



SYGNUS

REAL ESTATE
FINANCE

Q2

2024

FEBRUARY 29, 2024

QUARTERLY REPORT

SYGNUS | REAL ESTATE FINANCE

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

JOIN US VIRTUALLY VIA



Microsoft Teams

Q2 2024
EARNINGS CALL

Registration Link: <https://events.teams.microsoft.com/event/37ce1a32-302f-4f4a-b753-e54773ff71ca@50c4f1f7-1f5c-4e56-b5a3-35fe7575f478>

Sygnus Real Estate Finance Limited

Unaudited Results for the 6 Months Ended February 29, 2024

Castries, St Lucia | Friday, April 12, 2024

Sygnus Real Estate Finance Ltd (“SRF” or “the Group”) is pleased to report on the unaudited financial results for the six months ended February 29, 2024 (“6 Month FY 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 unaudited financial statements for 6 Month FY 2024 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the financial year ended August 31, 2023 (“FYE Aug 2023”). 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 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”) over the period by achieving another set of key milestones, namely: substantially advancing the completion of its flagship J\$3.70 billion Belmont Road 9-storey commercial tower to over 98% during the quarter while advancing the process to monetize SRF’s partial investment exit in 2024; advancing the

	3 Months Feb 2024	3 Months Feb 2023	6 Months Feb 2024	6 Months Feb 2023	FYE AUG 2023
Summary Results of Operations	JAS'000	JAS'000	JAS'000	JAS'000	JAS'000
Interest Income	44,284	67,274	88,117	142,205	253,547
Interest Expense	(90,852)	(91,736)	(175,863)	(153,736)	(319,334)
Net Interest Income	(46,568)	(24,462)	(87,745)	(11,531)	(65,787)
Lease and Other Income	22,724	9,387	33,243	17,640	60,169
Gain on Investment Property	-	-	-	-	430,962
Share of Gain (Loss) on Joint Ventures	(505)	3,153	(808)	3,299	340,220
Total Investment Income	(24,349)	(11,922)	(55,310)	9,408	765,563
Total Operating Expenses	(88,870)	(112,164)	(172,794)	(215,859)	(452,980)
Net Investment Income	(113,220)	(124,086)	(228,104)	(206,451)	312,583
Fair Value Gain (Loss) on Financial Instruments	(32,251)	(24,797)	(40,083)	(48,189)	(79,132)
Net Foreign Exchange Gain (Loss)	(41,679)	19,510	(51,943)	(47,231)	(81,692)
Profit (Loss) before Taxation	(187,149)	(129,373)	(320,130)	(301,871)	151,760
Taxation	-	-	-	-	59,680
Net Profit (Loss) Attributable to Shareholders	(187,149)	(129,373)	(320,130)	(301,871)	211,440
Basic Earnings Per Share (JA\$)	(0.57)	(0.40)	(0.98)	(0.92)	0.65
Diluted Earnings Per Share (JA\$)	(0.53)	(0.37)	(0.91)	(0.86)	0.61
Net Investment Income Per Share (JA\$)	(0.35)	(0.38)	(0.70)	(0.63)	0.96
Diluted Net Investment Income Per Share (JA\$)	(0.32)	(0.35)	(0.65)	(0.59)	0.89

value creation process for two of its major strategic assets, namely Mammee Bay in St Ann and Lakespen in St Catherine; and substantially advancing the process to monetize and optimize the strategic mix of real estate investment assets on SRF’s balance sheet, as the Group entered the final stages of its first investment life cycle, while simultaneously moving into its second investment life cycle.

The overlap of the first and second investment life cycles resulted in a temporary slowdown of investment deployment activity over 6 Month FY 2024, which is expected to be followed by a substantial increase in capital redeployment during the latter half of this financial year and beyond. In keeping with this strategic direction, the Group launched a dual currency multi-tranche capital raise via a private placement of senior secured debt, to raise J\$1.9 billion and US\$10.0 million respectively, subsequent to the end

of 6 Month FY 2024. The new capital raise will complement flows from investment exits to finance SRF’s second investment life cycle. SRF’s book value per share increased 2.6% to J\$22.91 for 6 Month FY 2024, versus J\$22.32 for the similar period last 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 issue 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 resolutions to issue both PIK shares and warrants were approved at the annual general meeting of the Group, which was held on March 21, 2024.

