



SYGNUS

REAL ESTATE
FINANCE

Q1

2024

NOVEMBER 30, 2023

QUARTERLY REPORT

SYGNUS | REAL ESTATE
FINANCE

T U E S D A Y
JANUARY 16, 2024
@ 10:00AM

JOIN US VIRTUALLY VIA



Microsoft Teams

Q1
EARNINGS CALL

Registration Link: <https://events.teams.microsoft.com/event/a431462a-6a56-4875-826b-6ab3a5f7a8db@50c4f1f7-1f5c-4e56-b5a3-35fe7575f478>

Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2023

Castries, St Lucia | Friday, January 12, 2024

Sygnus Real Estate Finance Ltd (“SRF” or “the Group”) is pleased to report on the unaudited financial results for the three months ended November 30, 2023 (“3 Month FY 2024” or “Q1 2024”). The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The MD&A may contain forward-looking statements based on assumptions and predictions of the future, which may be materially different from those projected. SRF’s 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: achieving practical completion for the J\$3.70 billion Belmont Road 9-storey commercial tower in December 2023 and starting the process to monetize SRF’s partial investment exit; advancing SRF’s investment exit on the built-to-suit industrial warehouse facility on Spanish Town Road to 83% by harvesting J\$388.68 million from sale proceeds during the quarter; and advancing the value creation process for two major strategic projects, namely Mammee Bay in St Ann and Lakespen in St Catherine. SRF’s book value per share was J\$23.48 for 3 Month FY 2024, up 3.4% versus J\$22.71 the financial year prior. The Group is expected to complete real estate projects in excess of J\$5.3 billion in the current financial year. SRF has entered the final stages of its first investment life cycle, while simultaneously moving into its second investment life cycle, primarily focused on its two largest strategic investment assets. The overlap of these two investment cycles is likely to result in an initial slowdown of investment deployment activity through the first part of this financial year, followed by a substantial increase in capital redeployment during the latter half of the financial year through to the 2025 financial year. At a meeting of the Board of Directors on December 27, 2023, the Directors approved the issuance of payment-in-kind ordinary shares (“PIK shares”) at a price of J\$18.25 to the Investment Manager valued at J\$377.91 million and the issuance of subscription warrants valued at J\$377.91 million to ordinary shareholders at a price of J\$18.25 per J\$ ordinary share and US\$0.12 per US\$ ordinary share. The PIK shares represent a debt-for-equity conversion for J\$377.91 million. The PIK shares and warrants are subject to final approval at SRF’s annual general meeting to be held on March 21, 2024.

| | 3 Months Nov 2023 | 3 Months Nov 2022 |
|---|----------------------|----------------------|
| Summary Results of Operations | JAS'000 | JAS'000 |
| Interest Income | 43,833 | 74,931 |
| Interest Expense | (85,010) | (62,000) |
| Net Interest Income | (41,177) | 12,931 |
| Lease and Other Income | 10,519 | 8,253 |
| Share of Gain (Loss) on Joint Ventures | (302) | 146 |
| Total Investment Income | (30,960) | 21,330 |
| Total Operating Expenses | (83,925) | (103,695) |
| Net Investment Income | (114,885) | (82,365) |
| Fair Value Gain (Loss) on Financial Instruments | (7,832) | (23,392) |
| Net Foreign Exchange Gain (Loss) | (10,264) | (66,741) |
| Profit (Loss) before Taxation | (132,981) | (172,498) |
| Taxation | - | - |
| Net Profit (Loss) Attributable to Shareholders | (132,981) | (172,498) |
| Basic Earnings Per Share (JA\$) | (0.41) | (0.53) |
| Diluted Earnings Per Share (JA\$) | (0.38) | (0.49) |
| Net Investment Income Per Share (JA\$) | (0.35) | (0.25) |
| Diluted Net Investment Income Per Share (JA\$) | (0.33) | (0.24) |

For 3 Month FY 2024, total investment income or core revenues was negative J\$30.96 million compared to J\$21.33 million for the three months ended November 30, 2022 (“3 Month FY 2023”). This was primarily driven by higher interest expense relative to the comparable period last year, as well as reduced interest income from a lower REIN balance after exiting high yielding REINs during the previous financial year. As a result of the exits, the weighted average fair value yield on REINs was 8.9% compared with 11.2% last year. The weighted average cost of debt was 7.2% compared with 6.1% last year, reflecting higher market interest rates.

The share of gain on joint ventures, which captures SRF’s 70.0% ownership of the One Belmont development,

Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2023

amounted to a loss J\$302.26 thousand for 3 Month FY 2024 compared to a gain of J\$146.37 thousand last year. This loss was driven by audit fees and foreign exchange losses recorded during the period by Monadh Rois Holdings Limited.

