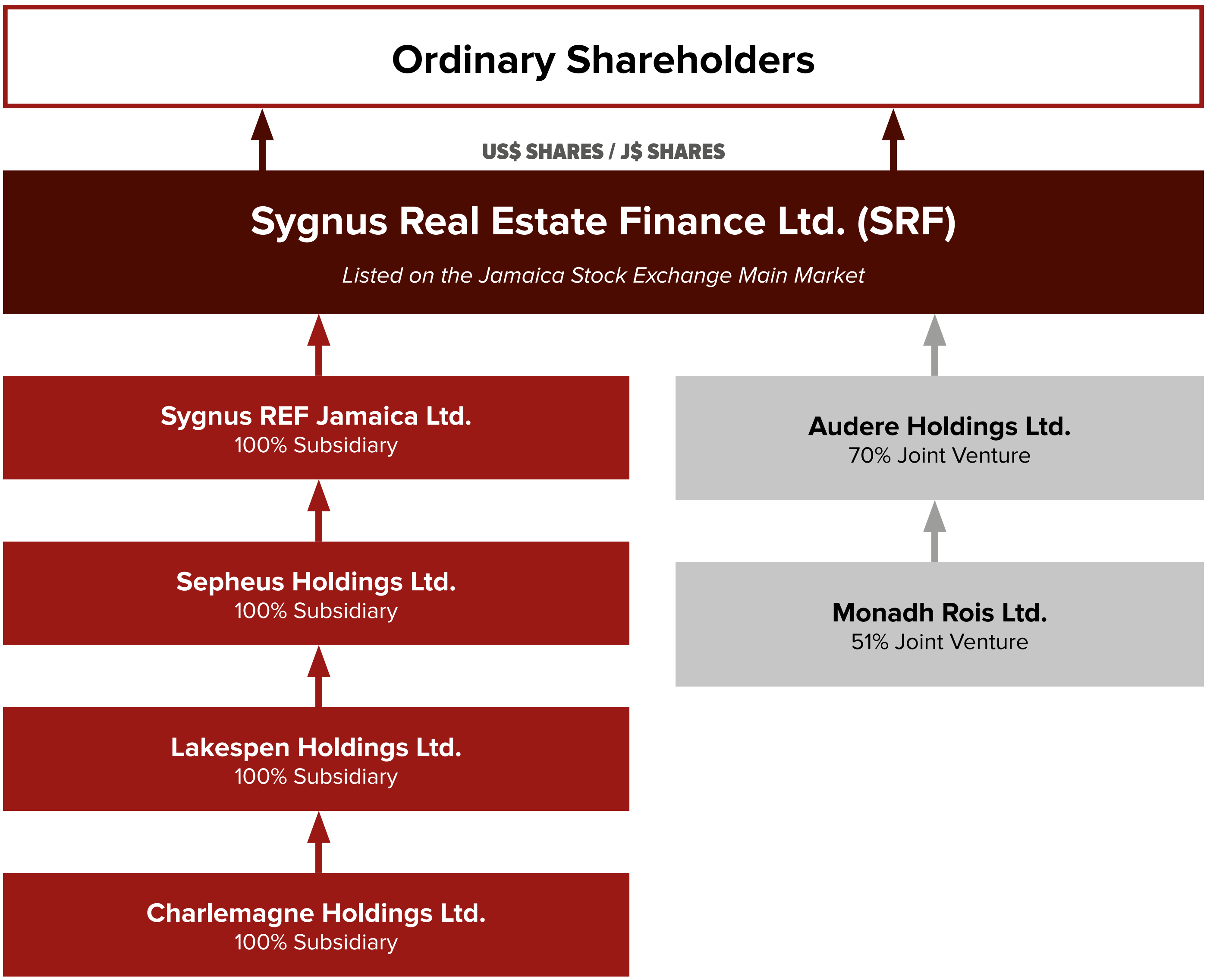
Unlocking Value in Real Estate

The Company deploys capital at the value creation stage of the real estate investment life cycle. SRF's investment strategy focuses on real estate investment assets that offer appreciation potential through active management of its equity investments (investment property, joint ventures and developments), complemented by income generated from its debt and quasi debt investments used to finance real estate assets (real estate investment notes or REINs).

The Company primarily targets real estate assets across a broad range of sectors, including residential, commercial, industrial, infrastructure and hospitality. The Company finances greenfield, brownfield, distressed and opportunistic real estate assets.

The Company's investment portfolio will be primarily concentrated in various types of debt, quasi debt and equity investments in real estate assets or backed by real estate assets across the Caribbean region. The type of instruments used to invest in real estate assets include preference shares, bridge financing, profit sharing debt, secured debt, mezzanine debt, and other forms of equity investments.

Corporate Structure



The investment assets of the Company are managed by its Investment Manager, Sygnus Capital Limited (SCL), a subsidiary of Sygnus Capital Group Limited (SCG). SCL is a licensed securities dealer, regulated by the Financial Services Commission Jamaica.

The Company has issued one Special Share to SCG. The Special Share has one vote on a show of hands, and on a poll. It shall have such number of votes as is equivalent to 101% of the aggregate votes vested in all Ordinary Shares issued by the Company. The Special Share has no right to receive any distribution of assets on a winding up except the US$1.00 which was subscribed for the Special Share. A dividend may be paid to the holders of the Special Share in lieu of, or in addition to, the management fee payable to the Investment Manager.

Corporate Structure continued

Investment Management Decisions

The Investment Manager has delegated investment decisions to a sub committee of experts, known as the Investment and Risk Management Committee (IRMC). The IRMC has extensive regional and international experience and expertise spanning credit risk, corporate and investment banking, investment management and financial markets.

The IRMC comprises:

Chairman: Milton Brady
Milton is Chairman of the Board, Sygnus Capital Limited, and currently works as a Senior Advisor with Pan American Finance, where he uses his experience to provide advice and counsel to businesses and governments in the Caribbean region. Previous roles held by Milton include: Director and Global Head of Credit at SEB Merchant Banking (Sweden); President of SEB, New York (USA); Managing Director, Corporate and Investment Banking at CIBC FirstCaribbean (Barbados); Managing Director, CIBC FirstCaribbean (Jamaica); Chief Commercial Officer, LIME (formerly Cable & Wireless Caribbean); and Chief Risk Officer, NCB Group (Jamaica).

Simon Cawdery, CFA
Simon is Director, Sygnus Capital Limited, and Non Executive Director, HLX Management/IPAF Group, Cayman. He is also the Founder/Director, Helix Group, Cayman; former Head of Investment Strategy/Senior Portfolio Manager at EFG Bank, Cayman; former Head of Discretionary Investments/ Senior Portfolio Manager at Butterfield Bank (Cayman); and former Credit Analyst at Barclays (UK).

Jason Morris, CFA
Jason is Executive Vice President and Chief Investment Officer at Sygnus Group. He is also a past Director of the Caribbean Alternative Investment Association (CARAIA).

Prior to his current role, Jason worked at Scotia Investments Jamaica Limited (SIJL) where he served as Vice President of Business Analytics, Portfolio Advisory, and Product Development from June 2012 to June 2016, and Assistant Vice President of Product Development from March 2010 to June 2012.

In the early part of his career, Jason worked with the JMMB Group Limited where he spent eight years, from 2002 to 2010. There he initially served as their Investment Research and Sovereign Risk Analyst, and then as their Senior Investment Strategist and Portfolio Manager.

Investment Recommendations

The Investment Manager, through a committee of specialists from its Real Estate Investment Advisory Committee (RIAC), provides recommendations to the IRMC for decision making. The RIAC is responsible for due diligence, screening, credit & equity analysis, structuring and post investment monitoring of all investments. Two members of the RIAC are external consultant advisors. The RIAC has extensive expertise in the Caribbean region with structuring and arranging corporate credit transactions across a wide range of asset classes, including structured finance, securitization, mezzanine finance, project finance and corporate and investment banking.

The RIAC comprises:

Chairman: Berisford Grey
Beris is President and Chief Executive Officer, Sygnus Group and President of the Caribbean Alternative Investment Association (CARAIA). He was the former Managing Director of Corporate & Investment Banking at CIBC FCIB, formerly the largest regional bank in the Caribbean.

Prior to joining CIBC FCIB, Beris served as Senior Vice President of Origination & Capital Markets at Scotia Investments Jamaica Limited between 2010 and 2013. During this time, he executed some of the most innovative transactions in the local market including, synthetic REIT financing structures and other first of its kind project financing ideas.

Gregory Samuels, CFA
Gregory is Senior Vice President and Head of Investment Banking at Sygnus Group. He was the former Assistant Vice President of Treasury and Trading at Scotia Investments, and the former Associate Director, Client Solutions Group at CIBC FCIB, where he provided structured products and derivative hedging solutions to clients. Gregory was also a former engineer with Royal Dutch Shell PLC.

David Cummings,
OD, JP, MDA, MMAS, BEng (Hons), MRAeS, PE, psc
Sygnus Head of Real Estate; Former Director at Urban Development Corporation; Brigadier and former Deputy Chief of Defence Staff, former Colonel general staff, former Colonel Adjutant Quartermaster, former Staff Officer Finance and Logistics, and former Commanding Officer JDF Engineering Regiment in the JDF.

Expertise in project management, construction engineering management, contract negotiations, risk management, operations management, and joint venture partnerships.

Jeremy Brown, FCA
Pioneer in project management consultancy with the formation of the first privately owned project management company in the English-speaking Caribbean; over 40 years' experience in real estate projects including housing developments, offices, shopping centers, industrial parks, hotels & resorts.

Expertise working in Caribbean territories including Jamaica, Trinidad & Tobago, Barbados, St Lucia, Dominica, Antigua, Dominican Republic, Bahamas and Turks & Caicos; Former Group Financial Controller at Urban Development Corporation; expert witness in arbitrations; acted as receiver and manager for troubled projects on behalf of financial institutions.

Peter Rousseau
Pioneer in project management consultancy with the formation of the first privately owned project management company in the English-speaking Caribbean; over 40 years' experience in real estate projects including housing developments, offices, shopping centers, industrial parks, hotels & resorts.

Expertise working in Caribbean territories including Jamaica, Trinidad & Tobago, Barbados, St Lucia, Dominica, Antigua, Dominican Republic, Bahamas and Turks & Caicos; Former Group Financial Controller at Urban Development Corporation; expert witness in arbitrations; acted as receiver and manager for troubled projects on behalf of financial institutions.

Board of Directors

Horace Messado, FCCA, MBA
Chairman

Independent Non-Executive Director

Horace is a Chartered Accountant with over 25 years' experience and holds an MBA in Finance from the University of Manchester. He has a strong background in accounting, corporate finance, contract negotiation, regulatory economics & tariff design, business development, strategic planning and has operated at the Executive level for over ten (10) years.

Horace started his career at KPMG and Ernst & Young Services Limited. He held other senior positions including Financial Controller and Director of Corporate Finance at Jamaica Public Service Company Ltd. ("JPS") and Group Financial Controller at MaruEnergy Caribbean Limited. He also acted in the roles of Trustee and Chairman of the Investment Committee of one of the largest pension funds in Jamaica.

Horace was appointed to the Board of Sygnus Real Estate Finance Limited ("SRF") on April 1, 2021 and is currently the Chairman of the Board and the Enterprise Risk Committee. Horace is also a member of the Audit and Governance Committee.

He is a member of the Board of Sygnus Credit Investments Limited and the Chairman of the Board's Audit and Governance Committee.

Directors

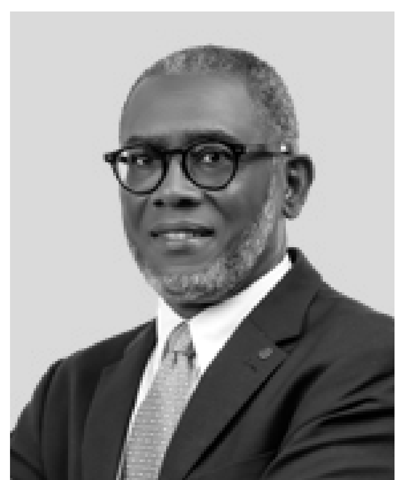
Independent Non-Executive Director

Linval is a Fellow of the Institute of Chartered Accountants of Jamaica (FCA) and Fellow of the Association of Chartered Certified Accountants (FCCA) and a Justice of the Peace for Kingston and St. Andrew.

Linval served as Director and Assurance Partner at Ernst & Young Caribbean (EY), Jamaica Office between 2003 and 2018. During his tenure, Linval was instrumental in the establishment of the Advisory Service Line and the growth and development of the Assurance Service Line. He retired from the Partnership on 31 July 2018. Prior to joining EY, he was a Director of PwC.

