



**SYGNUS** | REAL ESTATE  
FINANCE

QUARTERLY REPORT

AS AT

**FEB**  
**28<sup>TH</sup>**  
**2023**

# SYGNUS

## REAL ESTATE FINANCE

For Immediate Release

April 14, 2023

# SYGNUS | REAL ESTATE FINANCE



## Q2 EARNINGS CALL

AS AT FEBRUARY 28, 2023

TUESDAY

APRIL 18

2023

@10:00AM

JOIN US VIRTUALLY VIA **zoom**

Registration Link: [https://us02web.zoom.us/webinar/register/WN\\_uioN0vu4S2GGd5F2qIYyYA](https://us02web.zoom.us/webinar/register/WN_uioN0vu4S2GGd5F2qIYyYA)

# Sygnus Real Estate Finance Limited

## Unaudited Results for the 6 Months Ended February 28, 2023

Castries, St Lucia | Friday, April 14, 2023

Sygnus Real Estate Finance Ltd (“SRF” or “the Group”) is pleased to report on the unaudited financial results for the six months ended February 28, 2023 (“6 Month 2023” or “Q2 Feb 2023”). The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The unaudited financial statements for 6 Month 2023 have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the Group’s annual consolidated financial statements as at the financial year ended August 31, 2022 (“FYE Aug 2022”). 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 that offer significant 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).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Results of Operations

The Group continued to unlock value from its major real estate investment assets (“REIAs”) by achieving another set of key milestones namely: advancing the construction of the J\$3.70 billion Belmont Road 9-storey commercial tower to 82.0% completion and remaining on track for completion in mid 2023; advancing the built-to-suit industrial warehouse facility on Spanish Town Road to 93.0% completion; continuing to harvest its investments in REINs with further repayments on a J\$1.0 billion investment in Montego Bay and advancing the value creation process for its strategic hospitality and industrial assets in Mammee Bay, St Ann and Lakespen, St Catherine respectively. Over the course of the next one to two quarters, the Group is expected to complete J\$4.8 billion of real estate projects excluding third party REINs and exit a minimum J\$2.3 billion of investments in calendar year 2023. SRF has already set its sights on executing new investments to replace the ones that are being exited. Book value per share was J\$22.32, up 7.6% versus J\$20.74 last year and SRF’s balance sheet experienced growth of J\$3.93 billion since last year. The Group remains fully focused on executing its strategy of unlocking value in real estate assets, as it seeks to continue increasing shareholder value.

	3 Months	3 Months	6 Months	6 Months	FYE
	Feb-23	Feb-22	Feb-23	Feb-22	Aug-22
Summary Results of Operations	JAS'000	JAS'000	JAS'000	JAS'000	JAS'000
Interest Income	67,274	58,849	142,205	94,181	217,631
Interest Expense	(91,736)	(27,914)	(153,736)	(65,469)	(148,097)
Net Interest Income	(24,462)	30,935	(11,531)	28,712	69,534
Commitment Fees	9,387	3,125	17,640	3,125	16,832
Gain on Investment Property	-	-	-	-	716,379
Share of Gain (Loss) on Joint Ventures	3,153	877	3,299	(1,283)	546,289
<b>Total Investment Income</b>	<b>(11,922)</b>	<b>34,937</b>	<b>9,408</b>	<b>30,554</b>	<b>1,349,034</b>
Total Operating Expenses	(112,164)	(94,777)	(215,859)	(177,745)	(365,442)
<b>Net Investment Income</b>	<b>(124,086)</b>	<b>(59,840)</b>	<b>(206,451)</b>	<b>(147,191)</b>	<b>983,592</b>
Fair Value Gain (Loss) on Financial Instruments	(24,797)	30,510	(48,189)	41,376	(177,817)
Net Foreign Exchange Gain (Loss)	19,510	4,540	(47,231)	(18,920)	38,738
<b>Profit (Loss) before Taxation</b>	<b>(129,373)</b>	<b>(24,790)</b>	<b>(301,871)</b>	<b>(124,734)</b>	<b>844,513</b>
Taxation	-	-	-	-	(151,558)
<b>Net Profit (Loss) Attributable to Shareholders</b>	<b>(129,373)</b>	<b>(24,790)</b>	<b>(301,871)</b>	<b>(124,734)</b>	<b>692,955</b>
Basic Earnings Per Share (JA\$)	(0.40)	(0.08)	(0.92)	(0.41)	2.20
Diluted Earnings Per Share (JA\$)	(0.37)	(0.07)	(0.86)	(0.38)	2.06
Net Investment Income Per Share (JA\$)	(0.38)	(0.20)	(0.63)	(0.49)	3.12
Diluted Net Investment Income Per Share (JA\$)	(0.35)	(0.17)	(0.59)	(0.45)	2.92

For the 6 Month 2023, total investment income or core revenues was J\$9.41 million compared to J\$30.55 million for the six months ended February 28, 2022 (“6 Month 2022” or “Q2 Feb 2022”). For the three months ended February 28, 2023 (“Q2 2023”) and 2022 (“Q2 2022”), total investment income was a loss of J\$11.92 million versus a gain of J\$34.94 million, respectively. This performance was primarily driven by higher net interest expense due to a higher use of debt to finance growth in real estate investment assets relative to last year. The weighted average fair value yield on REINs was 9.6% compared with 9.8% last year, while the weighted average cost of debt was 6.5% compared with 4.2% last year. The increase in average cost of debt and decline in weighted average fair value yield on REINs are primarily driven by “lumpy” cashflows. The apparent “lumpiness” is expected to be normalized at the end of the financial year when real estate investment assets are revalued.