SRF's total investment income is comprised of all activities that are involved in the unlocking of value from its portfolio of real estate investment assets, namely: interest income, lease 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, as demonstrated at FYE Aug 2023 relative to the interim quarterly results. The Group uses independent appraisers to value its investment property 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.

| SRF Subsidiaries 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 acre 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 58 Lady Musgrave Road, Kingston. 0.6 acres Commercial 26 Seaview Avenue, Kingston. 0.5 acres Commercial Asset held for sale: 32,553 sq. ft. industrial development. Spanish-Penwood 443-445 Spanish Town Road, Kingston | 100% Subsidiary |

Net investment income or core earnings for 3 Month FY 2024 was negative J\$114.89 million versus negative J\$82.36 million last year. The reduction was mainly attributable to the negative total investment income of J\$30.96 million relative to positive total investment income of J\$21.33 million last year. For FYE August 2023, SRF generated J\$312.58 million in net investment income.

Net loss attributable to shareholders for Q1 2024 amounted to J\$132.98 million, representing an improvement of J\$39.52 million versus a net loss of J\$172.50 million last year.

Basic earnings per share (EPS) was negative J\$0.41 for Q1 2024 relative to negative J\$0.53 last year, while diluted EPS was negative J\$0.38 for Q1 2024 compared to negative J\$0.49 last year. Similarly, basic core earnings or net investment income per share (NIIPS) was negative J\$0.35 for Q1 2024, compared with negative J\$0.25 last year. At FYE Aug 2023, SRF's return on average equity was 2.7% for the year with a 4-year average ROE since inception of 22.9%.

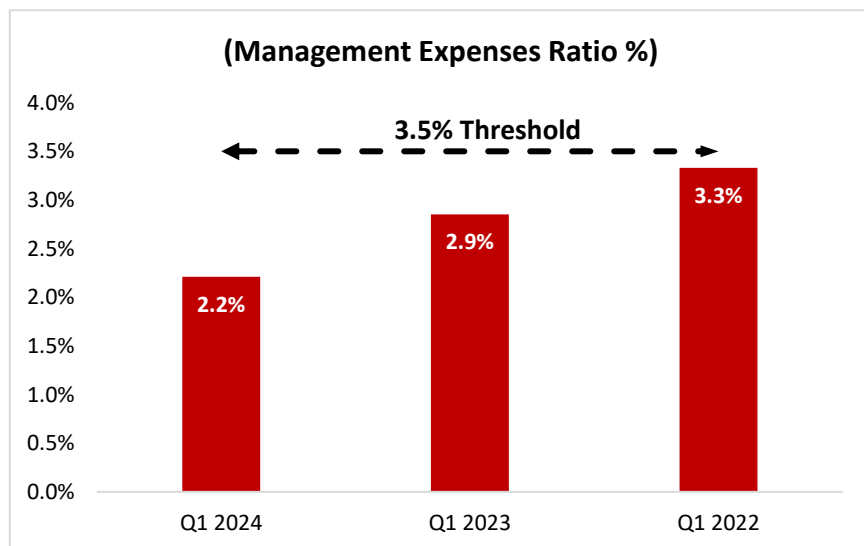
Total Operating Expenses

SRF reported total operating expenses for 3 Month FY 2024 of J\$83.93 million, down 19.1% or J\$19.77 million, relative to J\$103.70 million last year, driven primarily lower management fees. Management fees were J\$32.59 million, down 52.5% or J\$36.03 million relative to J\$68.63 million last year, while corporate services fees were J\$11.14 million, down 3.5% or J\$410 thousand relative to J\$11.55 million last year. As SRF enters the end of its first investment life cycle while simultaneously ramping up activities to begin its second investment life cycle, management fees have been temporarily reduced through to FYE 2025. Effective September 1, 2023, through August 31, 2024, management fees were reduced to 1.00% and from September 1, 2024 through August 31, 2025, management fees will be reduced to 1.25%. Management fees are typically computed as 2.00% of core assets under management (CAUM). Management fees will revert to the 2.00% effective September 1, 2025. CAUM is generally defined as total assets less project finance related debt of subsidiary companies and less any minority interests.

Management and corporate service fees collectively represented 52.1% of total operating expenses. Excluding management and

Sygnus Real Estate Finance Limited Unaudited Results for the 3 Months Ended November 30, 2023

corporate services fees, operating expenses were J\$40.19 million, up J\$16.67 million or 70.9% relative to last year. This result was primarily driven by higher professional fees, audit fees and expenses, security expenses and director's fees and related expenses.



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 2.2% (annualized), and was within the target threshold level of 3.5%. 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 2023 were 59.2% and 3.0% 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 three months ended November 30, 2023, SRF reported a fair value loss of J\$7.83 million compared to a loss of J\$23.39 million last year.

Net Foreign Exchange Gains or Losses

Net foreign exchange losses were J\$10.26 million for the three months ended November 30, 2023, compared to a loss of J\$66.74 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 financial statements.

Explained differently, more than 81.8% 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\$26.83 million driven primarily by US\$13.45 million in loans and borrowings, US\$9.06 million in notes payable and US\$3.50 million in convertible preference shares.

Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2023

Real Estate Investment Activity

SRF's investment in real estate investment assets grew by 8.4% or J\$1.16 billion over twelve months to a record J\$14.96 billion at Nov 2023, spanning 15 investments vs J\$13.80 billion in 16 investments last year. As the Group enters the final stages of its first investment life cycle, investment activity is likely to be reduced during the first half of the financial year before accelerating towards the latter part of the financial year heading in the 2025 financial year. For the quarter, SRF deployed J\$462.62 million in new investment commitments, down 64.7% or J\$847.85 million vs J\$1.31 billion last year, driven by a combination of property additions to strategic assets, J\$144.85 million committed by Audere Holdings Limited for which SRF holds a 70% interest, and investments in REINs. Fair value in REINs fell by 29.9% or J\$788.83 million to J\$1.85

| | 3 Months Nov 2023 | 3 Months Nov 2022 |
|---|----------------------|----------------------|
| Summary of Investment Activity | JAS'000 | JAS'000 |
| Fair Value of Real Estate Investment Assets | 14,958,370 | 13,800,944 |
| New Commitments in Real Estate Investment Assets | 462,622 | 1,310,471 |
| Number of Real Estate Investment Assets(#) | 15 | 16 |
| Dry Powder* | 39,813 | 559,448 |
| Number of investments Exited(#) | 1 | - |
| Value of Investments Exited** | 388,681 | - |
| Number of Real Estate Investment Notes(#) | 6 | 8 |
| Fair Value of Real Estate Investment Notes | 1,845,854 | 2,634,680 |
| Basic FV per share | 45.81 | 42.27 |
| Diluted FV per share | 42.71 | 39.41 |
| Fair Value Yield on Real Estate Investment Notes(%) | 8.9% | 11.2% |

billion, primarily driven by the Group's current harvesting cycle with a fair value yield of 8.9%, compared with J\$2.63 billion with a fair value yield of 11.2% as at Q1 2023. SRF is seeking to invest in new REINs at higher interest rates with funds generated from ongoing investment exits. Over the current financial year, SRF is expected to partially exit in excess of J\$2.00 billion from real estate investments that are at the advanced stages of completion.

SRF had J\$39.81 million in dry powder on the balance sheet as at Nov 2023 vs J\$559.45 million last year. This dry powder does not include revolving credit facilities, available bridge facilities and undrawn construction loans which totaled in excess of J\$200 million in aggregate at the end of Q1 2024.

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

** Includes one partial exit of a Real Estate Investment Asset.

Summary Update of Some Major Strategic Assets

SRF's major investment projects advanced during the period as SRF continued to diligently execute on 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.



Spanish Penwood: Spanish Town Road, Kingston | Industrial - Warehouse: The Spanish Penwood built-to-suit facility was completed. The tenant started making lease payments during the fourth quarter of the 2023 financial year. SRF has exited the majority of its investment in the project with less than 17% remaining to be exited during FY 2024.

One Belmont: Belmont Road, Kingston | Commercial – Corporate Offices: The J\$3.70 billion 9-storey corporate office development is currently 95.0% completed, with practical completion achieved in December 2023. All 5 floors are effectively leased and are expected to be occupied during 2024 as some tenants have commenced the execution of their respective interior designs to meet their needs. SRF has started the process of structuring the monetization of its partial investment exit which is expected to occur sometime in calendar year 2024.



Sygnus Real Estate Finance Limited
Unaudited Results for the 3 Months Ended November 30, 2023

Mammee Bay, St Ann | Hospitality: SRF has advanced the value creation process for this 14-acre beachfront strategic asset. The Group continues discussions and negotiations 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 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.

Lakespen Holdings, St Catherine | Industrial – Warehouses, Light Manufacturing, Distribution: SRF continues to work with its strategic partners to unlock the optimal value on this 55-acres industrial property. The plans to unlock value from this industrial property advanced during the quarter under review, with SRF proceeding to the design development phase.

26 Seaview Avenue: SRF continues to evaluate the options to unlock the value from this asset.

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.