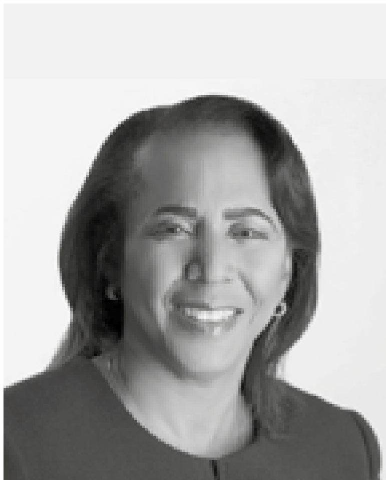
Linval was appointed to the Board of Sygnus Real Estate Finance Limited on December 19, 2019 and is also the Chairman of the Board's Audit and Governance Committee.

He is the Chairman of Sygnus Credit Investments Limited and a member of the Audit and Governance Committee. He is also Chairman of the Audit Committee of the Council of the University of Technology and is also a Director at Canopy Insurance Limited.



Linval Freeman, FCA, FCCA

SYGNUS | REAL ESTATE FINANCE



Elizabeth Stair, OD, JP, FRICS, Attorney-at-Law

Independent Non-Executive Director

Elizabeth Stair is an Attorney-at-Law with over 40 years' experience in land valuation, estate management and land titling. She also studied at the Polytechnic of the South Bank, U.K. where she was awarded a BSc in Estate Management. Ms. Stair was the former Chief Executive Officer of the National Land Agency (NLA) and Commissioner of Lands.

She is a Fellow of the Royal Institution of Chartered Surveyors, United Kingdom (FRICS) and is also a member of several other local and international professional associations. These include:

- Royal Institution of Chartered Surveyors (RICS)
- Honorary Member - Realtors Association of Jamaica
- Honorary Member of the National Society of Real Estate Appraisers, USA

Elizabeth was appointed to the Board of Sygnus Real Estate Finance Limited ("SRF") on May 17, 2021. She is also a member of the Board's Enterprise Risk Committee. She also serves as a Board Member of PLACE, a non-profit foundation in Washington, DC which provides and maintains primary mapping data infrastructure.

Elizabeth is also a Part-time Lecturer at the Real Estate Training Institute of the Real Estate Board, Jamaica.

Independent Non -Executive Director

Pierre Williams is an experienced professional with a successful career in Investments and Economic Policy. He received a BSc. Economics (Major) Accounting (Minor) and an MSc. Economics from the University of the West Indies, Mona Campus. He is also a CFA Charterholder.

Pierre is currently the Investment Manager at ATL Group Pension Fund where he has assets under management in excess of US$ 200 Million.

In his role he has responsibilities for leading, developing and implementing the strategic plan to achieve the portfolio objectives.

Pierre was appointed to the Board of Sygnus Real Estate Finance Limited ("SRF") on April 1, 2021. He is also a member of the Board's Enterprise Risk Committee and the Audit & Governance Committee.

Pierre Williams, CFA, MSc

Board of Directors continued

Dr. Ike Johnson, PhD, CFA

Non-Executive Director

Ike is Executive Vice President and Chief Operating Officer, Sygnus Group, Sygnus Puerto Rico Group and Director, Sygnus Credit Investments Limited.

Ike's career start was at Jamaica Money Market Brokers (JMMB), where he served as Market Risk Analyst, providing key quantitative analytical tools and introducing important risk monitoring and reporting mechanisms. He left JMMB for 3 years to pursue his doctoral studies in the UK, and then re-joined the company as their Senior Strategy Management Officer. Ike also served as Assistant Vice President of Business Analytics and Product Development for Scotia Investments Jamaica, a subsidiary of the Scotiabank Group.

Ike was appointed to the Board on January 13, 2017. He is a Non-Independent Director.

Non-Executive Director

David Cummings is the Head of Real Estate and Project Finance for Sygnus Capital Limited. He is a Brigadier and former Deputy Chief of Defence Staff, former Colonel general staff, former Colonel Adjutant Quartermaster, former Staff Officer Finance and Logistics, and former Commanding Officer JDF Engineering Regiment in the JDF.

David has expertise in project management, construction engineering, contract negotiations, risk management, operations management, and joint venture partnerships. He was appointed to the Board of Sygnus Reals Estate Finance on December 19, 2019.

He is a former Director at Urban Development Corporation.

David Cummings, OD, JP, MDA, MMAS, BEng (Hons), MRAeS, PE, psc

Board of Directors

SYGNUS CAPITAL

Chairman

Milton Brady, BBA, MBA
Independent Chairman

(See Corporate Structure: The IRMC)

Directors

Simon Cawdery, CFA
Independent Non-Executive Director

(See Corporate Structure: The IRMC)

Dr. David McBean, PhD, BSc
Independent Non-Executive Director
Dr. David McBean was appointed Executive Director of the Mona School of Business and Management, (MSBM) on March 1, 2018.

Prior to joining the staff of the UWI, Mona, David served in several senior executive roles in varied industries including the airline industry, Telecommunications (Commercial & Regulatory), and IT and Media industries in the Caribbean. Past senior appointments include, Managing Director for the Spectrum Management Authority of Jamaica, Managing Director of Products & Services for LIME Caribbean, CEO of the CVM Media Group in Jamaica, as well as Vice President of IT for the former Air Jamaica.

David has served on several boards. Former board appointments include, Director of the Jamaica Tourist Board, e-Learning Jamaica, Nutrition Products Limited, University Hospital of the West Indies, AJAS, Lascelles de Mercado Limited, Supreme Ventures Limited and Mayberry Investments Limited. David is a Jamaica Rhodes Scholar.

Gassan Azan Jr.
Non-Executive Director
Gassan is Founder, Chairman and Chief Executive Officer of Bashco Trading Company Limited, and MegaMart Wholesale Club. Under his leadership, Bashco, which he launched in 1990, has grown to twelve (12) stores in nine (9) parishes.

In December 1999, he started MegaMart (Jamaica), the Caribbean's first wholesale membership club offering exciting one-stop shopping. Today, there are four (4) MegaMart superstores in Jamaica, located in Portmore, Kingston, Montego Bay and Mandeville.

Gassan is also Chief Executive Officer of Sizzling Slots and SMWS Games Limited. He is a Justice of the Peace and has been awarded the Prime Minister's Medal of Appreciation.

Berisford Grey, MBA, BSc
Executive Director
President and Chief Executive Officer

(See Corporate Structure: The RIAC)

Dr. Ike Johnson, PhD, CFA
Executive Director
Executive Vice President and Chief Operating Officer

(See SRF Director)

Jason Morris, CFA,
Executive Director
Executive Vice President and Chief Investment Officer

(See Corporate Structure: The IRMC)

Chairman's Report

We are pleased to submit the first annual report for Sygnus Real Estate Finance Ltd ("the Group" or "SRF"), which became a publicly listed company in October 2021. The annual report covers the financial year ended August 31, 2022 ("FYE Aug 2022"), with the Group reporting total investment income of J$1.35 billion, net profit attributable to shareholders of J$693.0 million and total shareholders' equity of J$7.59 billion. Earnings per share was J$2.20, book value per share was J$23.24 and return on average equity was 11.3%. The Group's portfolio of real estate investment assets was J$13.14 billion.

A Brief History

Let us take a moment to briefly reflect on the Group's short operating history. SRF began operating as an alternative investment company, with a specialty in real estate investment just over three years ago during the latter part of 2019, by raising equity capital in a private placement at J$13.40 per share. The Group's strategic focus was to unlock value from real estate assets across the Caribbean region using flexible debt and equity capital and deliberately invested in a diversified manner across industrial, commercial, hospitality and residential assets. Subsequently, SRF made its first set of investments in February 2020, which, as it turned out, was just weeks prior to the onset of the global COVID-19 pandemic in March 2020. Notwithstanding the pandemic environment, SRF raised additional equity capital in 2021 at between J$17.90 and J$19.30 per share during an initial public offering (IPO), to continue executing its strategy. Less than a year after the IPO in October 2021, the Group's book value increased to J$23.24 per share as at FYE Aug 2022, reflecting the value unlocked over what is effectively a brief two-and-a-half-year investment period.

Key Milestones

The Group's financial results were broadly underpinned by one major theme during the 2022 financial year: the execution of key strategic projects as outlined in the IPO prospectus. As a reminder, SRF targeted the completion of two major investment projects within twelve to twenty-four months of its IPO, namely a built-to-suit industrial facility on Spanish Town Road, and a 9-storey commercial office tower on Belmont Road, both in Kingston, Jamaica. The office tower is being built through a joint venture partnership. The combined financing for both developments exceeded J$4.00 billion and we are happy to report that both are on target for completion in 2023

$1.35 billion

TOTAL INVESTMENT INCOME (JMD)

within the promised timeline. More importantly, SRF was able to successfully negotiate long-term (at least 10 years) agreements to lease for 80% of the commercial office tower floor space with high quality tenants. The industrial facility already had a long-term agreement to lease from the prior financial year. Thus, SRF has a clear path to monetize these assets upon completion of the projects.

The unlocking of value from the commercial tower, which broke ground at the start of the financial year, was a major contributor to total investment income, as SRF reported its first meaningful share of gain from joint ventures amounting to J$546.3 million. Speaking of investment income, the other major contributing item to this revenue line was the value unlocked from SRF's beachfront investment property in Mammee Bay, St Ann, which was primarily responsible for a J$716.4 million gain on investment property. During the IPO, the Group had committed to starting phase one of the value creation process within eighteen to thirty months for two key investment properties, namely Mammee Bay and an industrial property in Lakespen, St Catherine, both of which had a combined valuation of J$6.85 billion. We are happy to report that this process was started and is advancing.

Notwithstanding the value unlocked from its joint ventures and investment properties, SRF's total investment income of J$1.35 billion, and subsequently, its net profit, was lower than the J$2.36 billion reported for the 2021 financial year. This was primarily driven by an exceptional gain of J$1.31 billion in the 2021 financial year, from the acquisition of a subsidiary in that year. After adjusting for this figure, total investment income would have been J$292.9 million or 27.7% higher than last year. The lumpiness in SRF's revenue recognition is reflective of the business model and depends on the timing of transaction execution. From a value creation perspective, SRF has generated an average return on equity of 29.6% per annum over its first three financial years in operation, with a double digit return in each of the three years.

...we are on target...

One Belmont at night

Looking Forward

During the upcoming financial year, the Group will be focused on the timely completion of its major development projects, namely Spanish Penwood and One Belmont, and the timely exit of its debt investments from third-party real estate projects. We are particularly looking forward to the unveiling of the completed One Belmont office tower, as the first addition of Class A office space in Jamaica's capital city of Kingston over the past two decades. At a minimum, SRF is expected to exit at least J$1.00 billion of debt investments or real estate investment notes ("REINs") and complete at least J$4.00 billion of development projects. The REINs being exited should permit SRF to consider its first dividend payment sometime during the latter stages of the 2023 calendar year, in keeping with its commitment to start returning capital to shareholders once investments are monetized.

SRF will be further advancing the first phase of its value creation activities for major strategic assets: Mammee Bay and Lakespen. Notwithstanding the strategic importance of these two assets, the Group will also advance the value creation process for other assets within its investment portfolio, targeting residential and commercial exposure in and around the "golden triangle" in Kingston, Jamaica. The Group is also in the early stages of building a pipeline of investments outside of Jamaica for regional diversification at the appropriate time. Currently all its capital is strategically deployed in Jamaica', given the country's more favorable real estate environment. Over the past two years, SRF has deployed more than J$6.00 billion in real estate investment commitments in Jamaica.