Sygnus Real Estate Finance Limited

Unaudited Results for the 6 Months Ended February 29, 2024

For the 6 Month FY 2024, total investment income or core revenues was negative J\$55.31 million compared to positive J\$9.41 million for the six months ended February 28, 2023 (“6 Month FY 2023”). For the three months ended February 29, 2024 (“3 Month FY 2024” or “Q2 2024”), total investment income was negative J\$24.35 million versus negative J\$11.92 million for the three months ended February 28, 2023 (“Q2 2023”). The performance for both periods was primarily driven by two factors: first, timing differences between an increased use of debt to bridge SRF’s exit from projects in the final stages of completion near the end of the first investment life cycle, simultaneously with a lower REIN balance from gradually exiting higher interest bearing REINs, thus leading to negative net interest income; and second, in the absence of interim valuations to reflect major changes in the value of investment property and joint ventures, growth in lease income was insufficient to offset negative net interest income. As a result of successfully exiting higher yielding REINs, the weighted average fair value yield on REINs was 8.8% versus 9.6% last year. The weighted average cost of debt was 7.5% compared with 6.5% last year, reflecting slightly higher market interest rates. As SRF enters its second investment life cycle, the REIN balance is expected to increase substantially and maintained at a much higher level of the overall portfolio, with a higher average yield on REINs. In addition, lease income may begin to be positively impacted by the portion of the One Belmont that will likely be retained on the balance sheet, which should more than offset the negative impact from the monetization of some of the assets currently generating lease income.

The share of gain on joint ventures, which captures SRF’s 70.0% ownership of the One Belmont development, and its majority ownership of the Monadh Rois Holdings joint venture, amounted to a loss J\$0.81 million for 6 Month FY 2024 compared to a gain of J\$3.30 million last year. For Q2 2024, the share of gain on joint ventures was a loss of J\$0.51 million versus a gain of J\$3.15 million last year. These results were driven by audit fees and foreign exchange losses recorded during the periods by the Monadh Rois joint venture.

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 each financial year end 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.

<i>SRF Subsidiaries Joint Ventures</i>	<i>Ultimate Underlying Asset</i>	<i>Company Type</i>
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 6 Month FY 2024 was negative J\$228.10 million versus negative J\$206.45 million last year, and negative J\$113.22 million for Q2 2024 versus J\$124.09 million for Q2 2023. The 6 Months FY 2024 reduction was mainly attributable to the negative total investment income of J\$55.31 million relative to positive total investment income of J\$9.41 million last year. For FYE August 2023, SRF generated J\$312.58 million in net investment income.

Net loss attributable to shareholders for 6 Month FY 2024 amounted to J\$320.13 million, representing an increase of J\$18.26 million versus a net loss of J\$301.87 million last year. For Q2 2024, the net loss J\$187.15 million versus a net loss of J\$129.37 million last year.

Sygnus Real Estate Finance Limited

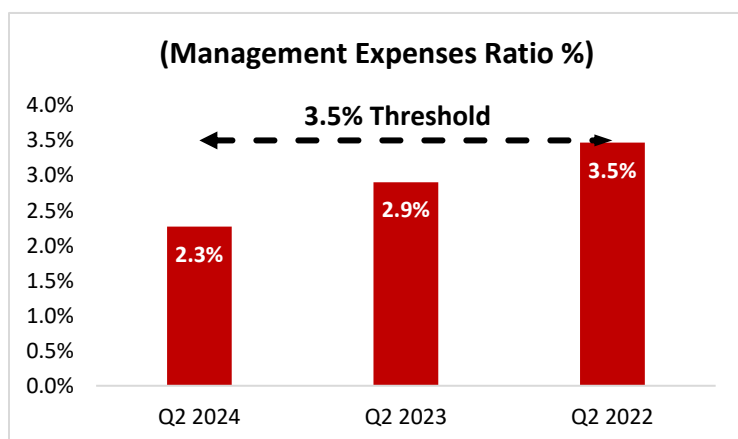
Unaudited Results for the 6 Months Ended February 29, 2024