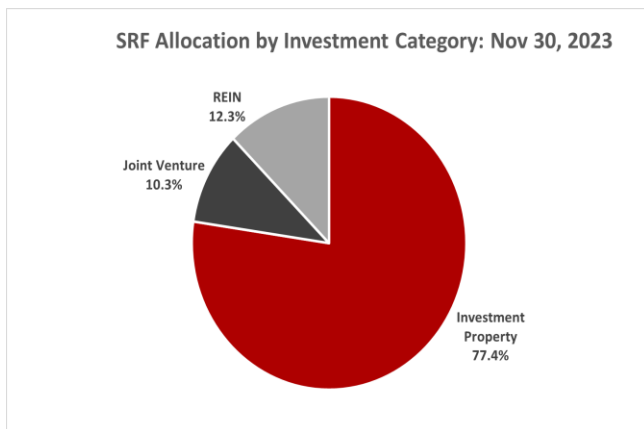
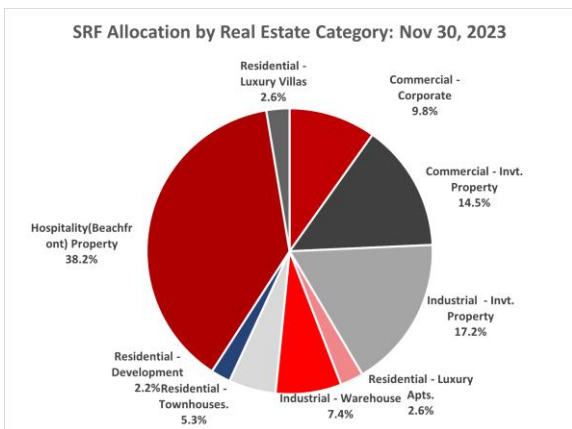
Surreal at the Sugar-Mill | 24 Luxury Apartments, 2 Townhouses:

SRF continues to exit its J\$1.0 billion investment in the project through sale of units.

Allocation by Real Estate Category and Investment Category

As at Q1 2024, SRF’s investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property (38.2%), industrial-investment property (17.2%) and commercial-investment property (14.5%).

SRF’s capital was primarily allocated across three investment categories, namely property investments at 77.4%, REINs at 12.3% and joint ventures at 10.3%. The large allocation to property investments is reflective of SRF being in its first investment life cycle, which averages 3 to 5 years and have therefore not yet achieved its steady state investment level. As SRF completes its first investment life cycle, the current allocation mix may change substantially as multiple investments are exited and gradual redeployment occurs. 100% of SRF’s capital was deployed into the real estate asset class within the Jamaican economy.



Sygnus Real Estate Finance Limited

Unaudited Results for the 3 Months Ended November 30, 2023

Balance Sheet Summary

| | Nov 2023 | Nov 2022 | FYE Aug 2023 |
|--|-------------------|-------------------|-------------------|
| Summary of Balance Sheet Information | JAS'000 | JAS'000 | JAS'000 |
| Cash and Cash Equivalents | 39,813 | 498,656 | 61,266 |
| Repurchase Agreements | - | 60,792 | 10,220 |
| Un-deployed Cash/Dry Powder | 39,813 | 559,448 | 71,486 |
| Property Held for Sale | 1,113,520 | - | 1,113,520 |
| Investment Property | 10,459,060 | 9,937,307 | 10,443,270 |
| Deposit on Investment Property | - | 28,792 | - |
| Total Property Investments | 11,572,579 | 9,966,099 | 11,556,790 |
| Investments Measured at Fair Value through P&L | 1,581,193 | 1,888,803 | 1,568,613 |
| Investments Measured at Amortised Cost | 264,661 | 745,877 | 258,153 |
| Total Real Estate Investment Notes | 1,845,854 | 2,634,680 | 1,826,766 |
| Investment in Joint Ventures | 1,539,936 | 1,200,165 | 1,540,238 |
| Real Estate Investment Assets | 14,958,370 | 13,800,944 | 14,923,794 |
| Total Real Estate Investment Assets | 14,998,183 | 14,360,392 | 14,995,280 |
| Other Assets: | | | |
| Prepaid Expenses | 1,620 | 1,289 | 2,303 |
| Accounts Receivable | 13,318 | 1,881 | 13,306 |
| Investment Income Receivable | 138,426 | 128,590 | 122,082 |
| Other Receivables | 2,179 | - | 1,724 |
| Deferred Tax Asset | 27,113 | 45,842 | 27,113 |
| Due from Related Entities | 7,981 | 4,514 | 4,514 |
| Total Assets | 15,188,819 | 14,542,507 | 15,166,322 |
| Share Capital | 4,718,066 | 4,718,066 | 4,718,066 |
| Foreign Currency translation reserve | (39) | (26) | (34) |
| Retained Earnings | 2,949,359 | 2,698,403 | 3,082,340 |
| Total Shareholder's Equity | 7,667,385 | 7,416,442 | 7,800,372 |
| Total Liabilities and Equity | 15,188,819 | 14,542,507 | 15,166,322 |

As at Nov 30, 2023, SRF's total assets increased by 4.4% or J\$646.31 million to J\$15.19 billion compared with J\$14.54 billion last year. This was primarily driven by a 5.3% or J\$521.75 million increase in investment property to J\$10.46 billion compared with J\$9.94 billion last year, and a 28.3% or J\$339.77 million increase in Joint Ventures to J\$1.54 billion versus J\$1.20 billion last year. The year over year increase in the value of investment property primarily reflected valuation gains for Mammee Bay, Lakespen, Hillcrest and 56 Lady Musgrave and the acquisition of 58 Lady Musgrave during the previous financial year. Note that property held for sale was J\$1.11 billion compared with nil last year, as the Spanish Penwood investment was reclassified from investment property to reflect the sale of the tenanted building.