The share of gain on joint ventures, which captures SRF’s 70.0% ownership of the One Belmont development, amounts to J\$3.30 million for the 6 Months 2023 compared to a loss of J\$1.28 million last year, and J\$3.15 million for Q2 2023 versus J\$877.0 thousand last year. Given that One Belmont is scheduled to reach practical completion prior to the end of the current financial year, the revaluation of share of profit is likely to occur prior to the FYE August 2023 financial results. This revaluation may materially impact total investment income during the quarter in which it occurs. One Belmont has already negotiated long term leases with tenants, to the extent that lease payments begin while SRF still maintains its share of the joint venture or a portion thereof, these lease flows may affect total investment income for the corresponding quarter.

**Sygnus Real Estate Finance Limited**  
**Unaudited Results for the 6 Months Ended February 28, 2023**

SRF's total investment income is comprised of all the activities that were involved in the unlocking of value from its portfolio of real estate investment assets, namely: interest income and commitment fees related to REINs; gain or loss on property investments 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 normalized at the end of each financial year, similar to what occurred in FYE Aug 2022 relative to the interim quarterly results. The Group uses independent appraisers to value its investment assets 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.

<b><i>SRF Subsidiaries   Joint Ventures</i></b>	<b><i>Ultimate Underlying Asset</i></b>	<b><i>Company Type</i></b>
<b>Audere Holdings Limited</b>	<b>78,790 sq. ft. commercial tower development. One Belmont   1-3 Belmont Road, Kingston</b>	<b>70% Joint Venture</b>
<b>Charlemagne Holdings Limited</b>	<b>1-3 Hillcrest Avenue, Kingston (former French Embassy). 3.2 acres   Commercial or Residential</b>	<b>100% Subsidiary</b>
<b>Lakespen Holdings (Shares)</b>	<b>Lakespen, St. Catherine. 55 acres   Industrial</b>	<b>100% Subsidiary</b>
<b>Monadh Rois Holdings Limited</b>	<b>Montrose Road, Kingston. 0.9 acre   Residential</b>	<b>51% Joint Venture</b>
<b>Sepheus Holdings Limited</b>	<b>Mammee Bay, St Ann. 14.4 acres   Hospitality</b>	<b>100% Subsidiary</b>
<b>Sygnus REF Jamaica Limited</b>	<b>56 Lady Musgrave Road, Kingston. 0.6 acres   Commercial</b>	<b>100% Subsidiary</b>
	<b>58 Lady Musgrave Road. Kingston. 0.6 acres   Commercial</b>	
	<b>32,553 sq. ft. industrial development. Spanish-Penwood   443-445 Spanish Town Road, Kingston.</b>	
	<b>26 Seaview Avenue, Kingston. 0.6 acres   Commercial</b>	

Net investment income or core earnings for 6 Months 2023 was negative J\$206.45 million versus negative J\$147.19 million last year. For Q2 2023, net investment income was negative J\$124.09 million relative to negative J\$59.84 million last year. For FYE August 2022 SRF generated J\$983.6 million in net investment income.

The net loss attributable to shareholders for 6 Months 2023 amounted to J\$301.87 million versus net loss of J\$124.73 million last year while the Q2 2023 performance amounted to a net loss of J\$129.37 million versus net loss of J\$24.79 million last year. This was driven by negative net investment income of J\$206.45 million (Q2 2023: J\$124.09 million), fair value loss on financial instruments of J\$48.19 million (Q2 2023: loss of J\$24.80 million versus Q2 2022: gain of J\$30.51 million) and foreign exchange loss of J\$47.23 million (Q2 2023: J\$19.51 million versus Q2 2022: gain of J\$4.54 million). It should be noted that SRF's net profit may be positively impacted by the completion of the One Belmont development and by the exiting investments in REINs, which are scheduled to occur prior to the end of the current financial year. At the end of the current financial year, SRF's net profit may also be materially impacted by changes in the valuation of its underlying real estate investment assets, as valuation for existing assets only occurs once at the end of each financial year. Book value per share for Q2 2023 increased by 7.6% to J\$22.32 compared with J\$20.74 last year. Note: the Group's return on average equity (ROE) was 11.3% at FYE Aug 2022 with an average ROE of 30.6% over the past three audited financial years. For FYE August 2022, SRF generated J\$693.0 million in net profit.

Basic earnings per share (EPS) was negative J\$0.92 for 6 Months 2023 (Q2 2023: negative J\$0.40) relative to J\$0.41 last year (Q2 2022: negative J\$0.08), while diluted EPS was negative J\$0.86 for 6 Months 2023 (Q2 2023: negative J\$0.37) compared to negative J\$0.38 last year (Q2 2022: negative J\$0.07).