Basic earnings per share (EPS) was negative J\$0.98 for 6 Month FY 2024 relative to negative J\$0.92 last year, while diluted EPS was negative J\$0.91 for 6 Month FY 2024 compared to negative J\$0.86 last year. Basic earnings per share (EPS) was negative J\$0.57 for Q2 2024 relative to negative J\$0.40 last year, while diluted EPS was negative J\$0.53 for Q2 2024 compared to negative J\$0.37 last year. Similarly, basic core earnings or net investment income per share (NIIPS) was negative J\$0.70 for 6 Month FY 2024, compared with negative J\$0.63 last year. For Q2 2024, basic core earnings or net investment income per share (NIIPS) was negative J\$0.35, compared with negative J\$0.38 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 6 Month FY 2024 of J\$172.79 million, down 20.0% or J\$43.06 million, relative to J\$215.86 million last year, and J\$88.87 million for Q2 2024, down 20.8% or J\$23.29 million versus Q2 2023. These results were driven primarily by lower management fees. For 6 Month FY 2024, management fees were J\$64.30 million, down 55.2% or J\$79.17 million relative to J\$143.46 million last year, while corporate services fees were J\$22.06 million, down 6.9% or J\$1.65 million relative to J\$23.71 million last year. For Q2 2024, management fees were J\$31.70 million, down 57.6% or J\$43.14 million relative to J\$74.84 million last year, while corporate service fees were J\$10.92 million, down 10.2% or J\$1.24 million relative to J\$12.16 million last year. As SRF closes out 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, management fees were reduced to 1.00% up to August 31, 2024. 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.

For 6 Month FY 2024, management and corporate service fees collectively represented 50.0% of total operating expenses (48.0% for Q2 2024). Excluding management and corporate services fees, operating expenses were J\$86.44 million (J\$46.24 million for Q2 2024), up J\$37.75 million or 77.5% relative to last year (Q2 2024: up J\$21.08 million or 83.7%). 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 2.3% (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 6 Month FY 2024, SRF reported a fair value loss of J\$40.08 million compared to a loss of J\$48.19 million last year. For Q2 2024, SRF reported a fair value loss of J\$32.25 million compared to a loss of J\$24.80 million last year.

Net Foreign Exchange Gains or Losses

Net foreign exchange losses were J\$51.94 million for 6 Month FY 2024, compared to a loss of J\$47.23 million last year, and J\$41.68 million for Q2 2024 versus a gain of J\$19.51 million for Q2 2023. 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

Sygnus Real Estate Finance Limited
Unaudited Results for the 6 Months Ended February 29, 2024

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\$28.03 million driven primarily by US\$14.81 million in loans and borrowings, US\$9.07 million in notes payable and US\$3.50 million in convertible preference shares.

Sygnus Real Estate Finance Limited

Unaudited Results for the 6 Months Ended February 29, 2024

Real Estate Investment Activity

SRF's investment in real estate investment assets grew by 6.4% or J\$899.49 million over twelve months to a record J\$14.96 billion at Feb 2024, spanning 15 investments versus J\$14.06 billion in 16 investments last year. As the Group enters its second investment life cycle, investment activity is expected to ramp up significantly towards the latter part of the financial year and beyond. For the period under review, SRF deployed J\$786.34 million in new investment commitments, down 47.7% or J\$718.12 million vs J\$1.50 billion last year, driven by a combination of property additions to strategic assets, J\$256.71 million committed by Audere Holdings Limited for which SRF holds a 70% interest, and investments in REINs. Fair value in REINs fell by 16.1% or J\$351.68 million to J\$1.83 billion, primarily driven by the Group's

harvesting cycle with a fair value yield of 8.8%, compared with J\$2.18 billion with a fair value yield of 9.6% as at Q2 2023. SRF is seeking to substantially increase its investment in new REINs at higher interest rates with funds generated from ongoing investment exits. Over the next 18 months SRF is targeting REINs and lease income generating assets from its own developments, to be at a minimum 30% of its real estate investment assets.

SRF had J\$38.21 million in dry powder on the balance sheet as at Feb 2024 vs J\$645.66 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 Q2 2024.