J$7.59 billion

TOTAL SHAREHOLDERS' EQUITY

J$2.20

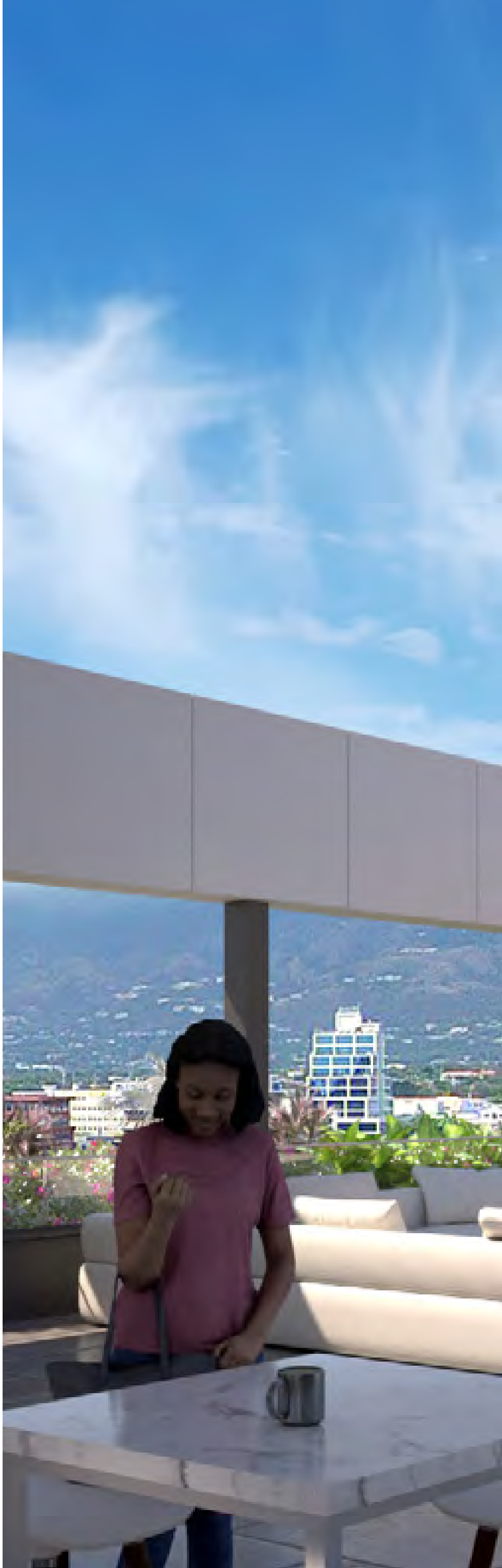
EARNINGS PER SHARE

J$13.14 billion

REAL ESTATE INVESTMENT ASSETS

The SRF alternative investment journey, though brief to this point, has been an intriguing one as the Group has introduced a new way to unlock value from real estate assets, by using specially structured REINs for third party projects, utilizing joint venture partnerships, involving co-investment partners and providing a solution for off-takers of real assets and lessees with unique development needs. This journey would not have been possible without the confidence expressed by shareholders during the private placement and IPO. Thus, we wish to thank you our shareholders for partnering with us on this investment journey. We would also like to thank our partners and the host of local and international professionals that have worked with us on multiple projects. We wish to thank all the directors of the Company, the investment manager and its team for their hard work and leadership in the pursuit of SRF's strategic objectives.

Horace Messado, FCCA, MBA
Chairman, Sygnus Real Estate Finance Limited



Management Discussion & Analysis

Sygnus Real Estate Finance Ltd ("SRF" or "the Group") is pleased to report on the audited financial results for the financial year ended August 31, 2022 ("FYE Aug 2022"). The audited results are accompanied by a summary management discussion and analysis ("MD&A"), which is to be read in conjunction with the audited financial statements. The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected. SRF's investment strategy focuses on real estate investment assets targeting appreciation potential through active management of its equity investments (investment property, joint ventures and developments), complemented by income generated from its debt and quasi-debt investments used to finance real estate assets (real estate investment notes or REINs).

Results of Operations

Sygnus Real Estate Finance Limited reported total investment income of J$1.35 billion, net profit attributable to shareholders of J$693.0 million and a record J$13.14 billion in real estate investment assets for FYE Aug 2022, its first financial year as a publicly listed company, and its third year in operation. The Group unlocked value from its major real estate investment assets (REIAs) by achieving a set of key milestones, namely: began construction of the J$3.70 billion Belmont Road 9-storey commercial tower and advanced the project to 67% completion, with four of the five floors effectively leased; advanced the construction of the effectively leased built-to-suit industrial warehouse facility on Spanish Town Road to 73% completion; completed the detailed design phase for the beachfront hospitality investment property in Mammee Bay, St. Ann and increased its investment in income generating REINs to a record J$2.48 billion. SRF began engaging in partnership discussions and financing options with international investors and financiers with regards to Sepheus Holdings Limited, the SRF subsidiary which holds the Mammee Bay asset. The Group purchased 26 Seaview Avenue located in Kingston's "golden triangle", entered into a joint venture agreement with a 51% shareholding for a property on Montrose Road in the "golden triangle" and made a deposit to purchase another property located on Lady Musgrave Road in Kingston. SRF became a publicly listed entity on the Jamaica Stock Exchange on October 5, 2021. The Group remains fully focused on executing its strategy of unlocking value in real estate assets, as it seeks to continue increasing shareholder value.

Total investment income or core revenues was J$1.35 billion for FYE Aug 2022, compared with J$2.36 billion for the financial year ended August 2021 ("FYE Aug 21"), down 42.9% or J$1.01 billion. The higher result in FYE Aug 2021 reflected an exceptional gain of J$1.31 billion, generated

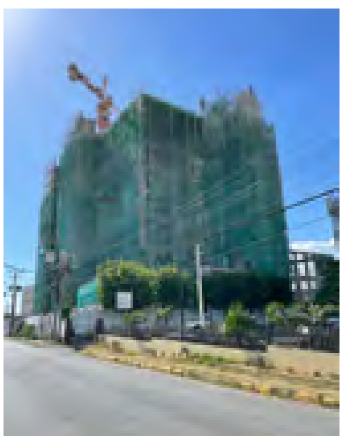
Summary Results of Operations	FYE Aug 2022 JA$'000	FYE Aug 2021 JA$'000
Interest Income	217,631	97,476
Interest Expense	(148,097)	(88,648)
Net Interest Income	69,534	8,828
Commitment Fees	16,832	3,190
Gain on Sale of Real Estate Asset	-	100,805
Gain on Acquisition of Subsidiary	-	1,306,341
Gain on Investment Property	716,379	913,396
Share of Gain on Joint Ventures	546,289	29,957
Total Investment Income	**1,349,034**	**2,362,516**
Total Operating Expenses	(365,441)	(601,055)
Net Investment Income	**983,592**	**1,761,462**
Fair Value Gain (Loss) on Financial Instruments	(177,817)	52,676
Net Foreign Exchange Gain (Loss)	38,738	(2,540)
Impairment Allowance on Financial Instruments	-	-
Profit Before taxation	**844,513**	**1,811,598**
Taxation	(151,558)	-
Net Profit Attributable to Shareholders	**692,955**	**1,811,598**
Basic Earnings Per Share (JA$)	2.20	9.93
Diluted Earnings Per Share (JA$)	2.06	9.93
Net Investment Income Per Share (JA$)	3.12	9.65
Diluted Net Investment Income Per Share (JA$)	2.92	9.65

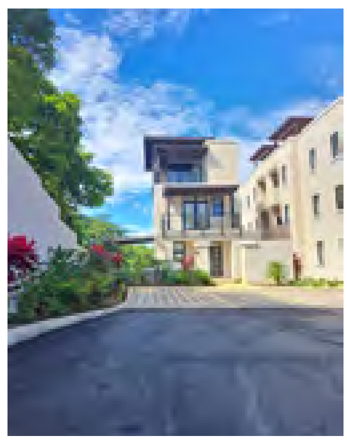
from the acquisition of a subsidiary, which is typically not expected to recur at such scale and frequently. Adjusting for this exceptional gain last year, total investment income would have been J$292.9 million or 27.7% higher in FYE Aug 2022 than the adjusted value of J$1.06 billion in FYE Aug 2021.

The J$1.35 billion in total investment income was primarily driven by a J$716.4 million valuation gain on investment property, relative to J$913.4 million last year, a J$546.3 million share of gain on investment in joint ventures relative to J$30.0 million last year and higher net interest income of J$69.5 million compared with J$8.8 million last year. The gain on investment property reflected the continued unlocking of value from key strategic investment properties, led primarily by the assets located at Mammee Bay in St Ann, Lakespen in St Catherine and Hillcrest Avenue in Kingston. The share of gain on joint ventures primarily reflected the unlocking of value from the One Belmont commercial tower development, which accounted for 94.0% or J$513.6 million of the reported gains. The One Belmont result is in keeping with the expectation that the unlocking of value from this asset would have only started to accrue once the project was closer to completion.

Higher net interest income reflected increased deployment of capital to third party income generating REINs which nearly doubled to a record J$2.48 billion with a weighted average yield of 11.1% vs 9.3% last year.

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






SRF Subsidiaries I Joint Ventures	Ultimate Underlying Asset	Company Type
Audere Holdings Limited	78,790 sq. ft. | Commercial Tower Development One Belmont | 1-3 Belmont Road, Kingston	70% Joint Venture
Charlemagne Holdings Limited	1-3 Hillcrest Avenue, Kingston (former French Embassy) 3.2 acres | Commercial or Residential	100% Subsidiary
Lakespen Holdings (shares)	Lakespen, St Catherine | 55 acres | Industrial	100% Subsidiary
Monadh Rois Holdings Limited	Montrose Road, Kingston | 0.9 acres | Residential	51% Joint Venture
Sepheus Holdings Limited	Mammee Bay, St Ann | 14.4 acres | Hospitality	100% Subsidiary
Sygnus REF Jamaica Limited	56 Lady Musgrave Road, Kingston | 0.6 acres | Commercial	100% Subsidiary
	32,553 sq. ft. | Industrial Development | Spanish-Penwood | 443-445 Spanish Town Road, Kingston	
	26 Seaview Avenue, Kingston | 0.6 acres | Commercial	

Net investment income or core earnings was J$983.6 million for FYE Aug 2022 compared with J$1.76 billion last year, with last year's results positively impacted by the exceptional J$1.31 billion gain on acquisition of subsidiary. The J$983.6 million in net investment income was driven by J$1.35 billion in total investment income, which was offset by J$365.4 million in operating expenses.

Net profit attributable to shareholders was J$693.0 million for FYE Aug 2022 compared with J$1.81 billion last year, with last year's figure positively impacted by the exceptional J$1.31 billion gain on acquisition of subsidiary and negatively impacted by J$377.9 million in performance fees. The J$693.0 million in this year's net profit was driven by net investment income of J$983.6 million and net foreign exchange gains of J$38.7 million, offset by fair value losses on financial instruments of J$177.8 million. SRF's return on equity was 11.3% for FYE Aug 2022 and has an average ROE of 29.6% over its first three years of operations, with the first financial year comprising of 13 months.

Basic earnings per share (EPS) was J$2.20 for FYE Aug 2022 compared with J$9.93 last year, while diluted EPS was J$2.06 compared with J$9.93 last year. Similarly basic core earnings or net investment income per share (NIIPS) was J$3.12 for FYE Aug 2022, compared with J$9.65 last year, while diluted NIIPS was J$2.92 compared with J$9.65 last year.

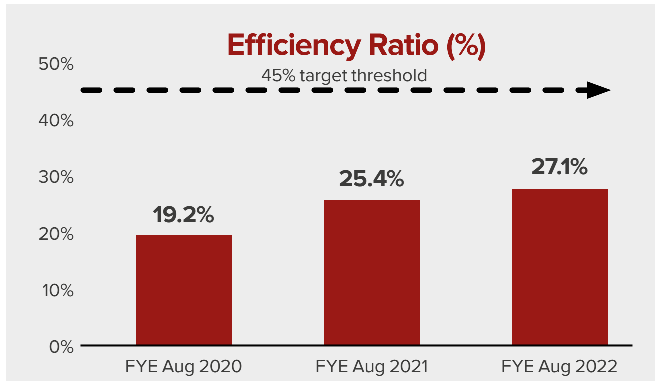
Total Operating Expenses

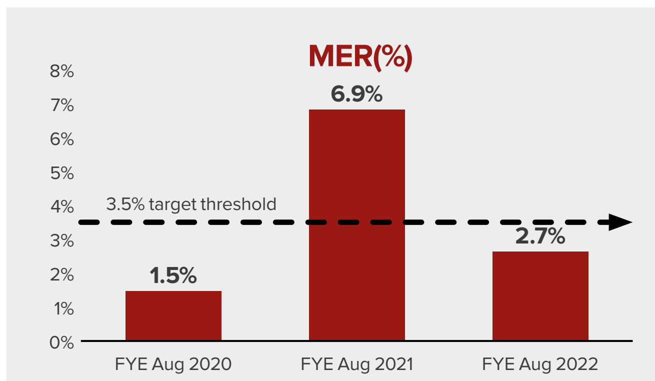
SRF reported total operating expenses of J$365.4 million for FYE Aug 2022, down 39.2% or J$235.6 million relative to J$601.1 million last year. The lower operating expenses in FYE Aug 2022 primarily reflected lower performance fees of J$12.5 million compared with J$377.9 million last year. Performance fees are computed annually as 20% of the excess returns above a 6.5% return on equity hurdle rate. The average return on equity for FYE Aug 2021 was 49.2%, which gave rise to the higher performance fees computed last year. This year's J$12.5 million in performance fees represented an unadjusted amount from last financial year. Note that the investment manager waived the performance fees generated for FYE Aug 2022 amounting to J$59.6 million from an ROE of 11.3%. Note also that the investment manager did not charge any management fees for the first six months of SRF's operation, prior to the company becoming a publicly listed entity. The decision to waive fees is at the sole discretion of the investment manager.

The J$365.4 million in operating expenses were primarily driven by management fees and corporate services fees. Management fees were 60.3% of operating expenses or J$220.4 million, while corporate services fees were 10.7% of operating expenses or J$39.2 million. Combined, these fees amounted to 71.0% of operating expenses. Management fees were 67.4% or J$88.7 million higher than last year driven by higher core assets under management, while corporate services fees were 46.4% or J$12.6 million higher than last year.