Total real estate investment notes were J\$1.85 billion compared with J\$2.63 billion last year. The decline in investments measured at fair value reflected the partial exit of a REIN in the previous financial year. The decline in investments measured at amortized cost primarily reflected the exit of investments in Norbrook Wasser and Surreal at the Sugar Mill third party notes prior to the end of the previous financial year.

Investment in joint ventures was J\$1.54 billion compared to J\$1.20 billion last year. The higher value was primarily driven by the increased value of SRF's 70% share of the One Belmont Commercial tower.

Shareholders' Equity

As at the end of Q1 2024, shareholder's equity grew by 3.4% or J\$250.94 million to J\$7.67 billion compared with J\$7.42 billion last year, reflecting the value created for shareholders relative to last year. Book value per share was J\$23.48 for Q1 2024 compared to J\$22.71 last year, driven primarily by the higher shareholder's equity due to increased retained earnings. This represents a 21.7% premium over the general initial public offering price of J\$19.30 and a premium of 31.2% to the initial public offering discounted price of J\$17.90. SRF's average return on equity over the past four audited years, since the Group began its operations, was 22.9%.

Debt-for-Equity Conversion and Subscription Warrants

Issue of payment-in-kind (PIK) ordinary shares

The 2021 financial year represented SRF's second year of operations where most of the net profit was attributed to gains on acquisition of subsidiary and fair value gains on investment properties. The net profit during the 2021 financial year resulted in a performance fee of J\$377.91 million. As per the investment management agreement, the performance fee became due on January 24, 2022, 10 business days after the delivery of the audited financial statements. SRF has been carrying the performance fee of J\$377.91 million as a liability on its balance sheet. The Investment Manager proposed to SRF the option to pay performance fees by way of ordinary shares. At a meeting held on December 27, 2023, the Board of Directors approved the settlement of this fee by issuance of ordinary shares referred to as "payment in kind" or "PIK Shares".

As such, the company agreed with the Investment Manager to effect this payment of the performance fee at a conversion rate of J\$18.25 in respect of J\$ shares. This debt-for-equity conversion will therefore result in the issuance of 20,707,342 ordinary shares to the Investment Manager or its nominee. These shares once issued, will be converted to stock units and listed on the JSE. The PIK shares are in all respects ordinary shares in the same class as the existing stock units.

Sygnus Real Estate Finance Limited
Unaudited Results for the 3 Months Ended November 30, 2023

Issue of Subscription Warrants

At a meeting held on December 27, 2023, the Board of Directors further resolved to award subscription warrants to existing shareholders representing the same amount of ordinary shares issued to the Investment Manager for the settlement of outstanding performance fees. This issuance will be to existing shareholders on record at an issue date to be announced. For the purpose of this transaction, the issue date shall be the date when the PIK Shares are listed on the Main Market of the JSE. The subscription warrants will be exercisable at a price of J\$18.25 per J\$ ordinary stock unit or US\$0.12 per US\$ ordinary stock unit over a period of two years from the issue date.

The issue of the PIK shares to the Investment Manager and the issue of the subscription warrants to existing shareholders are subject to final approval at SRF's Annual General Meeting, scheduled for March 21, 2024.

Sygnus Real Estate Finance Limited
Unaudited Results for the 3 Months Ended November 30, 2023

| 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 | JCS D TRUSTEE SERVICES LTD - SIGMA EQUITY | 16,458,758 | 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 LIMITED | 8,264,400 | 2.5% |
| | Subtotal | 163,603,714 | 50.1% |
| | Total | 326,526,232 | 100.0% |

| Shareholdings of Directors, Senior Managers & Connected Parties | | | | |
|--|------------------------------|----------------------|------------------------------|-------------------|
| No | Director | Shareholdings | Connected Parties | % Holdings |
| 1 | Linval Freeman | 400,000 | Donna Freeman | 0.12% |
| | | | Kristifer Freeman | |
| | | | Kimberly Freeman | |
| 2 | Pierre Williams | Nil | N/A | Nil |
| 3 | Horace Messado | 83,700 | Lisa-Gayle Thomas-Messado | 0.03% |
| 4 | David Cummings | Nil | N/A | Nil |
| 5 | Elizabeth Stair | 55,900 | Jason Stair | 0.02% |
| | | | Stephanie Stair | |
| 6 | Dr. Ike J. Johnson | 56,700 | N/A | 0.02% |
| | | 5,273,400 | Sygnus Capital Group Limited | 1.62% |
| | Subtotal | 5,869,700 | | 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 |