A Note on Future Dividend Consideration

The Group is scheduled to exit more than one substantial investment during the current financial year, which coincides with the completion of its first investment life cycle, which typically averages 3 to 5 years. In keeping with this principle, the Group may likely consider its first dividend payment during the 2023 calendar year from the net proceeds of these investment exits.

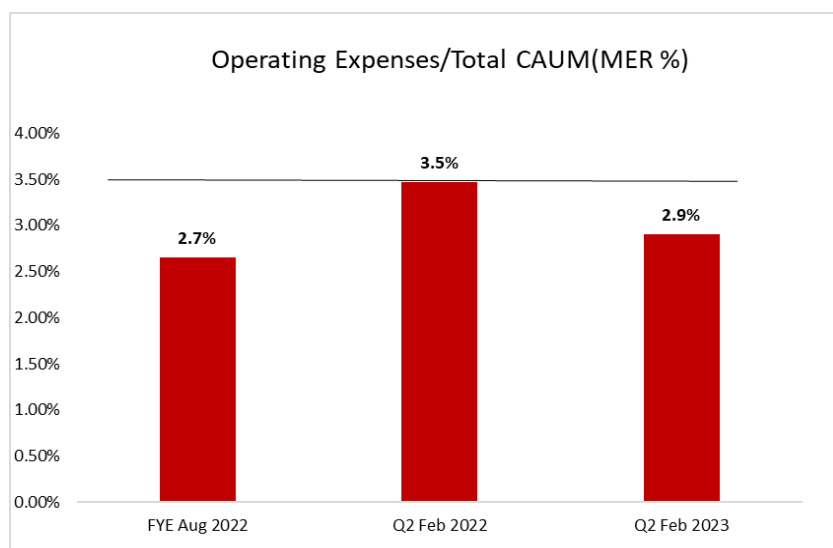
## Sygnus Real Estate Finance Limited

### Unaudited Results for the 6 Months Ended February 28, 2023

#### Total Operating Expenses

SRF reported total operating expenses for the 6 months 2023 of J\$215.86 million, up 21.4% or J\$38.11 million, relative to J\$177.75 million last year (Q2 2023: J\$112.16 million, up 18.3% or J\$17.39 million), which was primarily driven by growth in management fees (43.3% or J\$43.34 million increase), growth in corporate services fees (29.3% or J\$5.37 million increase). These items collectively represented 77.4% (Q2 2023: 77.6%) of total operating expenses.

Management fees are computed as 2.0% of the core assets under management (CAUM), namely total assets less project finance related debt of subsidiary companies and less any minority interests. Growth in CAUM of 45.1% or J\$4.63 billion gave rise to the higher management and corporate services fees. Performance fees are computed annually as 20% of the excess returns above a 6.5% return on equity (ROE) hurdle rate.



#### Efficiency Ratio and Management Expense Ratio

SRF's management expense ratio (MER), computed as total operating expenses as a percentage of total core assets under management, was 2.9% (this is an annualized rate), within the target threshold level of 3.5% and lower than the 3.5% reported last year. This ratio is assessed at the end of each financial year but annualized and tracked during interim quarterly reports. Given the "lumpy" nature of SRF's interim financial statements in relation to total investment income, the efficiency ratio, computed as total operating expenses as a percentage of total investment income, is assessed at the end of each financial year, when the full income earning potential of SRF is actualized. The target threshold for the efficiency ratio is 45.0%. The efficiency and management expense ratios at FYE Aug 2022 were 27.1% and 2.7% respectively.

#### Fair-Value Gains or Losses

SRF generates a fair value gain or loss on a portion of its REINs, which are carried at fair value through its income statement. These customized investments are primarily 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 the 6 Month 2023, SRF reported a fair value loss of J\$48.19 million (Q2 2023: loss of J\$24.80 million) compared with a gain of J\$41.38 million last year (Q2 2022: gain of J\$30.51 million), primarily reflecting an adverse movement in market interest rates used to value the instruments.

#### Net Foreign Exchange Gains or Losses

Net foreign exchange losses were J\$47.23 million for the 6 Months 2023 compared to a loss of J\$18.92 million last year. For Q2 2023, there was a net foreign exchange gain of J\$19.51 million relative to J\$4.54 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. The vast majority of SRF's real estate investment assets were denominated in USD, but these assets are only valued once per year or if there is a material change that warrants a new valuation, that is, these assets are not marked-to-market assets. Therefore, although they are USD assets, they are not counted as financial instruments and thus do not affect net foreign exchange gain or loss as calculated and reported in the interim financial statements.

Explained differently, more than 80.0% of SRF's real estate investment assets are denominated in USD, but none of these assets are classified as financial instruments. Thus, SRF had a net short USD exposure of US\$26.48 million driven primarily by US\$19.94 million in loans and borrowings, US\$3.85 million in notes payable and US\$3.46 million in convertible preference shares.