Efficiency Ratio and Management Expense Ratio

SRF's efficiency ratio, computed as total operating expenses as a percentage of total investment income, was 27.1% for FYE Aug 2022, and was within the target threshold level of 45.0%. Similarly, the management expense ratio (MER), computed as total operating expenses as a percentage of total core assets under management, was 2.7% and within the target threshold level of 3.5%. Last year's MER was impacted by the performance fees that were generated due to the 49.2% ROE for FYE Aug 2021.





Fair Value Gain or Loss on Financial Instruments

SRF generates a fair value gain or loss on a portion of its REINs, which are carried at fair value through its income statement. These customized investments are primarily structured as third-party construction notes with a fixed interest rate and a percentage profit participation in the respective real estate project. The real estate projects or assets provide 100% collateral coverage for the REINs. For FYE Aug 2022, SRF reported a fair value loss of J$177.8 million compared with gains of J$52.7 million last year, primarily reflecting a reassessment of the profitability of one REIN. Adverse movements in interest rates which affect the fair value calculation, also impacted the reported figure.

Net Foreign Exchange Gain or Loss

Net foreign exchange gains were J$38.7 million compared with a loss of J$2.5 million last year. A net foreign exchange gain or loss is recorded based on changes in the exchange rate on SRF's net balance sheet exposure to foreign currency, which in this case is the USD, since its reporting currency is JMD. SRF's property investments were all denominated in USD, but these assets are only valued once per year or if there is a material change that warrants a new valuation, that is, these assets are not marked-to-market assets per se. Therefore, although they are USD assets, they are not counted as financial instruments and thus do not affect net foreign exchange gain or loss as calculated and reported in the financial statements. Explained differently, 81.1% of SRF's real estate investment assets were denominated in USD, but none of these assets are classified as financial instruments. Thus, SRF had a net short USD exposure of US$21.5 million driven primarily by US$14.6 million in loans and borrowings and US$3.5 million in convertible preference shares.

Real Estate Investment Activity

At FYE Aug 2022, SRF's real estate investment assets grew by 50.9% or J$4.42 billion to a record J$13.11 billion spanning 16 investments, compared with J$8.69 billion in 13 investments last year. SRF deployed J$3.38 billion in new investment commitments vs J$2.61 billion last year, driven by a combination of joint venture, acquisition of new investment property, deposit on new investment property and investments in REINs. Fair value of REINs grew by 97.6% or J$1.23 billion to a record J$2.48 billion, primarily driven by additional capital deployed into third party projects with an average yield of 11.1%, compared with J$1.26 billion at an average yield of 9.3% last year. There were two investment exits from REINs for J$352.8 million compared with J$2.11 billion last year. The figure last year primarily reflected the sale of a portion of Mammee Bay for J$1.92 billion and a REIN for the remaining balance.

Summary of Investment Activity	FYE Aug 2022 J$ '000	FYE Aug 2021 J$ '000
Fair Value of Real Estate Investment Assets	13,143,416	8,693,786
New Commitments in Real Estate Investment Assets	3,385,428	2,609,719
Number of Real Estate Investment Assets (#)	16	13
Dry Powder*	463,365	9,104
Number of investments Exited (#)	2	2
Value of Investments Exited	352,841.00	2,112,580
Number of Real Estate Investment Notes (#)	8	6
Fair Value of Real Estate Investment Notes	2,483,919	1,256,844
Fair Value Yield on Real Estate Investment Notes (%)	11.1%	9.3%

Dry Powder* for FYE Aug 2022 excluded J$1.49 billion in construction loans for One Belmont project
Dry Powder also excluded J$750 millon debt capital raise concluded after end of FYE Aug 2022

SRF had J$463.4 million in dry powder on the balance sheet at the end of FYE Aug 2022 compared with J$9.1 million last year. This dry powder does not include undrawn revolving credit facilities, available bridge facilities, J$1.49 billion in construction loans and debt capital raise that concluded after the end of the financial year.

Summary Update on Major Strategic Assets

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

One Belmont | Commercial Tower: The J$3.70 billion 9-storey corporate office development started during the first quarter of the financial year, and is currently 67% completed, with construction remaining on track for the target April/May 2023 completion date. Work has begun on the sixth and seventh floors of the building. Long term agreements-to-lease were executed for three floors, while the agreement for a fourth floor is being executed with an expected March 2023 completion date. This means that four of the five floors are effectively leased. All leases are in US dollars or indexed to the USD. SRF has received expressions of interest from institutional investors regarding ownership participation in the leased floors, but those discussions will only be advanced when construction is closer to completion.

Spanish Penwood | Industrial Warehouse: The Spanish Penwood built-to-suit industrial facility tailored to the specific needs of IMCA Jamaica Limited is currently 73% completed. However, the completion date was revised from September/October 2022 to January/February 2023, partly due to delays in supplies being shipped from China, which are expected to arrive in the first week of December 2022. The entire industrial facility was pre-sold to institutional investors during the financial year with a secured US dollar long term lease in place, thus guaranteeing SRF's investment exit upon completion of construction. SRF received 50% of the agreed sale price from the institutional buyers during the financial year.

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

Monadh-Rois | Joint Venture: SRF, which entered into this joint venture during the 2022 financial year, is expected to begin working with its joint venture partner to unlock the value from this 0.9-acre property located in Kingston's golden triangle early in SRF's 2022/23 financial year. This asset will target the residential segment of the real estate market.

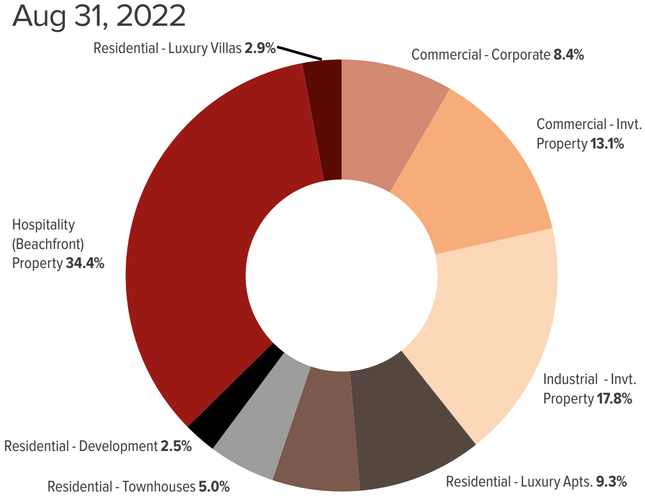
Hillcrest Avenue: The Group continues working with its partners to optimize the strategy to extract the best value from this 3.2 acre investment property located in Kingston's "golden triangle". The building on the property, which housed the former French Embassy, was renovated to facilitate a medium-term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

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

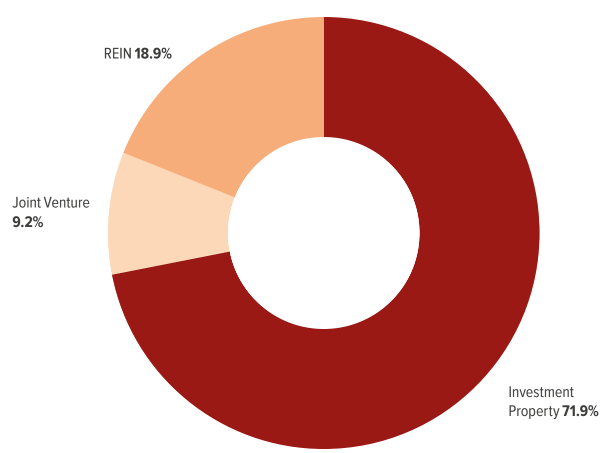
26 Seaview Avenue: SRF acquired this 0.6-acre asset during the financial year given its strategic location in the Kingston business district. The value creation process will begin as appropriate.

56 Lady Musgrave Road: The value creation process will begin as appropriate on this 0.6-acre investment property located in Kingston's business district.

SRF Allocation By Real Estate Category:
Aug 31, 2022



SRF Allocation by Investment Category:
Aug 31, 2022



Allocation by Real Estate and Investment Category

As at FYE Aug 2022, SRF's investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property with 34.4%, industrial-investment property with 17.8% and commercial-investment property with 13.1%.

SRF's capital was primarily allocated across three investment categories, namely property investments at 71.9%, REINs at 18.9% and joint ventures at 9.2%. The large allocation to property investments is reflective of SRF being in the early stages of its investment life cycle, which averages 3 to 5 years. By design, SRF's strategy requires the Group to make strategic property acquisitions, and then unlock the underlying value by monetizing these assets over time. 100% of SRFs capital was deployed directly into the real estate asset class within the Jamaican economy.

Liquidity and Capital Resources

During the first quarter of the financial year, SRF generated J$2.31 billion in gross proceeds from the issuance of 128,398,400 shares during its initial public offering. Fifty two percent of the shares were allocated to the USD share class, with the remainder allocated to JMD share class. Both class of shares were listed on the main market of the Jamaica Stock Exchange.

Summary of Balance Sheet Information	FYE Aug 2022 JA$'000	FYE Aug 2021 JA$'000
Cash and Cash Equivalents	463,365	9,104
Un-deployed Cash/Dry Powder	463,365	9,104
Investment Property	9,430,686	6,983,187
Deposit on Investment Property & Projects	28,792	18,344
Total Property Investments	**9,459,478**	**7,001,531**
Investments Measured at Fair Value through P&L	1,773,060	778,792
Investments Measured at Amortised Cost	710,859	478,052
Total Real Estate Investment Notes	**2,483,919**	**1,256,844**
Investment in Joint Ventures	**1,200,019**	**435,411**
Total Real Estate Investment Assets	**13,143,416**	**8,693,786**
	13,606,781	**8,702,890**
Other Assets:		
Prepaid Expenses	4,247	43,685
Accounts Receivable	1,811	-
Investment Income Receivable	93,084	4,348
Deferred Tax Asset	45,842	-
Due from Related Entities	36,310	-
Total Assets	**13,788,075**	**8,750,923**
Share Capital	4,718,066	2,532,144
Foreign Currency Translation Reserve	36	(7)
Retained Earnings	2,870,900	2,177,945
Total Shareholders' Equity	7,589,002	4,710,082
Total Liabilities and Equity	13,788,075	8,750,923

61.1%

GROWTH

TOTAL SHAREHOLDERS' EQUITY GREW TO **J$7.59 BILLION**

As at FYE Aug 2022, SRF had J$463.4 million in dry powder on its balance sheet, not including J$1.49 billion in construction loan financing and J$204.7 million in remaining drawdowns on a J$590.0 million debt raise that began prior to the end of the year. In addition, subsequent to the end of the financial year, SRF, through its wholly owned subsidiary Sepheus Holdings Limited, raised an estimated J$750.0 million in short-term notes. Finally, SRF has in excess of J$2.00 billion in investment exits from REINs scheduled to occur at various periods during the 2022/23 financial year.

Balance Sheet Summary

At FYE Aug 2022, SRF's total assets increased by 57.6% or J$5.04 billion to J$13.79 billion compared with J$8.75 billion last year. This was primarily driven by a 35.0% or J$2.45 billion increase in investment property to J$9.43 billion compared with J$6.98 billion last year, a 97.6% or J$1.23 billion increase in REINs to J$2.48 billion compared with J$1.26 billion last year and a 175.6% or J$764.6 million increase in joint venture investments to J$1.20 billion, compared with J$435.4 million last year. The increase in the value of investment property primarily reflected valuation gains for Mammee Bay, Spanish Penwood development and Hillcrest, plus the acquisition of the Seaview property.

Investment in joint ventures primarily reflected SRF's 70% ownership interest in Audere Holdings, the joint venture that is executing the development of the One Belmont commercial tower. This value increased by J$513.6 million to J$949.0 million. The remainder reflected the 51% ownership interest in Mondadh Rois, the new joint venture that was executed during this financial year.

Shareholders' Equity

At FYE Aug 2022, total shareholders' equity grew by 61.1% or J$2.88 billion to J$7.59 billion vs J$4.71 billion last year. This was driven by increased share capital from the initial public offering and higher retained earnings from the profit generated during the year. Return on average equity was 11.3% for FYE Aug 2022 and has averaged 30.6% over the three years since the firm began operating. SRF's ROE is likely to fluctuate as the unlocking of value from real estate assets is not linear and will likely reflect large swings when development projects are being exited.

COVID-19 Impact and Risk Management

The impact of the global COVID-19 pandemic on the Caribbean region, and in particular Jamaica, where SRF has a concentrated exposure in real estate assets, has faded substantially although some risks remain. The direct health risks have been substantially reduced, resulting in the reopening of borders and freedom of movement, and leading to continued economic recovery for Jamaica, both on the macro-economic front and the fiscal accounts. Indeed, the health risks of COVID-19 have been largely replaced with a different set of challenges posed by the remnants of COVID-19 highlighted by supply chain and logistics issues, and global inflation accompanied by the rising cost of capital occasioned by higher interest rates.