	6 Months Feb 2024	6 Months Feb 2023	FYE AUG 2023
Summary of Investment Activity	JAS'000	JAS'000	JAS'000
Fair Value of Real Estate Investment Assets	14,959,007	14,059,520	14,923,794
New Commitments in Real Estate Investment Assets	786,339	1,504,461	3,087,572
Number of Real Estate Investment Assets(#)	15	16	15
Dry Powder*	38,212	645,660	71,486
Number of Investments Exited(#)	1	1	2
Value of Investments Exited**	388,681	462,578	875,196
Number of Real Estate Investment Notes(#)	6	7	6
Fair Value of Real Estate Investment Notes	1,833,077	2,184,760	1,826,766
Basic FV per share	45.81	43.06	45.70
Diluted FV per share	42.70	40.11	42.64
Fair Value Yield on Real Estate Investment Notes(%)	8.8%	9.6%	8.9%

* 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, with the tenant starting to make lease payments during the fourth quarter of the 2023 financial year. SRF exited the majority of its investment in the project during Q1 FY 2024.

One Belmont: Belmont Road, Kingston | Commercial – Corporate Offices: The J\$3.70 billion 9-storey corporate office development is currently 98.0% 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 6 Months Ended February 29, 2024

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.

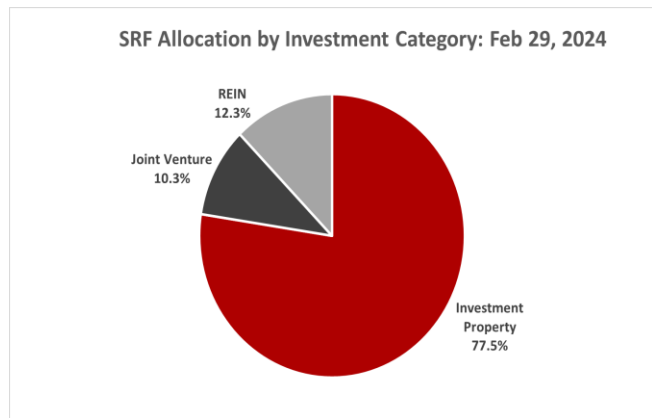
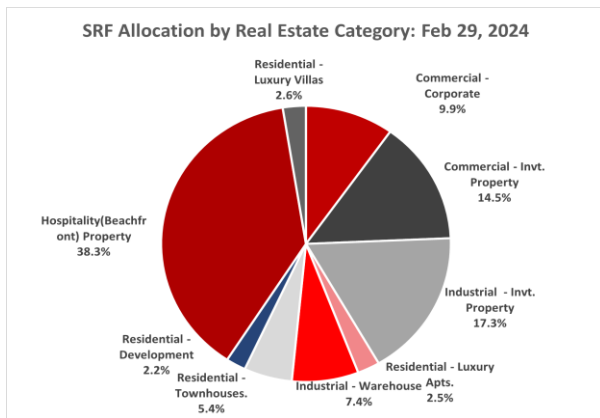
Lakespen Holdings, St Catherine | Industrial – Warehouses, Light Manufacturing, Distribution: SRF continues to work with its strategic partners to unlock the optimal value on this 55-acre industrial property. The plans to unlock value from this industrial property advanced during the quarter under review,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

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

Allocation by Real Estate Category and Investment Category

As at Q2 2024, SRF’s investments were allocated across 9 sub-categories of real estate, with the largest allocation to hospitality – investment property (38.3%), industrial-investment property (17.3%) and commercial-investment property (14.5%).

SRF’s capital was primarily allocated across three investment categories, namely property investments at 77.5%, REINs at 12.3% and joint ventures at 10.3%. 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 6 Months Ended February 29, 2024