# Sygnus Real Estate Finance Limited

## Unaudited Results for the 6 Months Ended February 28, 2023

### Real Estate Investment Activity

At the end of Q2 2023, SRF's investment in real estate investment assets grew by 38.7% or J\$3.93 billion to a record J\$14.06 billion, spanning 16 investments vs J\$10.13 billion in 15 investments last year. For FYE Aug 2022 SRF's real estate investment portfolio was J\$13.11 billion. SRF

	6 Months Feb 2023	6 Months Feb 2022	FYE Aug 2022
Summary of Investment Activity	JAS'000	JAS'000	JAS'000
Fair Value of Real Estate Investment Assets	14,059,520	10,133,543	13,114,624
New Commitments in Real Estate Investment Assets	2,027,133	1,049,780	3,385,428
Number of Real Estate Investment Assets(#)	16	15	16
Dry Powder*	645,660	66,730	463,365
Number of investments Exited(#)	1	1	2
Value of Investments Exited	279,463	52,841	352,841
Number of Real Estate Investment Notes(#)	7	7	8
Fair Value of Real Estate Investment Notes	2,184,760	1,796,810	2,483,919
Basic FV per share	43.06	33.43	41.64
Diluted FV per share	40.11	30.80	38.91
Fair Value Yield on Real Estate Investment Notes(%)	9.6%	9.8%	11.1%

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

deployed J\$2.03 billion in new investment commitments, up 93.1% or J\$977.35 million vs J\$1.05 billion last year, driven by a combination of financing for SRF's development including the One Belmont, the strategic purchase of 0.63 acres of investment property located at 58 Lady Musgrave Road, Kingston 10 and investments in REINs. Fair value in REINs rose by 21.6% or J\$387.95 million to J\$2.18 billion, primarily driven by additional capital deployment into projects with a fair value yield of 9.6%, compared with J\$1.80 billion at a fair value yield of 9.8% as at Q2 2022. Some REINs are structured with a profit-sharing component, thus unlocking additional upside upon exiting the investment. Additionally, due to the rising interest rate environment, SRF may strategically enter new REINs at higher interest rates with funds generated from ongoing exits. During Q2 2023, SRF exited J\$279.46 million in REINs. Over the next 6 months, SRF is expected to exit in excess of J\$2.00 billion from real estate investments that are at the advanced stages of completion.

SRF had J\$645.66 million in dry powder on the balance sheet at the end of Q2 2023 vs J\$66.70 million last year. This dry powder does not include undrawn revolving credit facilities, available bridge facilities and J\$660.0 million in construction loans.

### Summary Update of Some Major Strategic Assets

SRF's major investment projects were at various stages of execution as it continued the diligent execution of its 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: Belmont Road, Kingston | Commercial – Corporate Offices:** The J\$3.70 billion 9-storey corporate office development is currently 82.0% completed, with construction on track for mid 2023 completion. The substructure is 100% completed with pouring of concrete for all floors completed. Installation of elevators and AC are currently underway, along with the external finishes for windows and cladding. This means that four of the five floors are effectively leased. The intended tenants of the building have begun the process to select and execute their respective interior designs to meet their respective needs.

**Spanish Penwood: Spanish Town Road, Kingston | Industrial - Warehouse:** The Spanish Penwood built-to-suit facility tailored to the specific needs of IMCA Jamaica is 93.0% completed.



**Mammee Bay, St Ann | Hospitality:** SRF has substantially advanced the value creation process for this 14-acre beachfront strategic asset. The Group continues discussions and negotiations with prospective financiers and potential investors to unlock the value in the asset, while pursuing approvals from various regulatory bodies.

**Hillcrest Avenue, Kingston | Commercial – Corporate Offices or Residential - Townhouses:** 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, currently has a tenant with a short-term lease.

## Sygnus Real Estate Finance Limited Unaudited Results for the 6 Months Ended February 28, 2023

**Lakespen Holdings, St Catherine | Industrial – Warehouses, Light Manufacturing, Distribution:** SRF continues to work on the development planning phase with its strategic partners to unlock the optimal value on this 55-acres industrial property. An international consulting firm is engaged on the project.

**Monadh-Rois | Residential:** SRF entered into this joint venture during FYE Aug 2022 and has begun the process to unlock the value from this 0.9-acre property located in Kingston’s golden triangle. This asset will target the luxury residential segment. Design development is currently in progress.

**56 Lady Musgrave Road:** The value creation process began for this investment property located in Kingston’s business district.

**58 Lady Musgrave Road:** The value creation process began for this investment property located in Kingston’s business district.

**26 Seaview Avenue:** The value creation process will begin at the appropriate time.

### Summary Update on REIN Exit

SRF’s current exposure to residential real estate is primarily driven by REINs, which is the financing of third party projects.

### **Surreal at the Sugar-Mill | 24 Luxury Apartments, 2 Townhouses:**

This project achieved practical completion in October 2022, with additional finishing works applied subsequently. SRF is currently exiting the project through sale of units.



### Allocation by Real Estate Category and Investment Category

As at Q2 2023, SRF’s investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property with 37.2%, industrial-investment property with 16.6% and commercial-investment property with 14.3%.

SRF’s capital was primarily allocated across three investment categories, namely property investments at 75.9%, REINs at 15.5% and joint ventures at 8.6%. 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 and have not yet achieved its steady state investment level. By design, SRF’s strategy requires the Company to make strategic property acquisitions, and then unlock the underlying value by monetizing these assets over time. 100% of SRFs capital was deployed into the real estate asset class within the Jamaican economy.