While the assessment of the overall impact of Covid-19 is ongoing, SRF continues to rely on the deep knowledge, experienced team and proven investment philosophy that has been developed by its investment manager, which has thus far served the Company well during a period of unprecedented crisis.

SRF is committed to proactively managing the risk of its real estate investment assets through three major imperatives:

- Minimizing "realized" losses on the debt and quasi-debt portion of its portfolio, consisting of REINs used to unlock value in third party real estate assets. SRF will generally achieve this objective through selective and rigorous screening, approval and documentation of investments, complemented by post investment project monitoring inclusive of standard project accounting and using experienced independent and qualified professionals. Adequate downside protection is typically provided by the underlying real estate asset.
- Mitigating the major risks on developments owned or controlled by SRF. The Company generally achieves this objective by only making investments in very selective developments that it owns outright, is a majority owner in, or has control of. In addition, all developments must have a compelling value proposition, significant value creation attributes and a clear path to minimize key risks, including project risk and off-take risk.
- Unlocking the optimum value from its property investments to provide additional downside protection to the overall portfolio of real estate investment assets. SRF typically achieves this objective by deliberately structuring the financing and acquisition of large strategic property investments such that it can unlock an initial upside value upon the closing of the transaction, where possible. After closing, SRF actively manages its assets to deliver subsequent additional upside, which acts as a buffer to the overall portfolio and protects shareholder value. This value creation process is driven in large part by the investment manager's private equity, mergers & acquisition and investment banking expertise, which is utilized in these transactions alongside its real estate expertise on the investment manager's alternative investment management platform.

the Group may consider its first dividend payment during the 2023 calendar year

Surreal at the Sugar Mill

Surreal at the Sugar Mill

Strategic Objectives Update

SRF is advancing through its first real estate investment life cycle, having been in existence for only three years, and having an average investment horizon of 3 to 5 years. The Group is still undergoing early-stage execution of its investment strategy designed to enhance shareholder value.

To continue executing its investment strategy and expand the business across the Caribbean, the Group remains focused on the following four key strategic objectives, as originally highlighted during its initial public offering in 2021:

- **Increase Dry Powder:** The first phase of this objective was achieved via the raising of equity capital at the group level from an initial public offering during the first quarter of the financial year. SRF then began executing the second phase by tapping various forms of debt facilities at the group level and structuring its exit from existing investments to be recycled into new investments. The structuring of access to debt, quasi-debt and equity capital at the subsidiary or joint venture level to execute the unlocking of value for key strategic assets also began during the financial year (example total financing for Audere to execute One Belmont including construction loan etc), which represents the third phase of this objective. SRF will go through these different phases as it completes one investment life cycle and prepares to move into a new investment life cycle.

- **Execute Key Strategic Projects:** The Spanish Penwood industrial facility and the One Belmont corporate tower were the two projects scheduled for completion within 12 to 24 months in the IPO prospectus. SRF remains on track to meet those targets with 73% and 67% completion respectively. SRF's two largest property investments, namely Mammee Bay and Lakespen, were identified as having substantial upside value to be unlocked, with phase 1 of these projects to start within 18 to 30 months as outlined in the prospectus. SRF remains on track, having completed detailed design works for Mammee Bay and started engaging in partnership discussions and financing options with international investors and financiers for Mammee Bay's holding company, Sepheus Holdings. Work continues with an international consulting firm for the Lakespen asset.

- **Deepen Access to Flexible Capital for Real Estate Assets:** As a specialized alternative investment company focused exclusively on the real estate asset class, SRF's strategy is to play a leading role in broadening access to flexible capital for the purposes of unlocking value in real estate assets across the Caribbean. SRF has progressed on this objective by partnering with owners of strategic real estate assets via joint ventures: Audere Holdings which controls the 9-storey One Belmont tower and Monadh Rois which is a new partnership. The group also deployed capital into multiple third-party projects via REINs with innovative financing structures designed to unlock value for the asset owners while enhancing value for SRF shareholders. To summarize, SRF deployed an estimated J$1.50 billion in the Jamaican economy through joint ventures and REINs to finance third party real estate projects during this financial year alone, which excludes the estimated J$1.80 billion deployed in Jamaica on its wholly owned real estate projects and assets.

- **Expand Investment to Other Caribbean Territories:** SRF had indicated in its IPO prospectus of its intention to begin investing in opportunities across Caribbean territories outside of Jamaica over the medium term. The Group has been deliberate in its strategy to maximize the large number of investment opportunities in the Jamaican market, prior to deploying capital to other Caribbean territories due to:
    - **Favorable tax regime:** replacement of ad valorem stamp duties with a flat rate; reduction in transfer tax payable on transfer of real property and financial instruments from 5% to 2%; increase in transfer tax threshold for estates.
    - **Low development footprint:** while Jamaica's hospitality and some segments of the residential real estate market is fairly developed, the overall Jamaican real estate market is highly underdeveloped relative to other leading Caribbean territories, with a low industrial and infrastructure footprint, a lack of new commercial developments and abundant high-quality development land at relatively fair prices.
    - **Favorable housing supply and demand dynamics:** low supply of residential assets in multiple segments, relative to demand. Estimated housing supply gap in excess of 10,000 units per annum.
    - **Gradually improving economic dynamics:** Jamaica arguably executed the most successful IMF program of any emerging market country in the history of such programs between 2013 and 2019. Although the global COVID-19 pandemic interrupted the country's path to a better economic trajectory, it is expected to resume the favorable trajectory over the next 2 to 3 years, with its debt/GDP ratio heading below 90% in the short term on a path to 60% over the medium to long term. This ratio is coming from an unsustainable level above 140% a decade ago.

As some of the major Jamaican opportunities begin to mature, SRF intends to begin deploying capital to other territories. SRF has already looked at some high probability transactions that can be executed and is developing a pipeline of assets for diversification across the region at the appropriate time. Over the coming financial year, SRF is anticipating an exit of some of its early investments, along with the completion of the construction of one of its major investments, the One Belmont commercial tower. Thus the Group may consider the payment of its first dividend subsequent to successfully exiting these investments sometime during the 2023 calendar year.

Corporate Data

Board of Directors

Horace Messado, FCCA, MBA	Independent Chairman
Linval Freeman, FCA, FCCA	Independent Non-Executive Director
Pierre Williams, CFA, MSc	Independent Non-Executive Director
Elizabeth Stair, OD, JP, FRICS, Attorney-at- Law	Independent Non-Executive Director
David Cummings, OD, JP, MDA, MMAS, BEng (Hons), MRAeS, PE, psc	Non-Executive Director
Ike Johnson, PhD, CFA	Non-Executive Director

SECRETARY
MCSI Inc.
Bella Rosa Road
Gros Islet, St Lucia

REGISTERED OFFICE
20 Micoud Street
Castries, St. Lucia

ATTORNEYS-AT-LAW
Patterson Mair Hamilton
Temple Court
85 Hope Road
Kingston 6, Jamaica

EXTERNAL AUDITORS
KPMG
204 Johnsons Centre
#2 Bella Rosa Road
Gros Islet, St. Lucia

REGISTRAR
Jamaica Central Securities Depository Limited
40 Harbour Street
Kingston, Jamaica

BANKERS
CIBC FirstCaribbean International Bank Limited
23-27 Knutsford Blvd.
Kingston 5, Jamaica

Sagicor Bank Jamaica Limited
Corporate Banking Division
17 Dominica Drive
Kingston 5, Jamaica

JN Bank Limited
Main Office
2-4 Constant Spring Road
Kingston 10, Jamaica

CONTACT US

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srf@sygnusgroup.com
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Risk Management

Risk Management Policy
The Company's goal in risk management is to ensure that it understands, measures, and monitors the various risks that may arise in the real estate and construction industries. The Company accomplishes this with strong oversight by the Investment Manager of the policies and procedures established to manage these potential risks.

The Company has developed and implemented a Real Estate Investment Policy ("REIP") that provides guidance and identifies the major risks and mitigation strategies in this category of investment. This risk management policy of the Company also adopts best practice measures to address any perceived or real conflicts of interest that may arise in the operations and management of the business.

The Board of Directors of the Company is ultimately responsible for the risk management policies of SRF.

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

This Committee consists of three members, two of whom are independent of the Company, including the chairman who was appointed by the Investment Manager's Board of Directors. The Committee reviews and approves all investment recommendations and determines the level of conditions that will be attached to each investment.

Real Estate Investment Advisory Committee
The Company's Investment Manager, through a Real Estate Investment Advisory Committee ("RIAC") provides recommendations to the IRMC for decision making. The RIAC is responsible for due diligence, screening, credit and equity analysis, structuring and post investment monitoring of all real estate investment.

This Committee consists of five members who were appointed by the Investment Manager's Board of Directors. The CEO of the Investment Manager was appointed as the chairman of the RIAC. Two members of the RIAC are external consultant advisors.

Key Risks
As a specialty real estate investment company, SRF faces a number of different risks associated with its investments, including credit risk, market risk, project risk and liquidity risk.

1. **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's credit risk is concentrated primarily in real estate investment notes (REINs), cash at bank balances, securities purchased under resale agreements and other receivables.

   To mitigate Credit Risk, the Company has several lines of defense:

   (a) **Independent Decision Making Process:** The first line of defense is the separation of investment decisions from deal origination. Investment decisions can only be made by the IRMC, which reviews each real estate transaction on its own merit. The RIAC, which recommends investments, has no decision-making authority.

   (b) **Screening, Approval and Documentation:** SRF only invests in real estate projects and transactions that the IRMC believes to be financially sound investments. Each investment goes through a screening, approval and documentation process to determine if it meets SRF's investment criteria.

   (c) **Post-Investment Monitoring:** After each investment is made, they are monitored to determine if there are any changes in the financial performance or credit profile of each real estate issuer or real estate project. Part of this monitoring process includes the use of a risk register by the Investment Manager.

   (d) **Concentration Limits:** SRF limits its investment exposure per real estate segment and per project or development to mitigate credit risk.

   (e) **Delinquency and Recoveries Management:** Through its investment manager, SRF has policies and procedures on delinquency and recoveries management, some of which will be outsourced to third parties on a case-by-case basis.

2. **Market Risk:**
Market risk is the risk that the value or cash flows of a financial instrument will fluctuate because 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 RIAC and the IRMC.

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

a. **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 incurs foreign currency risk on transactions that are denominated in currency other than the United States dollar. The main currency giving rise to this risk is the Jamaican dollar.

To mitigate foreign currency risk, the Company:

i. utilizes a value-at-risk tool to monitor the impact of FX on its portfolio on an ongoing basis.

ii. builds in a depreciation buffer into its non-USD investments with an annual return target threshold. This buffer may take the form of higher interest income or additional upside that is realized on successfully exiting an investment; and

iii. limits the amount of non-USD investment in Portfolio Companies.

b. **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 takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

To mitigate interest rate risk, the Company:

i. monitors interest rates daily. Even though there are no formal 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;

ii. invests primarily in instruments whose value are carried at amortized cost, thus minimizing the impact of any movement in market interest rates on its portfolio; and

iii. maintains an appropriate mix of variable and fixed rate instruments, as determined by market conditions.

3. **Operational Risk:**
Operational risk is the risk arising from the execution of SRF's business functions, particularly the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events such as:

a. **Internal Fraud:** Misappropriation of assets, tax evasion, intentional mismarking of positions, and bribery;

b. **External Fraud:** Theft of information, hacking damage, third-party theft and forgery;

c. **Business Practice:** Market manipulation, antitrust, fiduciary breaches, account churning;

d. **Business Disruption & Systems Failures:** Utility disruptions, software failures, hardware failures; and

e. **Execution, Delivery, & Process Management:** Data entry errors, accounting errors, failed mandatory reporting, and negligent loss of client assets.

Operational Risk is mitigated by delegation of authority and operational procedures at different levels via the investment manager, and advisors or consultants as necessary.

Risk Management (continued)

4. Liquidity Risk:

Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Company generally makes 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 to sell or dispose of such investments in a timely manner at, or close to, fair value, if the need arises.

Certain real estate assets may prove to be generally illiquid and could take several months or longer, to find an appropriate buyer or tenant. This may impact some of the Company's development projects, which may lead to a negative impact on its cashflow and a longer lead time to exit certain transactions.

In addition, the Company faces liquidity risk in the form of funding risk. This is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with its investments. 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 its exposure to changes in interest rates and exchange rates.

The Company mitigates liquidity risk primarily by:

a. not being subject to any externally imposed liquidity requirements.

b. maintaining an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

c. partner with established real estate agents to find appropriate off-takers for its development assets prior to embarking on a project.

d. partner with large institutional investors who may desire post construction real estate assets, to be priority offtake partners, where they have the first right of refusal on certain assets post construction.

e. actively monitor, forecast and stress its liquidity requirements, and ensures it has access to backstop instruments if required.