Balance Sheet Summary

	6 Months Feb 2024	6 Months Feb 2023	FYE AUG 2023
Summary of Balance Sheet Information	JAS'000	JAS'000	JAS'000
Cash and Cash Equivalents	38,212	585,140	61,266
Repurchase Agreements	-	60,520	10,220
Un-deployed Cash/Dry Powder	38,212	645,660	71,486
Property Held for Sale	1,113,520	-	1,113,520
Investment Property	10,472,979	10,671,442	10,443,270
Total Property Investments	11,586,499	10,671,442	11,556,790
Investments Measured at Fair Value through P&L	1,561,681	1,717,016	1,568,613
Investments Measured at Amortised Cost	271,396	467,744	258,153
Total Real Estate Investment Notes	1,833,077	2,184,760	1,826,766
Investment in Joint Ventures	1,539,430	1,203,317	1,540,238
Total Real Estate Investment Assets	14,959,007	14,059,520	14,923,794
	14,997,219	14,705,180	14,995,280
Other Assets:			
Prepaid Expenses	-	-	2,303
Accounts Receivable	11,558	1,748	13,306
Investment Income Receivable	170,087	115,402	122,082
Other Receivables	683	132	1,724
Deferred Tax Asset	27,113	45,842	27,113
Due from Related Entities	14,761	4,514	4,514
Total Assets	15,221,421	14,872,819	15,166,322
Share Capital	4,718,066	4,718,066	4,718,066
Foreign Currency translation reserve	(110)	8	(34)
Retained Earnings	2,762,210	2,569,029	3,082,340
Total Shareholder's Equity	7,480,166	7,287,103	7,800,372
Total Liabilities and Equity	15,221,421	14,872,819	15,166,322

As at Feb 29, 2024, SRF's total assets increased by 2.3% or J\$348.60 million to J\$15.22 billion compared with J\$14.87 billion last year. This was primarily driven by a 2.0% or J\$292.04 million increase in total real estate investment assets to J\$15.00 billion compared with J\$14.71 billion last year. There was a 27.9% or J\$336.11 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 total property investments 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\$1.83 billion compared with J\$2.18 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 Q2 2024, shareholder's equity grew by 2.6% or J\$193.06 million to J\$7.48 billion compared with J\$7.29 billion last year, reflecting the value created for shareholders relative to last year. Book value per share was J\$22.91 for Q2 2024 compared to J\$22.32 last year, driven primarily by the higher shareholder's equity due to increased retained earnings. This represents a 18.7% premium over the general initial public offering price of J\$19.30 and a premium of 28.0% 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

Subsequent to the end of 6 Month FY 2024, at the Group's annual general meeting held on March 21, 2024, shareholders approved the issue of 20,707,342 ordinary payment-in-kind shares (PIK shares) to the Investment Manager at a price of J\$18.25 and the issue of the subscription warrants to existing shareholders. A summary of what gave rise to the PIK shares and warrants is outlined below.

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 is 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

Sygnus Real Estate Finance Limited
Unaudited Results for the 6 Months Ended February 29, 2024

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.

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 issue 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.

Sygnus Real Estate Finance Limited
Unaudited Results for the 6 Months Ended February 29, 2024

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LIMITED	42,000,000	12.9%
2	SJIML A/C 3119	20,000,000	6.1%
3	DYNAMIX HOLDINGS INCORPORATED	20,000,000	6.1%
4	WILDELLE LIMITED	17,000,000	5.2%
5	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY	16,458,758	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	163,601,978	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	OneCent Holdings Limited	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