# Sygnus Real Estate Finance Limited

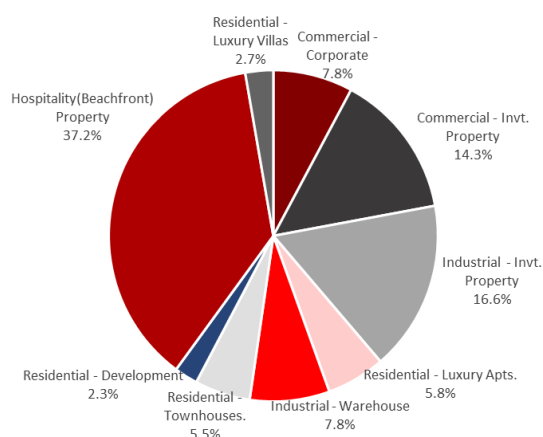
## Unaudited Results for the 6 Months Ended February 28, 2023

### Balance Sheet Summary

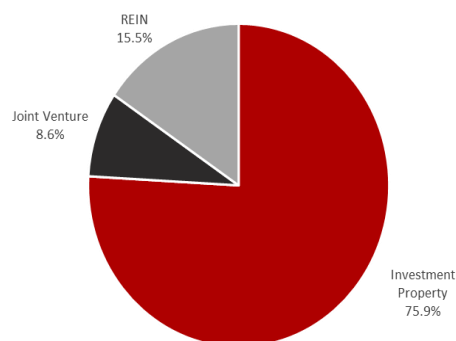
As at February 28, 2023, SRF's total assets increased by 45.1% or J\$4.63 billion to J\$14.87 billion compared with J\$10.25 billion last year. This was primarily driven by a 38.9% or J\$2.99 billion increase in investment property to J\$10.67 billion compared with J\$7.68 billion last year, 21.6% or J\$387.95 million increase in REINs to J\$2.18 billion versus J\$1.80 billion last year. The increase in the value of investment property primarily reflected valuation gains for Mammee Bay, Spanish Penwood development, Lakespen, Hillcrest, 56 Lady Musgrave and the acquisition of 58 Lady Musgrave and Seaview properties relative to last year.

Investment in joint ventures primarily reflected SRF's 70% ownership interest in Audere Holdings, the joint venture that holds the assets of the One Belmont commercial tower. The remainder reflected the 51% ownership interest in Monadh Rois, the new joint venture that was executed during the last financial year.

SRF Allocation by Real Estate Category: Feb 28, 2023



SRF Allocation by Investment Category: Feb 28, 2023



### Shareholders' Equity

As at six months February 28, 2023, shareholder's equity grew by 7.6% or J\$515.86 million to J\$7.29 billion compared with J\$6.77 billion last year, showing the value created for shareholders relative to last year. Book value per share was J\$22.32 for 6 Months 2023 compared to J\$20.74 last year, driven primarily by the higher weighted shares outstanding between the reporting periods. This represents a 15.6% premium over the general initial public offering price of J\$19.30 and a premium of 24.7% to the initial public offering discounted price of J\$17.90. The current book value per share does not reflect any future value creation from the multiple undeveloped assets on SRF's balance sheet. SRF's average return on equity over the past three audited years, since the Group began its operations, was 30.6%


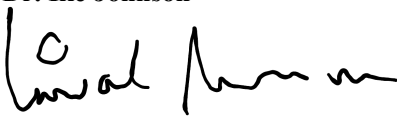


**Sygnus Real Estate Finance Limited**  
**Unaudited Results for the 6 Months Ended February 28, 2023**

	<b>6 Months Feb 2023</b>	<b>6 Months Feb 2022</b>	<b>FYE AUG 2022</b>
<b>Summary of Balance Sheet Information</b>	<b>JA\$'000</b>	<b>JA\$'000</b>	<b>JA\$'000</b>
Cash and Cash Equivalents	585,140	66,730	463,365
Repurchase Agreements	60,520	-	-
<b>Un-deployed Cash/Dry Powder</b>	<b>645,660</b>	<b>66,730</b>	<b>463,365</b>
Investment Property	10,671,442	7,684,285	9,430,687
Deposit on Investment Property	-	-	28,792
<b>Total Property Investments</b>	<b>10,671,442</b>	<b>7,684,285</b>	<b>9,459,479</b>
Investments Measured at FV through P&L	1,717,010	1,081,092	1,773,059
Investments Measured at Amortized Cost	467,744	715,718	710,859
<b>Total Real Estate Investment Notes</b>	<b>2,184,760</b>	<b>1,796,810</b>	<b>2,483,919</b>
<b>Investment in Joint Ventures</b>	<b>1,203,317</b>	<b>652,447</b>	<b>1,200,019</b>
<b>Total Real Estate Investment Assets</b>	<b>14,059,520</b>	<b>10,133,543</b>	<b>13,143,416</b>
	<b>14,705,180</b>	<b>10,200,273</b>	<b>13,606,781</b>
<b>Other Assets:</b>			
Prepaid Expenses	1,881	890	4,247
Accounts Receivable	-	-	1,810
Investment Income Receivable	115,402	45,457	93,084
Deferred Tax Asset	45,842	-	45,842
Due from Related Entities	4,514	-	36,310
<b>Total Assets</b>	<b>14,872,819</b>	<b>10,246,619</b>	<b>13,788,075</b>
Share Capital	4,718,066	4,718,066	4,718,066
Foreign Currency translation reserve	8	(37)	36
Retained Earnings	2,569,029	2,053,210	2,870,900
<b>Total Shareholder's Equity</b>	<b>7,287,102</b>	<b>6,771,238</b>	<b>7,589,002</b>
<b>Total Liabilities and Equity</b>	<b>14,872,819</b>	<b>10,246,619</b>	<b>13,788,075</b>