5. Project Risk:

The Company may invest in or acquire development assets and may be subject to a variety of project related risks including but not limited to:

a. difficulties in securing financing for development projects.

b. construction costs overrun.

c. defaulting tenants.

d. refinancing construction loans.

The Company mitigates Project risk primarily by:

- Managing construction risk with the use of firm-price contracts.
- Managing supply risk with the use of forward contracts for the purchase of raw materials.
- Use of selected real estate experts and advisors to support projects.
- Detailed due diligence of developers, contractors, and selection of counterparties with a proven track record of performance.
- Ensuring key agreements (e.g., shareholders' agreements, joint venture agreements) include protections such as step-in rights and preemptive rights to mitigate contractual under performance and other breaches.
- Ensuring active monitoring of all project risks through a project risk register.

Corporate Governance

OVERVIEW

The Board of Directors of the Company has overall responsibility for the adoption of high standards of corporate governance as an important pillar in ensuring ethical business practices and protecting the interests of the Company and its stakeholders. The Board therefore remains committed to maintaining a robust system of policies, procedures and controls which ensure high standards of corporate governance which are consistent with international best practices and guidelines provided by regulators and other oversight bodies as well as policies and terms of reference adopted by the Board.

ROLES AND RESPONSIBILITIES OF THE BOARD

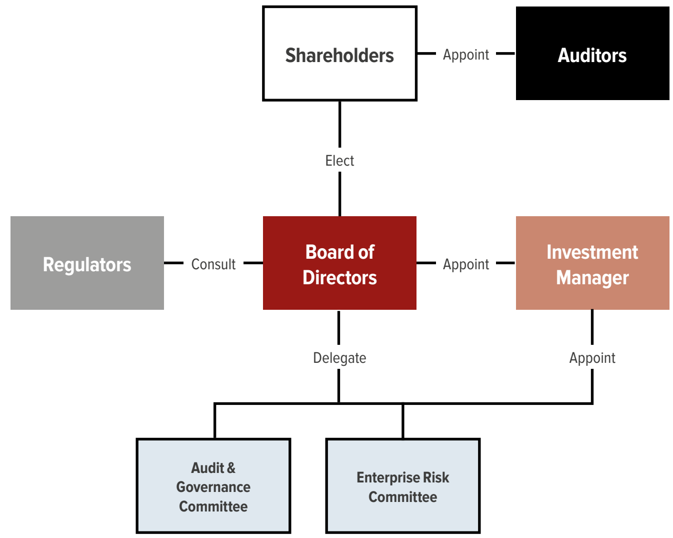
The principal role of the Board of Directors is to oversee the performance of the Company's management, protect the interests of Shareholders and ensure compliance with applicable legal and regulatory requirements as well as industry best practices. The Board also provides guidance to management in the establishment of the strategic objectives of the business and the assessment of its performance.

In the performance of their duties, the members of the Board of Directors are expected to exercise sound and independent judgment and may rely on the expertise of the Company's management, external professional advisors and the Company's auditors.

Whilst the Company's investment manager has responsibility for the routine investment operations of the Company, the Board of Directors retains ultimate responsibility for the Company's performance and observance of high standards of corporate governance.

GOVERNANCE STRUCTURE

The Company's Board of Directors is elected by the Company's Shareholders. However, pursuant to the Articles of Association of the Company, the Board may appoint a Director to either fill a casual vacancy or as an addition to the Board during any financial year provided that the maximum number of Directors does not exceed maximum number stipulated in the Articles of Association of the Company. The Shareholders of the Company are also responsible for the appointment of the Company's auditors. The Board of Directors is responsible for the appointment of the Investment Manager and may also establish Committees of the Board to have responsibility for specific areas. The standing committees of the Board are the Audit and Governance Committee and the Enterprise Risk Committee. In performing its functions, the Board of Directors may consult with regulatory and oversight agencies including the Financial Services Commission and the Jamaica Stock Exchange in the performance of its duties.



The duties of the Board of Directors include:

- overseeing the financial and strategic planning process;
- evaluating the Company's financial performance and approving the Company's Financial Statements;
- ensuring the timely disclosure of all material information concerning the Company to Shareholders and regulatory agencies;
- ensuring that the principal risks of the Company are identified and that Management implements appropriate controls, systems, policies and processes to manage the risks identified;
- ensuring that the Company complies with applicable laws including those relating to the issuance of securities and the prevention and detection of money laundering, terrorist and proliferation financing;
- ensuring that a proper system of succession planning and management performance and evaluation is implemented;
- ensuring that proper standards of Corporate Governance are observed by the Company; and
- determining the terms of reference for the Board Committees and overseeing their activities.

The Board is guided by a Corporate Governance Framework which is subject to ongoing review and assessment to ensure that its provisions remain relevant, consistent with industry best practice and legal and regulatory requirements. The Corporate Governance Framework is designed to ensure the independence of the Board and its ability to effectively supervise the Company's management team. A copy of our Corporate Governance Policy is available for review on our website at www.sygnusgroup.com.

The Board has in place very formal and rigorous processes that independently verify and safeguard the integrity of the Company's reporting processes. The Board ensures timely disclosure of all matters concerning the Company that would be expected to have a material effect on the Company and the value of the securities issued by it.

COMPOSITION OF THE BOARD

The Articles of Association of the Company provides for a Board of Directors not more than nine (9) persons. As at the date of this report, the Board is comprised of the following six (6) Directors:

Director	Executive/Non-Executive	Independence
Mr. Horace Messado, FCCA, MBA	Non-Executive/Chairman	Independent
Mr. Linval Freeman, JP, FCA, FCCA	Non-Executive	Independent
Mr. Pierre Williams, CFA, MSc.	Non-Executive	Independent
Ms. Elizabeth Stair, OD, JP, FRICS, Attorney-at-Law	Non-Executive	Independent
Mr. Ike Johnson, PhD, CFA	Non-Executive	Non-Independent
Mr. David Cummings, OD, JP, MDA, MMAS, BEng (Hons), MRAeS, PE, psc	Non-Executive	Non-Independent

Four (4) of the six (6) Directors are independent of the Company. One (1) of the independent Directors represents anchor Shareholders. Directors representing anchor shareholders are nominated by the anchor shareholder and elected by the members of the Company.

BOARD EXPERTISE

In keeping with the Company's Corporate Governance Framework, members of the Board are selected from candidates who possess appropriate expertise and skills which supports the work of the Board and the strategic objectives of the Company. The members of the Board are recognized leaders in their respective fields which include banking and finance, strategic management, accounting, risk management, investment banking, capital markets and legal and regulatory compliance.

Members of the Investment Manager's management team are invited to attend Board and Committee meetings and may participate through the presentation of discussion documents, make submissions for consideration, and respond to questions and comments by the Directors.

COMMITTEES OF THE BOARD

The Audit & Governance Committee and the Enterprise Risk Committee each has its own Terms of Reference which sets out the Committee's purpose, membership, quorum and other matters concerning the conduct of its meetings.

Each of the Committees of the Board meets periodically, typically quarterly or more frequently if required, to examine issues that fall within its respective mandate and reports on its activities to the Board. The Audit & Governance Committee and the Enterprise Risk Committee are each comprised of at least three (3) members of the Board and a majority of the Committee are required to be independent directors. The Chairman of each Committee is also appointed by the Board and appointments to the Committees are for a term of three (3) years. Appointments to each Committee, may be extended for an additional three-year period, provided the Director remains independent.

Skills and Areas of Expertise	Horace Messado	Linval Freeman	Pierre Williams	Elizabeth Stair	Ike Johnson	David Cummings
Finance/Accounting	✖	✖	✖		✖	✖
Industry Knowledge		✖		✖	✖	✖
Risk Management		✖	✖		✖	✖
Board/Governance Experience	✖	✖		✖	✖	✖
Legal/Regulatory/Compliance/Government	✖	✖		✖		
Compensation/HR					✖	✖
M&A/Corporate Finance/Investment Banking/Capital Markets	✖		✖		✖	✖
Strategic Planning	✖		✖		✖	✖

Audit & Governance Committee

The primary purpose of the Audit and Governance Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial and operational reporting processes, risk management, internal controls, the audit process and legal and regulatory requirements.

The members of the Committee are:

- Mr. Linval Freeman, Chairman
- Mr. Horace Messado
- Mr. Pierre Williams

Enterprise Risk Committee

The primary purpose of the Enterprise Risk Committee is to have oversight of the Company's risk governance framework including the identification of key business risks and the implementation of mitigating measures by the Company's management to manage these risks.

The members of the Enterprise Risk Committee are:

- Mr. Horace Messado, Chairman
- Ms. Elizabeth Stair
- Mr. Pierre Williams

Investment and Risk Management Committee

While the Board of Directors is ultimately responsible for the risk management policies of the Company, it has delegated the management of credit risk to the Investment and Risk Management Committee of the Board of Directors of Sygnus Capital Limited ("SCL"), the Company's Investment Manager. The Investment and Risk Management Committee is a Board sub-committee of the Investment Manager, SCL, and is responsible for making all investment decisions.

Sygnus Capital Limited is a licensed Securities Dealer in Jamaica and is also a wholly owned subsidiary of Sygnus Capital Group. Sygnus Capital Limited is regulated by the Financial Services Commission.

The purpose of the Investment and Risk Management Committee is to have oversight responsibility for all credit and investment decisions relating to the Company's investment portfolio. The Investment and Risk Management Committee is guided by a Credit Risk Policy and a Real Estate Investment Policy which set out principles and policies for credit risk management and real estate investment risk management respectively.

The Investment and Risk Management Committee consists of three (3) members, two (2) of whom are independent including the Chairman who is appointed by the Board of Directors of the Investment Manager. The members of the Investment and Risk Management Committee are:

- Mr. Milton Brady, Chairman
- Mr. Simon Cawdery
- Mr. Jason Morris, Chief Investment Officer of Sygnus Capital Limited

APPOINTMENT, RE-ELECTION AND TERM OF BOARD MEMBERS

Pursuant to the Articles of Association of the Company, at least one-third of the Directors (except a Director appointed by the holder of the Special Share) are required to retire each year at the Company's Annual General Meeting but shall be eligible for re-election by the Company's shareholders. A Director who is employed to the Company shall cease to be a Director upon termination of employment with the Company.

The Directors to retire in each year shall be those with the longest tenure since their election, but persons who became directors on the same day, the Directors to retire shall (unless agreed between them) be determined by lot.

The Board may appoint a Director of the Company to either fill a casual vacancy or as an addition to the Board, provided the total number of directors does not at any time exceed the maximum number permitted by the Company's Articles of Incorporation. Any Director so appointed shall hold office only until the following Annual General Meeting, when they shall retire. A retiring director shall be eligible for re-election.

To support the Company's commitment to strong corporate governance by fostering new leadership and reducing entrenchment of Directors, Directors are subject to a term limit which seeks to achieve ongoing renewal of the Board. All non-executive Directors will be appointed for an initial term of up to three (3) years, subject to annual re-election by the Company's Shareholders. After the initial three (3) year term, a Director's term may be renewed for a further three (3) year term. The Company's Shareholders may, however, choose to re-elect an independent director who has already served for six (6) years. The Board may remove a Director by a resolution of the Board.

DIRECTOR COMPENSATION

The Company's philosophy is that the level of compensation paid to Board Members should be sufficient to attract and retain high quality directors to support the work of the Board and the strategic objectives of the Company. Directors' compensation is therefore based on market rates and the level of responsibility and time commitment required of each Board member.

Non-executive Directors are paid an annual retainer and fees for attendance at Board and Committee meetings throughout each year.

DIRECTORS' ATTENDANCE AT MEETINGS

There were six (6) Board meetings held during the year. The Audit and Governance Committee held six (6) meetings during the year and the Enterprise Risk Committee held four (4) meetings during the year. The attendance record of each of the Directors for the Board meetings and the Board Committee meetings is listed as follows:

Board of Directors Meeting Attendance 2021/2022	30-Sep-21	14-Oct-21	06-Jan-22	13-Jan-22	13-Apr-22	14-Jul-22
Mr. Horace Messado	✔	✔	✔	✔	✔	✔
Mr. Linval Freeman	✔	✔	✔	✔	✔	✔
Mr. Pierre Williams	✔	✔		✔	✔	✔
Ms. Elizabeth Stair	✔	✔	✔	✔	✔	✔
Mr. Ike Johnson	✔	✔	✔	✔	✔	✔
Mr. David Cummings	✔	✔	✔	✔	✔	✔

Audit and Governance Committee Meeting Attendance 2021/2022	06-Jan-22	13-Jan-22	11-Apr-22	11-Jul-22
Mr. Linval Freeman	✔	✔	✔	✔
Mr. Horace Messado	✔	✔	✔	✔
Mr. Pierre Williams**			✔	✔

** Mr. Pierre Williams was appointed to the Audit and Governance Committee on 8th April 2022.

Enterprise Risk Committee Meeting Attendance 2021/2022	14-Apr-22	12-Jul-22
Mr. Horace Messado	✔	✔
Ms. Elizabeth Stair	✔	✔
Mr. Pierre Williams	✔	✔

CODE OF CONDUCT

The Board of Directors has adopted a Code of Conduct affirming their commitment to the high standard of professionalism expected of Directors in the execution of their duties. All Directors are provided with the Code of Conduct on election to the Board and are required to acknowledge that they have received and read the Code of Conduct annually thereafter. The Code of Conduct describes the standards of conduct expected of each Director including:

- Duty of loyalty to the Company
- Duty of care
- Duty of confidentiality
- Duty to disclose
- Compliance with laws and regulations
- Conflicts of interest
- Acting on material non-public information
- Use of Company assets
- Political activity
- Competing and fair dealing with the Company and others
- Bribery and corruption
- Appointments to other Boards
- Reporting of improper or unethical behaviour

CONFLICTS OF INTEREST

Where the personal or business relationships or interests of any Director conflict with those of the Company, the Director is required to make a written disclosure or request that the disclosure be entered in the minutes of a meeting of the Board. Directors who are conflicted should also recuse themselves from the meeting when the subject giving rise to the conflict of interest is being discussed. Directors are also required to disclose the nature or extent of their interest in contracts with the Company including relationships with any person, company or body that is a party to a contract or proposed contract with the Company.