February 29, 2024

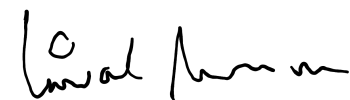
(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited 29 February 2024 \$'000	Unaudited 28 February 2023 \$'000	Audited 31 August 2023 \$'000
ASSETS			
Cash and cash equivalents	38,212	585,140	61,266
Reverse repurchase agreements	-	60,520	10,220
Due from related parties	14,761	4,514	4,514
Investments	1,833,077	2,184,760	1,826,766
Interest in joint venture	1,539,430	1,203,317	1,540,239
Other assets	182,330	117,284	139,415
Deferred tax asset	27,112	45,842	27,112
Asset held for sale	1,113,520	-	1,113,520
Investment property	10,472,979	10,671,442	10,443,270
	15,221,421	14,872,819	15,166,322
LIABILITIES			
Accounts payable and accrued liabilities	1,579,481	1,651,823	1,531,868
Due to related parties	1,299,897	1,037,081	1,204,349
Interest payable	134,750	115,343	140,512
Notes payable	1,407,258	586,900	1,383,481
Loans and borrowings	2,658,315	3,466,846	2,451,300
Deferred tax liabilities	118,990	197,400	118,990
Preference shares	542,564	530,323	535,450
	7,741,255	7,585,716	7,365,950
EQUITY			
Share capital	4,718,066	4,718,066	4,718,066
Translation reserve	(110)	8	(34)
Retained earnings	2,762,210	2,569,029	3,082,340
	7,480,166	7,287,103	7,800,372
	15,221,421	14,872,819	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
Six months ended February 29, 2024
(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited Three months ended 29 February 2024 \$'000	Unaudited Three months ended 28 February 2023 \$'000	Unaudited Six months ended 29 February 2024 \$'000	Unaudited Six months ended 28 February 2023 \$'000	Audited Year ended 31 August 2023 \$'000
Net interest income and other revenue					
Interest income, calculated using the effective interest method	8,990	37,230	17,792	71,074	98,860
Other interest income	35,294	30,044	70,325	71,131	154,687
Interest expense	(90,852)	(91,736)	(175,862)	(153,736)	(319,334)
	<u>(46,568)</u>	<u>(24,462)</u>	<u>(87,745)</u>	<u>(11,531)</u>	<u>(65,787)</u>
Fair value loss from financial instruments at fair value through profit or loss (FVTPL)	(32,251)	(24,797)	(40,083)	(48,189)	(79,132)
Foreign exchange loss	(41,679)	19,510	(51,943)	(47,231)	(81,692)
Fair value gain on investment property	-	-	-	-	430,962
Other income	22,724	9,387	33,243	17,640	60,169
	<u>(97,774)</u>	<u>(20,362)</u>	<u>(146,528)</u>	<u>(89,311)</u>	<u>264,520</u>
Operating expenses					
Management fees	31,703	74,838	64,296	143,464	293,343
Corporate service fees	10,922	12,158	22,061	23,707	48,290
Other expenses	46,245	25,168	86,437	48,688	111,347
	<u>88,870</u>	<u>112,164</u>	<u>172,794</u>	<u>215,859</u>	<u>452,980</u>
Operating (loss)/profit	<u>(186,644)</u>	<u>(132,526)</u>	<u>(319,322)</u>	<u>(305,170)</u>	<u>(188,460)</u>
Share of (loss)/profit of joint ventures	(505)	3,153	(808)	3,299	340,220
	<u>(187,149)</u>	<u>(129,373)</u>	<u>(320,130)</u>	<u>(301,871)</u>	<u>151,760</u>
(Loss)/profit before taxation	<u>(187,149)</u>	<u>(129,373)</u>	<u>(320,130)</u>	<u>(301,871)</u>	<u>151,760</u>
Taxation	-	-	-	-	59,680
	<u>(187,149)</u>	<u>(129,373)</u>	<u>(320,130)</u>	<u>(301,871)</u>	<u>211,440</u>
(Loss)/profit for the period	<u>(187,149)</u>	<u>(129,373)</u>	<u>(320,130)</u>	<u>(301,871)</u>	<u>211,440</u>
Translation adjustment on consolidation of overseas subsidiary, being total other comprehensive loss	(71)	34	(76)	(28)	(70)
	<u>(187,220)</u>	<u>(129,339)</u>	<u>(320,206)</u>	<u>(301,899)</u>	<u>211,370</u>
Total comprehensive (loss)/income for the period	<u>(187,220)</u>	<u>(129,339)</u>	<u>(320,206)</u>	<u>(301,899)</u>	<u>211,370</u>
Basic earnings per stock unit	(\$0.57)	(\$0.40)	(\$0.98)	(\$0.92)	\$0.65
Diluted earnings per stock unit	(\$0.53)	(\$0.37)	(\$0.91)	(\$0.86)	\$0.61

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Changes in Equity
Six months ended February 29, 2024
(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	-	-	(301,871)	(301,871)
Other comprehensive loss	-	(28)	-	(28)
	-	(28)	(301,871)	(301,899)
Balances at February 28, 2023	4,718,066	8	2,569,029	7,287,103
Balances at August 31, 2023	4,718,066	(34)	3,082,340	7,800,372
Total comprehensive loss				
Loss for the period	-	-	(320,130)	(320,130)
Other comprehensive loss	-	(76)	-	(76)
	-	(76)	(320,130)	(320,206)
Balances at February 29, 2024	4,718,066	(110)	2,762,210	7,480,166