SYGNUS REAL ESTATE FINANCE LIMITED  
 Consolidated Statement of Financial Position  
 February 28, 2023

(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited 28 February 2023 \$'000	Unaudited 28 February 2022 \$'000	Audited 31 August 2022 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	585,140	66,730	463,365
Securities purchased under resale agreements	60,520	-	-
Due from related parties	4,514	-	36,310
Investments	2,184,760	1,796,810	2,483,919
Interest in joint venture	1,203,317	652,447	1,200,019
Other assets	117,284	46,347	127,934
Deferred tax asset	45,842	-	45,842
Investment property	10,671,442	7,684,285	9,430,686
	<b>14,872,819</b>	<b>10,246,619</b>	<b>13,788,075</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,651,823	320,063	1,562,919
Due to related parties	1,037,081	1,128,278	878,268
Interest payable	115,343	22,823	43,449
Notes payable	586,900	-	385,271
Loans and borrowings	3,466,846	1,477,819	2,610,659
Deferred tax liabilities	197,400	-	197,400
Preference shares	530,323	526,397	521,107
	<b>7,585,716</b>	<b>3,475,380</b>	<b>6,199,073</b>
<b>EQUITY</b>			
Share capital	4,718,066	4,718,066	4,718,066
Translation reserve	8	(37)	36
Retained earnings	2,569,029	2,053,210	2,870,900
	<b>7,287,103</b>	<b>6,771,239</b>	<b>7,589,002</b>
	<b>14,872,819</b>	<b>10,246,619</b>	<b>13,788,075</b>
	<b>14,872,819</b>	<b>10,246,619</b>	<b>13,788,075</b>
<b>Director</b>			
<b>Dr. Ike Johnson</b>			
	<b>7,287,103</b>	<b>6,771,239</b>	<b>7,589,002</b>
<b>Director</b>			
<b>Linval Freeman</b>			

SYGNUS REAL ESTATE FINANCE LIMITED  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
Six months ended February 28, 2023  
*(Expressed in Jamaica dollars unless otherwise indicated)*

	Unaudited Three months ended 28 Feb 2023 \$'000	Unaudited Three months ended 28 Feb 2022 \$'000	Unaudited Six months ended 28 Feb 2023 \$'000	Unaudited Six months ended 28 Feb 2022 \$'000	Audited Year ended 31 Aug 2022 \$'000
<b>Net interest income and other revenue</b>					
Interest income, calculated using the effective interest method	37,230	41,930	71,074	62,474	118,507
Other interest income	30,044	16,919	71,131	31,707	99,124
Interest expense	(91,736)	(27,914)	(153,736)	(65,469)	(148,097)
Fair value (loss)/gain from financial instruments at fair value through profit or loss (FVTPL)	(24,462)	30,935	(11,531)	28,712	69,534
Foreign exchange gain/(loss)	(24,797)	30,510	(48,189)	41,376	(177,817)
Fair value gain on investment property	19,510	4,540	(47,231)	(18,920)	38,738
Other income	-	-	-	-	716,379
	9,387	3,125	17,640	3,125	16,832
	(20,362)	69,110	(89,311)	54,293	663,666
<b>Operating expenses</b>					
Management fees	74,838	51,810	143,464	100,127	220,382
Corporate service fees	12,158	9,107	23,707	18,342	39,192
Performance fees	-	-	-	12,486	12,486
Other expenses	25,168	33,860	48,688	46,790	93,382
	112,164	94,777	215,859	177,745	365,442
<b>Operating (loss)/profit</b>	(132,526)	(25,667)	(305,170)	(123,452)	298,224
Share of profit/(loss) of joint venture	3,153	877	3,299	(1,283)	546,289
<b>(Loss)/profit before taxation</b>	(129,373)	(24,790)	(301,871)	(124,735)	844,513
Taxation	-	-	-	-	(151,558)
<b>(Loss)/profit for the period</b>	(129,373)	(24,790)	(301,871)	(124,735)	692,955
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive income/(loss)	34	14	(28)	(30)	43
<b>Total comprehensive (loss)/income for the period</b>	(129,339)	(24,776)	(301,899)	(124,765)	692,998
Basic earnings per stock unit	(\$0.40)	(\$0.08)	(\$0.92)	(\$0.41)	\$2.20
Diluted earnings per stock unit	(\$0.37)	(\$0.07)	(\$0.86)	(\$0.38)	\$2.06

SYGNUS REAL ESTATE FINANCE LIMITED  
Consolidated Statement of Changes in Equity  
Six months ended February 28, 2023  
*(Expressed in Jamaica dollars unless otherwise indicated)*