INSIDER TRADING

The Company has adopted an Insider Trading Policy which sets out the standards and rules (including those based on law) and best practice, with respect to transactions in the securities issued by the Company and its affiliates. The Insider Trading Policy also addresses the handling of material non-public information about the Company and its affiliates.

Board members of the Company, the Management team and the Board members of the Investment Manager are also subject to the Insider Trading Policy with respect to trading in the securities issued by the Company.

BOARD EVALUATION

Periodic evaluation of the Board of Directors is an important part of good corporate governance. Accordingly, the Board of Directors of the Company is committed to periodic evaluations of its composition, structure and performance and to identify areas for improvement where deficiencies or any incompatibility with best practice and the principles of good corporate governance are identified. The evaluation will take the form of a survey to be completed by each Director and which is intended to evaluate the following areas:

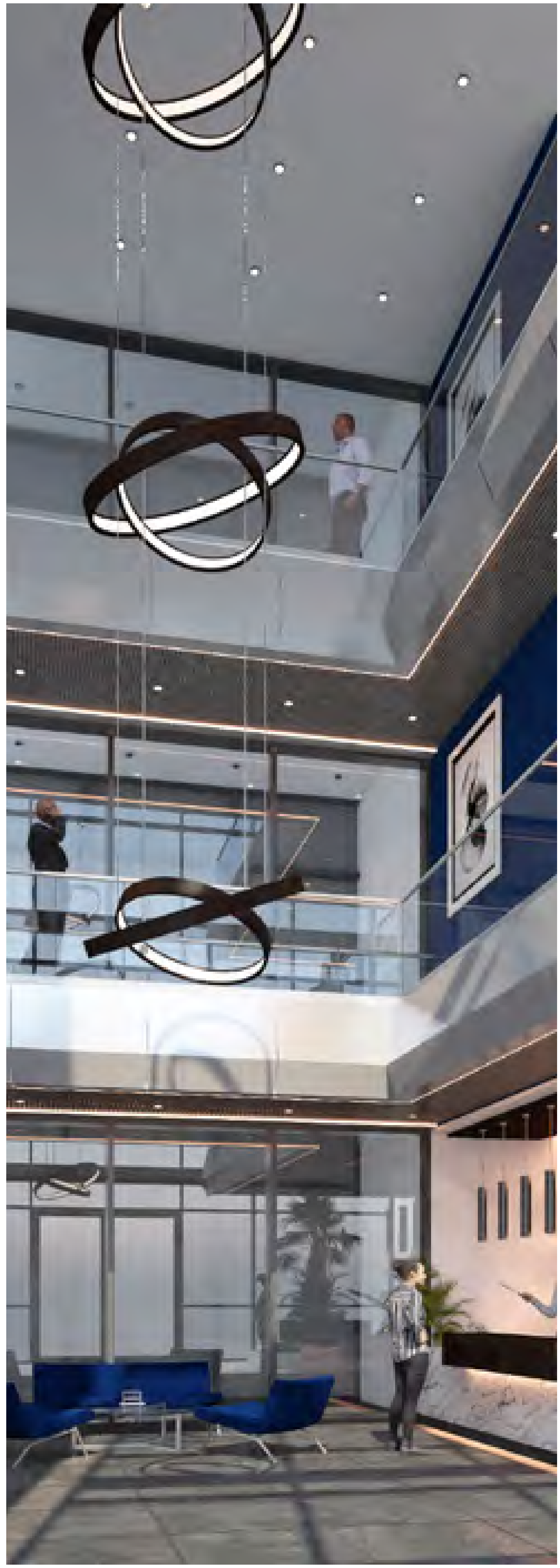
- Board Structure and Culture;
- Board Analysis;
- Monitoring of Risks and Trends;
- Board Conduct; and
- Director Qualification

The results of the Board evaluation exercise will be reviewed by the Board as a whole with the intention that appropriate actions must be taken to remedy any areas of concern which have been highlighted to ensure the continued effectiveness of the Board and the Company's compliance with applicable laws, regulations, policies and industry best practices.

SHAREHOLDER ENGAGEMENT

The Board of Directors and Management of the Company understand that shareholder engagement is critical to keeping Shareholders informed about developments within the Company's business and the strategic direction of the Company. While the Company's Annual General Meeting provides an excellent opportunity for Shareholders to get to know the Sygnus team and to personally engage with the Directors and Management, the Board encourages shareholders and other stakeholders to provide other feedback by utilising other channels of communication. Feedback can be provided by emailing the Board members or the Investment Manager at info@sygnusgroup.com.

Sygnus is committed to deepening shareholder engagement through investor briefings and media events including Sygnus Day which was held on September 22, 2022. The Company also makes extensive use of conventional and social media channels to keep shareholders and stakeholders informed about developments concerning Sygnus and its business. To ensure that shareholders are kept informed on the performance of the company, the company hosted a live investor briefing (earnings call) at the end of each financial quarter. The session is opened to the general public. A recording of each presentation is available on the investor relations section of Sygnus' website at https://sygnusgroup.com/investor-relations/investor-relations-SRF/.



Shareholders' Information

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

TOP TEN SHAREHOLDERS			
No	Shareholders	Shareholdings	% Holdings
1	ATL Group Pension Fund Trustees Nominee Limited	42,000,000	12.9%
2	SJIML A/C 3119	20,000,000	6.1%
3	Dynamix Holdings Incorporated	20,000,000	6.1%
4	Wildelle Limited	17,000,000	5.2%
5	JCSD Trustee Services Ltd - Sigma Equity	16,214,243	5.0%
6	MF&G Asset Management Ltd. - Capital Growth Fund	10,807,160	3.3%
7	MF&G Asset Management Ltd. - Income & Growth Fund	10,807,160	3.3%
8	Lyttleton Ovel Shirley	10,000,000	3.1%
9	Barnett Limited	8,264,500	2.5%
10	D.R.N.A	8,264,400	2.5%
Subtotal		**163,357,463**	**50.0%**
Total		**326,526,232**	**100.0%**

Corporate Social Responsibility Report

Sygnus gives back to the Jamaica Cancer Society

In 2021, the Sygnus team embarked on its now annual tradition of donating funds to the Jamaica Cancer Society. Funneling its support into the project, was Sygnus Real Estate Investment (SRF). The J$500,000 donation allowed 100 women the opportunity to receive free mammograms to assist with early detection of breast cancer. This, during the period where the world shifted focus to the Covid-19 pandemic, resulting in the de-prioritization of breast cancer month. A costly, life saving procedure, SRF was able to to help these underserved women and assist in continuing this important conversation.

Financials

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50 Group Statement of Changes in Equity

51 Group Statement of Cash Flows

52 Company Statement of Financial Position

53 Company Statement of Profit or Loss and Other Comprehensive Income

54 Company Statement of Changes in Equity

55 Company Statement of Cash Flows

56 Notes to the Financial Statements

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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 48 to 106, 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.

KPMG

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 date. 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.

KPMG

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 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.

KPMG

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.

KPMG

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.

KPMG

Chartered Accountants
Saint Lucia
November 30, 2022.

Group Statement of Financial Position

August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Notes	2022 $'000	2021 $'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	9,430,686	6,983,187
Total assets		13,788,075	8,750,923
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	521,107	-
Total liabilities		6,199,073	4,040,841
EQUITY			
Share capital	16	4,718,066	2,532,144
Translation reserve	18	36	(7)
Retained earnings		2,870,900	2,177,945
Total equity		7,589,002	4,710,082
Total liabilities and equity		13,788,075	8,750,923

The financial statements on pages 48 to 106 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

Group Statement of Profit or Loss and Other Comprehensive Income

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Notes	2022 $'000	2021 $'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		16,832	3,190
		663,666	1,076,355
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	93,382	64,877
		365,442	601,055
Operating profit		298,224	475,300
Share of profit of joint venture	6	546,289	29,957
Gain on acquisition of subsidiary	26	-	1,306,341
Profit before taxation		844,513	1,811,598
Taxation	21	(151,558)	-
Profit for the year		692,955	1,811,598
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive income/(loss)		43	(7)
Total comprehensive income for the year		692,998	1,811,591
Basic earnings per stock unit	22	2.20¢	9.93¢
Diluted earnings per stock unit	22	2.06¢	9.93¢

Group Statement of Changes in Equity

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Group				
	Share capital $'000 [Note 16]	Prepaid share reserve $'000 [Note 17]	Translation reserve $'000 [Note 18]	Retained earnings $'000	Total $'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)	1,811,598	1,811,591
Transaction with owners					
Issue of ordinary shares	299,965	-	-	-	299,965
Prepaid shares issued	148,300	(148,300)	-	-	-
	448,265	(148,300)	-	-	299,965
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	692,955	692,998
Transaction with owners					
Issue of ordinary shares	2,307,857	-	-	-	2,307,857
Share issuance costs	(121,935)	-	-	-	(121,935)
	2,185,922	-	-	-	2,185,922
Balances at August 31, 2022	4,718,066	-	36	2,870,900	7,589,002

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

Group Statement of Cash Flows

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Notes	2022 $'000	2021 $'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		151,558	-
		(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		75,981	416,126
		1,140,022	(17,904)
Interest received		128,895	109,268
Interest paid		(121,553)	(82,841)
Net cash provided by operating activities		1,147,364	8,523
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)	-	1,913,253
Net cash (used in)/provided by investing activities		(3,383,123)	179,265
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		(421,654)	1,148,684
Net cash provided by/(used in) financing activities		2,670,646	(265,135)
Effect of foreign exchange movements on cash		19,374	12,505
Net increase/(decrease) in cash		454,261	(64,842)
Cash at beginning of year		9,104	73,946
Cash at end of year		463,365	9,104

Company Statement of Financial Position

August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Notes	2022 $'000	2021 $'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	96,836	16,151
Total assets		7,271,579	4,433,175
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	1,431,796	1,521,900
Total liabilities		3,280,931	2,311,685
EQUITY			
Share capital	16	4,718,066	2,532,144
Accumulated deficit		(727,418)	(410,654)
Total equity		3,990,648	2,121,490
Total liabilities and equity		7,271,579	4,433,175

The financial statements on pages 48 to 106 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.

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Notes	2022 $'000	2021 $'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	(69,346)	(30,960)
		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		3,125	3,190
		9,064	114,930
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	53,768	31,726
		325,828	567,904
Loss for the year		(316,764)	(452,974)

Company Statement of Changes in Equity

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Company			
	Share capital $'000 [Note 16]	Prepaid share reserve $'000 [Note 17]	Retained earnings $'000	Total $'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	148,300	(148,300)	-	-
	448,265	(148,300)	-	299,965
Balances at August 31, 2021	2,532,144	-	(410,654)	2,121,490
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	(121,935)	-	-	(121,935)
	2,185,922	-	-	2,185,922
Balances at August 31, 2022	4,718,066	-	(727,418)	3,990,648

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

Company Statement of Cash Flows

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

	Notes	2022 $'000	2021 $'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)	177,817	(52,676)
		(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		544,354	364,789
		(803,466)	98,941
Interest received		128,840	109,265
Interest paid		(50,387)	(17,446)
Net cash (used in)/provided by operating activities		(725,013)	190,310
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	(218,319)	-
Net cash used in investing activities		(1,623,211)	(1,564,002)
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		(90,104)	1,298,014
Net cash provided by financing activities		2,481,089	1,298,014
Effect of foreign exchange movements on cash		19,701	12,506
Net increase/(decrease) in cash		152,566	(63,172)
Cash at beginning of year		9,028	72,200
Cash at end of year		161,594	9,028

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.

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.

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.

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.

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.