SYGNUS REAL ESTATE FINANCE LIMITED

Consolidated Statement of Financial Position

November 30, 2023

(Expressed in Jamaica dollars unless otherwise indicated)

| | Unaudited 30 November 2023 \$'000 | Unaudited 30 November 2022 \$'000 | Audited 31 August 2023 \$'000 |
|--|---|---|-------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 39,813 | 498,656 | 61,266 |
| Reverse repurchase agreements | - | 60,792 | 10,220 |
| Due from related parties | 7,981 | 4,514 | 4,514 |
| Investments | 1,845,854 | 2,634,679 | 1,826,766 |
| Interest in joint venture | 1,539,936 | 1,200,165 | 1,540,239 |
| Other assets | 155,543 | 160,552 | 139,415 |
| Deferred tax asset | 27,112 | 45,842 | 27,112 |
| Asset held for sale | 1,113,520 | - | 1,113,520 |
| Investment property | 10,459,060 | 9,937,307 | 10,443,270 |
| | 15,188,819 | 14,542,507 | 15,166,322 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 1,693,227 | 1,373,745 | 1,531,868 |
| Due to related parties | 1,254,612 | 962,342 | 1,204,349 |
| Interest payable | 103,309 | 87,765 | 140,512 |
| Notes payable | 1,387,103 | 589,470 | 1,383,481 |
| Loans and borrowings | 2,427,246 | 3,383,745 | 2,451,300 |
| Deferred tax liabilities | 118,990 | 197,400 | 118,990 |
| Preference shares | 536,946 | 531,598 | 535,450 |
| | 7,521,433 | 7,126,065 | 7,365,950 |
| EQUITY | | | |
| Share capital | 4,718,066 | 4,718,066 | 4,718,066 |
| Translation reserve | (39) | (26) | (34) |
| Retained earnings | 2,949,359 | 2,698,402 | 3,082,340 |
| | 7,667,386 | 7,416,442 | 7,800,372 |
| | 15,188,819 | 14,542,507 | 15,166,322 |



Director

Dr. Ike Johnson



Director

Linval Freeman

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three months ended November 30, 2023
(Expressed in Jamaica dollars unless otherwise indicated)

| | Unaudited Three months ended 30 Nov 2023 \$'000 | Unaudited Three months ended 30 Nov 2022 \$'000 | Audited Year ended 31 Aug 2023 \$'000 |
|--|--|--|--|
| Net interest income and other revenue | | | |
| Interest income, calculated using the effective interest method | 8,802 | 33,844 | 98,860 |
| Other interest income | 35,031 | 41,087 | 154,687 |
| Interest expense | (85,010) | (62,000) | (319,334) |
| | <u>(41,177)</u> | <u>12,931</u> | <u>(65,787)</u> |
| Fair value loss from financial instruments at fair value through profit or loss (FVTPL) | (7,832) | (23,392) | (79,132) |
| Foreign exchange loss | (10,264) | (66,741) | (81,692) |
| Fair value gain on investment property | - | - | 430,962 |
| Other income | 10,519 | 8,253 | 60,169 |
| | <u>(48,754)</u> | <u>(68,949)</u> | <u>264,520</u> |
| Operating expenses | | | |
| Management fees | 32,593 | 68,626 | 293,343 |
| Corporate service fees | 11,139 | 11,549 | 48,290 |
| Other expenses | 40,192 | 23,520 | 111,347 |
| | <u>83,924</u> | <u>103,695</u> | <u>452,980</u> |
| Operating (loss)/profit | (132,678) | (172,644) | (188,460) |
| Share of (loss)/profit of joint ventures | (303) | 146 | 340,220 |
| | <u>(132,981)</u> | <u>(172,498)</u> | <u>151,760</u> |
| (Loss)/profit before taxation | (132,981) | (172,498) | 151,760 |
| Taxation | - | - | 59,680 |
| | <u>(132,981)</u> | <u>(172,498)</u> | <u>211,440</u> |
| (Loss)/profit for the period | (132,981) | (172,498) | 211,440 |
| Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive loss | (5) | (62) | (70) |
| | <u>(132,986)</u> | <u>(172,560)</u> | <u>211,370</u> |
| Total comprehensive (loss)/income for the period | <u>(132,986)</u> | <u>(172,560)</u> | <u>211,370</u> |
| Basic earnings per stock unit | (\$0.41) | (\$0.53) | \$0.65 |
| Diluted earnings per stock unit | (\$0.38) | (\$0.49) | \$0.61 |

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Changes in Equity
Three months ended November 30, 2023
(Expressed in Jamaica dollars unless otherwise indicated)

| | <u>Share capital</u> \$'000 | <u>Translation reserve</u> \$'000 | <u>Retained earnings</u> \$'000 | <u>Total</u> \$'000 |
|--------------------------------------|------------------------------------|--|--|------------------------|
| Balances at August 31, 2022 | 4,718,066 | 36 | 2,870,900 | 7,589,002 |
| Total comprehensive loss | | | | |
| Loss for the period | - | - | (172,498) | (172,498) |
| Other comprehensive loss | - | (62) | - | (62) |
| | - | (62) | (172,498) | (172,560) |
| Balances at November 30, 2022 | 4,718,066 | (26) | 2,698,402 | 7,416,442 |
| Balances at August 31, 2023 | 4,718,066 | (34) | 3,082,340 | 7,800,372 |
| Total comprehensive loss | | | | |
| Loss for the period | - | - | (132,981) | (132,981) |
| Other comprehensive loss | - | (5) | - | (5) |
| | - | (5) | (132,981) | (132,986) |
| Balances at November 30, 2023 | 4,718,066 | (39) | 2,949,359 | 7,667,386 |