	Share capital \$'000	Prepaid share reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balances at August 31, 2021</b>	2,532,144	-	(7)	2,177,945	4,710,082
<b>Total comprehensive loss</b>	-	-	-	(124,735)	(124,735)
Loss for the period	-	-	(30)	-	(30)
Other comprehensive loss	-	-	(30)	-	(30)
<b>Transaction with owners</b>	-	-	(30)	(124,735)	(124,765)
Issue of ordinary shares	2,307,857	-	-	-	2,307,857
Share issuance costs	(121,935)	-	-	-	(121,935)
	2,185,922	-	-	-	2,185,922
<b>Balances at February 28, 2022</b>	4,718,066	-	(37)	2,053,210	6,771,239
<b>Balances at August 31, 2022</b>	4,718,066	-	36	2,870,900	7,589,002
<b>Total comprehensive loss</b>	-	-	-	(301,871)	(301,871)
Loss for the period	-	-	(28)	-	(28)
Other comprehensive loss	-	-	(28)	-	(301,899)
<b>Balances at February 28, 2023</b>	4,718,066	-	8	2,569,029	7,287,103

SYGNUS REAL ESTATE FINANCE LIMITED  
Consolidated Statement of Cash Flows  
Six months ended February 28, 2023  
*(Expressed in Jamaica dollars unless otherwise indicated)*

	Unaudited Six months ended 28 Feb 2023 \$'000	Unaudited Six months ended 28 Feb 2022 \$'000	Audited Year ended 31 Aug 2022 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period	(301,871)	(124,735)	692,955
Adjustments for:			
Interest income	(142,205)	(94,181)	(217,631)
Interest expense	153,736	65,469	148,097
Share of (profit)/loss of joint ventures	(3,299)	1,283	(546,289)
Foreign exchange (gain)/loss	(2,726)	18,884	(19,331)
Fair value loss/(gain) on investments	48,189	(41,376)	177,817
Fair value gain on investment property	-	-	(716,379)
Taxation	-	-	151,558
	<u>(248,176)</u>	<u>(174,656)</u>	<u>(329,203)</u>
Changes in operating assets and liabilities:			
Other receivables	32,969	61,140	55,972
Due from related parties	31,796	-	(36,310)
Accounts payable and accrued liabilities	88,905	143,544	1,373,582
Due to related parties	158,812	323,925	75,981
	<u>64,306</u>	<u>353,953</u>	<u>1,140,022</u>
Interest received	119,887	53,072	128,895
Interest paid	(81,842)	(59,552)	(121,553)
	<u>(102,351)</u>	<u>(347,473)</u>	<u>(1,147,364)</u>
Net cash provided by operating activities	<u>102,351</u>	<u>347,473</u>	<u>1,147,364</u>
<b>Cash flows from investing activities</b>			
Investments	250,970	(498,591)	(1,404,892)
Repurchase agreements	(60,520)	-	-
Investment in joint venture	-	(218,319)	(218,319)
Deposit paid on real estate acquisition	-	-	(28,792)
Acquisition of investment property	(284,060)	(188,505)	(188,505)
Additions to investment property	(956,695)	(512,593)	(1,542,615)
	<u>(1,050,305)</u>	<u>(1,418,008)</u>	<u>(3,383,123)</u>
Net cash used in investing activities	<u>(1,050,305)</u>	<u>(1,418,008)</u>	<u>(3,383,123)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares	-	2,307,857	2,307,857
Transaction costs related to issue of shares	-	(121,935)	(121,935)
Preference shares	9,216	517,361	521,107
Notes payable	201,629	-	385,271
Loans and borrowings	856,187	(1,602,562)	(421,654)
	<u>1,067,032</u>	<u>1,100,721</u>	<u>2,670,646</u>
Net cash provided by financing activities	<u>1,067,032</u>	<u>1,100,721</u>	<u>2,670,646</u>
Effect of foreign exchange movements on cash and cash equivalents	<u>2,697</u>	<u>27,440</u>	<u>19,374</u>
<b>Net increase in cash and cash equivalents</b>	<u>121,775</u>	<u>57,626</u>	<u>454,261</u>
Cash and cash equivalents at beginning of period	<u>463,365</u>	<u>9,104</u>	<u>9,104</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>585,140</u></u>	<u><u>66,730</u></u>	<u><u>463,365</u></u>

## 1. Identification

Sygnus Real Estate Finance Limited (“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. The Company’s registered office is located at 20 Micoud Street, Castries, Saint Lucia.

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. Capital is deployed at the value creation stage of the real estate investment life cycle. The investment strategy focuses on real estate investment assets that offer appreciation through active management of equity investments complemented by income generated from the debt and quasi debt investments used to finance real estate assets.

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 types 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.

The investment assets of the Company are managed by its Investment Manager, Sygnus Capital Limited (“SCL”), a related company incorporated in Jamaica. SCL is a licensed securities dealer, regulated by the Financial Services Commission in Jamaica.

The Company has the following subsidiaries:

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Principal Activities</u>	<u>Percentage Ownership</u>
Sygnus REF Jamaica Limited	Jamaica	Holding real estate	100%
Sepheus Holdings Limited	Jamaica	Holding real estate	100%
Charlemagne Holdings Limited	Jamaica	Holding real estate	100%
Lakespen Holdings Limited	Saint Lucia	Holding company	100%

The Company also holds a 70% and a 51% interest in joint ventures, Audere Holdings Limited and Monadh Rois Limited respectively.