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
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	36,310	-	36,310	-
	36,310	-	2,015,615	855,856
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	-	188,298	-	188,298
	878,268	802,287	1,299,251	754,897
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	12,743	4,734	12,743	4,734
	25,800	8,398	25,800	8,398
Interest payable to shareholder	-	946	-	946
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	336,935	256,527	336,935	256,527
	838,875	713,851	838,875	713,851
Project management fees payable: (note 11)				
Sygnus Capital Limited	194,432	-	-	-
Loan payable to shareholder (note 14)	-	227,084	-	227,084
Investment				
Audere Holdings Limited [note 5 (iii)]	150,000	-	150,000	-
Interest receivable				
Audere Holdings Limited [note 8 (i)]	18,433	-	18,433	-

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:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Subsidiary:				
Sygnus REF Jamaica Limited				
Interest expense	-	-	2,549	3,039
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	39,192	26,587	39,192	26,587
Sygnus Credit Investments Limited				
Interest expense	15,797	14,338	15,797	14,338
Sygnus Deneb Investments Limited				
Interest expense	7,827	3,558	7,827	3,558
Sygnus Tax Advisory Limited				
Professional fees	1,604	3,498	1,604	1,043
Audere Holdings Limited				
Interest expense	2,811	-	2,811	-
Interest income	35,156	-	35,156	-
Shareholder				
Interest expense	-	938	-	938
Directors' fees and related expenses (note 20)				
- Short-term benefits	10,270	4,105	10,270	4,105

(iii) Transaction with Directors

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

Notes to the Financial Statements (continued)

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

5. Investments

	Group & Company	
	2022	2021
	$'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)	222,220	-
	2,483,919	1,256,844

(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:

	Group		Company	
	2022	2021	2022	2021
	$'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	571,009	24,720	-	-
Carrying amount	1,200,019	435,411	629,010	410,691

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%)	1,353,603	478,383		619,949
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	948,970	251,049	1,200,019	435,411
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	733,654	64,177		42,796
Share of total comprehensive income during the year or since date of investment:				
Profit from continuing operations	513,558	32,731	546,289	29,957

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:

	Company	
	2022	2021
	$'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	875,045	875,045
	1,884,605	1,884,605

8. Other assets

	Group		Company	
	2022	2021	2022	2021
	$'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)	28,792	18,344	-	-
	127,934	66,377	96,836	16,151

(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.

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:

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

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

	2022		
	Balance at beginning of year	Recognised in profit or loss	Balance at end of year
	$	$ (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	-	5,953	5,953
Net deferred income tax liabilities	-	(151,558)	(151,558)

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

	Group	
	2022	2021
	$'000	$'000
At beginning of the year	6,983,187	2,502,248
New acquisitions during the year:		
Seaview Avenue (ii)	188,505	-
Lady Musgrave Road (iii)	-	220,959
Hillcrest Avenue (iv)	-	1,011,406
	188,505	1,232,365
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]	716,379	913,396
	9,430,686	6,983,187

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

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

(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:

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**
Income approach: 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.	• Discount rate [(2022:7.5%-8.5%); (2021:Nil)] • Capitalization rate [2022: 7%-8%); (2021:Nil)] based on the length of the lease.	The estimated fair value would increase/(decrease) if: • Discount rate is lower/higher. • Capitalization rate is higher/ lower.

(ix) Fair value hierarchy by fair value measurement used

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

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	38,409
Balance at August 31, 2022	859,729

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

	Group		Company	
	2022	2021	2022	2021
	$'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)	646,405	166,033	518	1,938
	1,562,919	189,335	128,748	17,982

(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.

Notes to the Financial Statements (continued)

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

12. Interest payable

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
J$ 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)]	25,800	8,398	25,800	8,398
	43,449	16,906	35,865	16,906

13. Note payable

	Group & Company	
	2022	2021
	$'000	$'000
Senior secured indexed note	385,271	-

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
US$ 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)]	838,875	713,851	838,875	713,851
	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	6,268	1,915	5,433	1,358
	2,610,659	3,032,313	1,431,796	1,521,900

(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).

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:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance at September 1	3,032,313	1,612,995	1,521,900	209,123
Changes from financing cash flows:				
Proceeds from loans	-	1,148,684	-	1,298,014
Repayment of loans	(421,654)	-	(90,104)	-
	(421,654)	1,148,684	(90,104)	1,298,014
Promissory note	-	224,975	-	-
The effect of changes in foreign exchange rate	(8,203)	45,659	-	10,757
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)	4,075	(9,508)
	8,203	-	-	4,006
Balance at August 31	2,610,659	3,032,313	1,431,796	1,521,900

Notes to the Financial Statements (continued)

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

15. Preference shares

	Group	
	2022	2021
	$'000	$'000
1.5% convertible cumulative redeemable preference shares	521,107	-

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

	2022	2021
	$'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	(166,064)	(44,128)
	4,718,066	2,532,144

(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).

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

	2022 $'000	2021 $'000
At beginning of year	-	148,300
Issued during the year (i)	-	(148,300)
At end of the year	-	-

    (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).

Notes to the Financial Statements (continued)

Year ended August 31, 2022 (expressed in Jamaica dollars unless otherwise indicated)

19. Net interest income

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest income, calculated using the effective interest method				
Cash	289	94	234	91
Investments	118,218	97,382	118,218	97,382
	118,507	97,476	118,452	97,473
Other interest income	99,124	-	99,124	-
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)	-	-
	(148,097)	(88,648)	(69,346)	(30,960)
Net interest income	69,534	8,828	148,230	66,513

20. Other expenses

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
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	977	262	7	1
	93,382	64,877	53,768	31,726

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:

	2022 $'000	2021 $'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)	-
	151,558	-
Total income tax charge	151,558	-

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit/(loss) before taxation	844,513	1,811,598	(316,764)	(452,974)
Computed "expected" tax charge of 1%/30%	(95,573)	(4,554)	(95,029)	(4,530)
Computed "expected" tax credit of 25%	154,200	232,660	-	-
	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	-	19,865	-	-
Actual tax charge recognized	151,558	-	-	-

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).

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.

	2022	2021
Net profit attributable to stockholders of the parent ($'000)	692,955	1,811,598
Weighted average number of ordinary stock units in issue ('000)	314,918	182,457
Basic earnings per stock unit ($)	2.20	9.93

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.

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

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.

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	• Adjusted profit of the issuer(s) based on probability of achievement • Risk-adjusted discount rates	• 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%	The estimated fair value would increase/(decrease) if: • 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:

	Group & Company 2022 $'000	Group & Company 2021 $'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)	52,676
	1,773,059	778,792

(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:

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.

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.

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.

Stage 1	**Stage 2**	**Stage 3**
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

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.

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 unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

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

(iii) Incorporation of forward-looking information

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

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

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

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

(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)

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

	Group and Company 2022	
	Stage 1	**Total**
	$'000	$'000
Credit grade:		
Standard monitoring	710,860	710,860

	Group and Company 2021	
	Stage 1	**Total**
	$'000	$'000
Credit grade:		
Standard monitoring	478,052	478,052

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.

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 months	Over 1 year	Total contractual cash flows	Total carrying amount
	$'000	$'000	$'000	$'000
Financial liabilities				
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	7,919	537,274	545,193	521,107
Total financial liabilities	3,858,608	1,853,847	5,712,455	5,418,984

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

	Group 2021			
	0-12 months	Over 1 year	Total contractual cash flows	Total carrying amount
	$'000	$'000	$'000	$'000
Financial liabilities				
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	1,993,705	1,292,150	3,285,855	3,032,313
Total financial liabilities	3,002,233	1,292,150	4,294,383	4,040,841

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 months $'000	Over 1 year $'000	Total contractual cash flows $'000	Total carrying amount $'000
Financial liabilities				
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	1,507,301	-	1,507,301	1,431,796
Total financial liabilities	3,016,300	424,966	3,441,266	3,280,931

	Company 2021			
	0-12 months $'000	Over 1 year $'000	Total contractual cash flows $'000	Total carrying amount $'000
Financial liabilities				
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	1,596,095	-	1,596,095	1,521,900
Total financial liabilities	2,385,880	-	2,385,880	2,311,685

(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.

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:

	Group			
	2022		2021	
	US$	J$ equivalent	US$	J$ equivalent
Foreign currency assets:				
Cash	1,093	164,923	1	61
Interest receivable	95	14,276	-	-
Due from related parties	-	70	-	-
Investments	2,499	376,923	-	-
	3,687	556,192	1	61
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	3,500	527,904	-	-
	25,510	3,847,526	19,708	2,983,525
Net exposure	(21,823)	(3,291,334)	(19,707)	(2,983,464)

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	
	US$	J$ equivalent	US$	J$ equivalent
Foreign currency assets:				
Cash	1,019	153,673	1	61
Interest receivable	95	14,276	-	-
Due from related parties	-	-	3,513	531,900
Investments	2,499	376,923	-	-
	3,613	544,872	3,514	531,961
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	6,757	1,019,175	8,469	1,282,104
	9,921	1,496,455	8,584	1,299,505
Net exposure	(6,308)	(951,583)	(5,070)	(767,544)

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	
	% change in currency rate	Effect on profit $'000	% change in currency rate	Effect on profit $'000
Currency:				
USD	-4	(131,662)	-6	(179,008)
USD	+1	32,916	+2	59,669

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)

	Company			
	2022		2021	
	% change in currency rate	Effect on profit $'000	% change in currency rate	Effect on profit $'000
USD	-4	(38,063)	-6	(46,053)
USD	+1	9,516	+2	15,351

(ii) Interest rate risk

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

Management of interest rate risk

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

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

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

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:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Effect on profit				
Increase 200 (2021:100) basis points	9,267	91	3,232	90
Effect on profit				
Decrease 50 (2021:100) basis points	(2,317)	(91)	(808)	(90)

(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.

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.

	Group			
	Investments	Investment Property	Total 2022	Total 2021
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	2,333,919	-	2,333,919	956,844
	2,483,919	9,430,686	11,914,605	8,240,031

	Company		
	Investments	Total 2022	Total 2021
Commercial	150,000	150,000	300,000
Residential	2,333,919	2,333,919	956,844
	2,483,919	2,483,919	1,256,844

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.

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	1,500	224,975
	6,000	875,045

(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	875,045
Gain on acquisition	1,306,341

Sygnus Real Estate Finance Limited

Form of Proxy

Affix J$100 stamp here

I/We .... of .... being a member(s) of the Company, HEREBY APPOINT the Chairperson of the Meeting (or his designate) or failing him .... of .... as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the **Bella Rosa Road, Gros Islet, Saint Lucia, on Wednesday May 3,2023 at 11:00 a.m. (10:00 a.m. Jamaica time)** or at any adjournment thereof.

Please indicate with a X in the appropriate box below how you wish to cast your vote. If you do not insert the X in any of the boxes below, your proxy shall be entitled to vote as they deem fit in respect of the resolution corresponding with such box.

No.	Resolutions	For	Against
No. 1	**Audited Accounts** To receive the Reports of the Directors and Auditors and the Audited Accounts for the year ended August 31, 2022, circulated with the Notice convening the meeting.		
No. 2	**Election of Directors**		
(i)	"THAT Mr. Pierre Williams, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."		
(ii)	"THAT Ms. Elizabeth Stair, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers herself for re-election as a director of the Company, be re-elected a director of the Company."		
(iii)	"THAT Mr. Horace Messado, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."		
(iv)	"THAT Mr. David Cummings, who retires in accordance with Article 124 of the Company's Articles of Association, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company."		
No. 3	**Directors' Renumeration** "THAT the amount shown in the Audited Accounts of the Company for the financial year ended August 31, 2022, as remuneration to the Directors for their services be and is hereby approved."		
No. 4	**Appointment of Auditors** "THAT KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be agreed by the Directors of the Company."		
No. 5	**Special Business: Service of Notices and other documents by Electronic Means** "THAT pursuant to Article 185 of the Amended and Restated Articles of Association of the Company, the Shareholders agree to accept Notices, or any document required to be sent by the Company in Electronic Format."		

Signed this ______ day of ______________________________ 2023.

Print Name:____ Signature: _______________________________

Notes for Completion of Form of Proxy

1. A member may appoint a proxy to vote on his behalf. A proxy need not be a member of the Company but must attend the Meeting in person to represent you.
2. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.
3. If you wish to appoint a proxy other than the Chairperson of the Meeting, please insert the person's name and address and delete "the Chairperson of the Meeting."
4. To be valid, the completed proxy form must be delivered to the Company at Bella Rosa Road, Gros Islet, Saint Lucia or, in the case of members resident in Jamaica, at Unit 28, 80 Lady Musgrave Road, Kingston 10, Saint Andrew, Jamaica not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. Proxy forms may also be delivered by e-mail in pdf format to: srf@sygnusgroup.com.
5. Any alterations made in this Form of Proxy should be initialled by the person who signs the proxy form.
6. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names appear in the Register of Members.
7. For members in Jamaica, the Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy form. The Company reserves the right to stamp un-stamped or insufficiently stamped proxy forms.