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Cash Flows
Three months ended November 30, 2023
(Expressed in Jamaica dollars unless otherwise indicated)

| | Unaudited Three months ended 30 Nov 2023 \$'000 | Unaudited Three months ended 30 Nov 2022 \$'000 | Audited Year ended 31 Aug 2023 \$'000 |
|---|--|--|--|
| Cash flows from operating activities | | | |
| (Loss)/profit for the period | (132,981) | (172,498) | 211,440 |
| Adjustments for: | | | |
| Interest income | (43,833) | (74,931) | (253,547) |
| Interest expense | 85,010 | 62,000 | 319,334 |
| Interest capitalised on investments | (6,508) | - | (123,569) |
| Dividend capitalised on preference shares | - | - | 2,266 |
| Share of loss/(profit) of joint ventures | 303 | (146) | (340,220) |
| Foreign exchange loss/(gain) | 8,424 | (417) | 81,573 |
| Fair value loss on investments | 7,832 | 23,392 | 79,132 |
| Fair value gain on investment property | - | - | (430,962) |
| Taxation | - | - | (59,680) |
| | <u>(81,753)</u> | <u>(162,600)</u> | <u>(514,233)</u> |
| Changes in operating assets and liabilities: | | | |
| Other receivables | 216 | 2,888 | 17,517 |
| Due from related parties | (3,467) | 31,796 | 31,796 |
| Accounts payable and accrued liabilities | 161,359 | (189,173) | (43,504) |
| Due to related parties | 50,263 | 84,073 | 325,458 |
| | <u>126,618</u> | <u>(233,016)</u> | <u>(182,966)</u> |
| Interest received | 27,489 | 39,426 | 224,549 |
| Interest paid | (122,213) | (17,684) | (224,064) |
| | <u>(94,724)</u> | <u>(8,258)</u> | <u>(99,515)</u> |
| Net cash provided by/(used in) operating activities | <u>31,894</u> | <u>(211,274)</u> | <u>(182,481)</u> |
| Cash flows from investing activities | | | |
| Investments | (10,192) | (234,945) | 704,156 |
| Acquisition of investment property | - | - | (284,060) |
| Additions to investment property | (15,790) | (506,620) | (1,411,082) |
| | <u>(25,982)</u> | <u>(741,565)</u> | <u>(990,986)</u> |
| Net cash used in investing activities | <u>(25,982)</u> | <u>(741,565)</u> | <u>(990,986)</u> |
| Cash flows from financing activities | | | |
| Preference shares | - | 10,491 | - |
| Notes payable | 1,213 | 204,198 | 979,088 |
| Loans and borrowings | (26,667) | 773,086 | (209,566) |
| | <u>(25,454)</u> | <u>987,775</u> | <u>769,522</u> |
| Net cash (used in)/provided by financing activities | <u>(25,454)</u> | <u>987,775</u> | <u>769,522</u> |
| Effect of foreign exchange movements on cash and cash equivalents | (1,911) | 355 | 1,846 |
| | <u>(1,911)</u> | <u>355</u> | <u>1,846</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(21,453)</u> | <u>35,291</u> | <u>(402,099)</u> |
| Cash and cash equivalents at beginning of period | <u>61,266</u> | <u>463,365</u> | <u>463,365</u> |
| Cash and cash equivalents at end of period | <u><u>39,813</u></u> | <u><u>498,656</u></u> | <u><u>61,266</u></u> |

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Three months ended November 30, 2023

*(expressed in Jamaica dollars unless otherwise indicated)***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 subsidiary of Sygnus Capital Group Limited (SCG). 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 three months ended November 30, 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, 2023. 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, 2023 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 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 financial statements are presented in thousands of Jamaica dollars, which is also the functional currency of the Group.

3. Significant accounting policies

(a) Joint venture arrangements

A joint venture is a contractual arrangement in which the Group has joint control and whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venture is recognized initially at cost, including transaction costs. Subsequent to initial recognition, these 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) Asset held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell.