The Company, its subsidiaries and joint venture interests are collectively referred to as “the Group” in these condensed financial statements.

## **2. Statement of compliance and basis of preparation**

### **(a) Statement of compliance**

These condensed consolidated interim financial statements for the six months ended February 28, 2023 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended August 31, 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group's financial position and performance since its last audited financial statements.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended August 31, 2022 which were prepared in accordance with International Financial Reporting Standards (IFRS).

#### New standards effective in the current period

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

### **(b) Basis of preparation**

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

### **(c) Functional and presentation currency**

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

## **3. Significant accounting policies**

### **(a) Joint venture arrangements**

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

### 3. Significant accounting policies (continued)

#### (b) Investment property

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

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

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

#### (c) 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.

##### (i) Classification and measurement

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

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

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

##### (ii) Impairment

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

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



### 3. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) Impairment (continued)

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

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

#### (d) Segment reporting

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 manager in the position of chief operating decision maker. The information presented and reviewed is categorized into one main business segment, which is investment in real estate assets. The Group uses profit or loss before taxation to measure performance of its business as a whole.

### 4. Earnings per share

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

	2023		2022	
	Basic	Diluted	Basic	Diluted
Net loss attributable to stockholders of the parent (\$'000)	(301,871)	(301,871)	(124,735)	(124,735)
Weighted average number of ordinary stock units in issue ('000)	326,526	350,543	303,117	328,975
Earnings per stock unit (\$)	<u>(0.92)</u>	<u>(0.86)</u>	<u>(0.41)</u>	<u>(0.38)</u>

SYGNUS REAL ESTATE FINANCE LIMITED  
Notes to the Consolidated Financial Statements  
Six months ended February 28, 2023  
*(expressed in Jamaica dollars unless otherwise indicated)*

**5. Investments**

	2023 \$'000	2022 \$'000
Fair value through profit or loss:		
Preference shares	1,717,016	1,081,092
Amortised cost:		
Short-term notes	245,524	493,498
Medium-term notes	<u>222,220</u>	<u>222,220</u>
	<u>2,184,760</u>	<u>1,796,810</u>

**6. Investment property**

	2023 \$'000	2022 \$'000
At beginning of the year	9,430,687	6,983,187
Acquisitions during the period:		
26 Seaview Avenue	-	188,505
58 Lady Musgrave Road	284,060	-
Additions and improvements during the period	<u>956,695</u>	<u>512,593</u>
At end of the period	<u>10,671,442</u>	<u>7,684,285</u>

**7. Related party transactions**

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

	2023 \$	2022 \$
<u>Assets</u>		
Due from related parties	4,514	-
Investment	150,000	150,000
Interest receivable	<u>28,933</u>	<u>7,933</u>
<u>Liabilities</u>		
Project management fees payable	270,684	-
Due to related parties	1,037,081	1,128,278
Loans payable (note 8)	1,080,035	-
Interest payable	<u>68,012</u>	<u>-</u>

SYGNUS REAL ESTATE FINANCE LIMITED  
Notes to the Consolidated Financial Statements  
Six months ended February 28, 2023  
*(expressed in Jamaica dollars unless otherwise indicated)*

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**7. Related party transactions (continued)**

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

	2023	2022
	\$	\$
Interest income	10,500	24,656
Interest expense	<u>(46,504)</u>	<u>(8,717)</u>
<u>Operating expenses</u>		
Management fees	143,464	100,127
Corporate service fees	23,707	18,342
Performance fees	-	12,486
Professional fees	1,815	2,888
Director's fees and related expenses	<u>5,193</u>	<u>4,501</u>

**8. Loans and borrowings**

	2023	2022
	\$'000	\$'000
US\$ vendor mortgage	1,022,706	1,464,611
US\$ senior secured bridge loan	765,696	-
Loans from related parties	1,080,035	-
Revolving line of credit	<u>598,409</u>	<u>13,208</u>
	<u>3,466,846</u>	<u>1,477,819</u>

**Sygnus Real Estate Finance Limited**  
**Unaudited Results for the 6 Months Ended February 28, 2023**

<b>Top Ten Shareholders</b>			
<b>No</b>	<b>Shareholders</b>	<b>Shareholdings</b>	<b>% Holdings</b>
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	JCS D 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	JCS D TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE	10,810,000	3.3%
9	LYTTLETON OVEL SHIRLEY	10,000,000	3.1%
10	BARNETT LIMITED	8,264,500	2.5%
	<b>Subtotal</b>	<b>165,903,063</b>	<b>50.8%</b>
	<b>Total</b>	<b>326,526,232</b>	<b>100.0%</b>

<b>Shareholdings of Directors, Senior Managers &amp; Connected Parties</b>				
<b>No</b>	<b>Director</b>	<b>Shareholdings</b>	<b>Connect Parties</b>	<b>% Holdings</b>
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%
	<b>Subtotal</b>	<b>5,869,700</b>		<b>1.80%</b>
<b>No</b>	<b>Senior Management</b>	<b>Shareholdings</b>	<b>Connect Parties</b>	<b>% Holdings</b>
1	Sygnus Capital Group Limited	5,273,400	Dr. Ike J. Johnson	1.62%
2	MSCI Inc.	Nil	N/A	Nil