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(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:

SYGNUS REAL ESTATE FINANCE LIMITED
 Notes to the consolidated financial statements
 Three months ended November 30, 2023
(expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Impairment (continued)

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

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

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

(e) Segment reporting

The Group 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 reflects the impact of convertible preference shares and stock options.

| | 2023 | | 2022 | |
|---|---------------|---------------|---------------|---------------|
| | Basic | Diluted | Basic | Diluted |
| Net loss attributable to stockholders of the parent (\$'000) | (132,981) | (132,981) | (172,498) | (172,498) |
| Weighted average number of ordinary stock units in issue ('000) | 326,526 | 349,562 | 326,526 | 350,230 |
| Earnings per stock unit (\$) | <u>(0.41)</u> | <u>(0.38)</u> | <u>(0.53)</u> | <u>(0.49)</u> |

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Three months ended November 30, 2023

*(expressed in Jamaica dollars unless otherwise indicated)***5. Investments**

| | 2023 \$'000 | 2022 \$'000 |
|------------------------------------|------------------|------------------|
| Fair value through profit or loss: | | |
| Preference shares | 1,581,193 | 1,888,802 |
| Amortised cost: | | |
| Short-term notes | 192,441 | 523,657 |
| Medium-term notes | <u>72,220</u> | <u>222,220</u> |
| | <u>1,845,854</u> | <u>2,634,679</u> |

6. Investment property

| | 2023 \$'000 | 2022 \$'000 |
|--|-------------------|------------------|
| At beginning of the year | 10,443,270 | 9,430,687 |
| Additions and improvements during the period | <u>15,790</u> | <u>506,620</u> |
| At end of the period | <u>10,459,060</u> | <u>9,937,307</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 \$'000 | 2022 \$'000 |
|---------------------------------|----------------|----------------|
| <u>Assets</u> | | |
| Due from related parties | 7,981 | 4,514 |
| Investment | 192,441 | 150,000 |
| Interest receivable | <u>4,490</u> | <u>23,683</u> |
| <u>Liabilities</u> | | |
| Project management fees payable | 249,077 | 251,808 |
| Due to related parties | 1,254,612 | 962,342 |
| Loans payable (note 8) | 1,107,641 | 829,130 |
| Interest payable | <u>78,941</u> | <u>41,256</u> |

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Three months ended November 30, 2023

*(expressed in Jamaica dollars unless otherwise indicated)***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 |
|--------------------------------------|-----------------|-----------------|
| | \$'000 | \$'000 |
| Interest income | 6,659 | 5,250 |
| Interest expense | <u>(30,726)</u> | <u>(18,105)</u> |
| <u>Operating expenses</u> | | |
| Management fees | 32,593 | 68,626 |
| Corporate service fees | 11,139 | 11,549 |
| Professional fees | - | 1,569 |
| Director's fees and related expenses | <u>4,884</u> | <u>2,747</u> |

8. Loans and borrowings

| | 2023 | 2022 |
|---------------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| US\$ vendor mortgage | 766,377 | 1,187,603 |
| US\$ senior secured bridge loan | - | 769,136 |
| Loans from related parties | 1,107,641 | 829,130 |
| Revolving line of credit | <u>553,228</u> | <u>597,876</u> |
| | <u>2,427,246</u> | <u>3,383,745</u> |

9. Debt-to-equity conversionIssue of payment-in-kind (PIK) ordinary shares

At the end of the reporting period, the Company carried an obligation of \$377.9 Million due to its Investment Manager, Sygnus Capital Limited (SCL) for performance fee in respect of the financial year ended August 31, 2021. At a meeting held on December 27, 2023 the Board of Directors gave approval for the Company to settle this fee by issuance of ordinary shares, referred to as “payment in kind” or “PIK Shares”.

SYGNUS REAL ESTATE FINANCE LIMITED
Notes to the consolidated financial statements
Three months ended November 30, 2023
(expressed in Jamaica dollars unless otherwise indicated)

9. Debt-to-equity conversion (continued)

Issue of payment-in-kind (PIK) ordinary shares

Given that the fee related to the financial year ended August 31, 2021 and per the Investment Management Agreement would have become due on January 24, 2022 when the Company's closing stock price on the Jamaica Stock Exchange (JSE) was \$18.25 per J\$ stock unit, the Company has agreed with SCL to effect the payment of the performance fee at a conversion rate of \$18.25 in respect of J\$ shares.

This debt-for-equity conversion will therefore result in the issuance of 20,707,342 ordinary shares to SCL or its Nominee. These shares once issued, will be converted to stock units and listed on the JSE. The PIK Shares are in all respects ordinary shares in the same class as the existing stock units.

Issue of Subscription Warrants

The Board has further resolved to award subscription warrants for the same number of shares issued to SCL to existing shareholders on record as at an issue date to be announced. For the purpose of this transaction, the issue date shall be the date when the PIK Shares are listed on the Main Market of the Jamaica Stock Exchange. The subscription warrants will be exercisable at a price of J\$18.25 or US\$0.12 per stock unit over a period of two years from the issue date.

The issue of the PIK shares to the Investment Manager and the issue of the subscription warrants to existing shareholders are subject to final approval at the annual general meeting of the Company, which is scheduled for March 21, 2024.