SYGNUS REAL ESTATE FINANCE LIMITED
Consolidated Statement of Cash Flows
Six months ended February 29, 2024
(Expressed in Jamaica dollars unless otherwise indicated)

	Unaudited Six months ended 29 Feb 2024 \$'000	Unaudited Six months ended 28 Feb 2023 \$'000	Audited Year ended 31 Aug 2023 \$'000
Cash flows from operating activities			
(Loss)/profit for the period	(320,130)	(301,871)	211,440
Adjustments for:			
Interest income	(88,117)	(142,205)	(253,547)
Interest expense	175,862	153,736	319,334
Interest capitalised on investments	(6,735)	-	(123,569)
Dividend capitalised on preference shares	-	-	2,266
Share of loss/(profit) of joint ventures	808	(3,299)	(340,220)
Foreign exchange loss/(gain)	1,836	(2,726)	81,573
Fair value loss on investments	40,083	48,189	79,132
Fair value gain on investment property	-	-	(430,962)
Taxation	-	-	(59,680)
	<u>(196,393)</u>	<u>(248,176)</u>	<u>(514,233)</u>
Changes in operating assets and liabilities:			
Other receivables	5,091	32,969	17,517
Due from related parties	(10,247)	31,796	31,796
Accounts payable and accrued liabilities	47,613	88,905	(43,504)
Due to related parties	95,548	158,812	325,458
	<u>(58,388)</u>	<u>64,306</u>	<u>(182,966)</u>
Interest received	40,112	119,887	224,549
Interest paid	(181,624)	(81,842)	(224,064)
	<u>(199,900)</u>	<u>102,351</u>	<u>(182,481)</u>
Net cash (used in)/provided by operating activities	<u>(199,900)</u>	<u>102,351</u>	<u>(182,481)</u>
Cash flows from investing activities			
Investments	(29,439)	190,450	704,156
Acquisition of investment property	-	(284,060)	(284,060)
Additions to investment property	(29,709)	(956,695)	(1,411,082)
	<u>(59,148)</u>	<u>(1,050,305)</u>	<u>(990,986)</u>
Net cash used in investing activities	<u>(59,148)</u>	<u>(1,050,305)</u>	<u>(990,986)</u>
Cash flows from financing activities			
Preference shares	7,114	9,216	-
Notes payable	23,777	201,629	979,088
Loans and borrowings	207,015	856,187	(209,566)
	<u>237,906</u>	<u>1,067,032</u>	<u>769,522</u>
Net cash provided by financing activities	<u>237,906</u>	<u>1,067,032</u>	<u>769,522</u>
Effect of foreign exchange movements on cash and cash equivalents	(1,912)	2,697	1,846
	<u>(1,912)</u>	<u>2,697</u>	<u>1,846</u>
Net (decrease)/increase in cash and cash equivalents	<u>(23,054)</u>	<u>121,775</u>	<u>(402,099)</u>
Cash and cash equivalents at beginning of period	61,266	463,365	463,365
	<u>61,266</u>	<u>463,365</u>	<u>463,365</u>
Cash and cash equivalents at end of period	<u><u>38,212</u></u>	<u><u>585,140</u></u>	<u><u>61,266</u></u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Six months ended February 29, 2024

*(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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Six months ended February 29, 2024

(expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation**(a) Statement of compliance**

These condensed consolidated interim financial statements for the six months ended February 29, 2024 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. Material 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.

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Six months ended February 29, 2024

(expressed in Jamaica dollars unless otherwise indicated)

3. Material 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

Six months ended February 29, 2024

*(expressed in Jamaica dollars unless otherwise indicated)***3. Material 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.

	<u>2024</u>		<u>2023</u>	
	Basic	Diluted	Basic	Diluted
Net loss attributable to stockholders of the parent (\$'000)	(320,130)	(320,130)	(301,871)	(301,871)
Weighted average number of ordinary stock units in issue ('000)	326,526	350,359	326,526	350,543
Earnings per stock unit (\$)	<u>(0.98)</u>	<u>(0.91)</u>	<u>(0.92)</u>	<u>(0.86)</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Six months ended February 29, 2024

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

	2024 \$'000	2023 \$'000
Fair value through profit or loss:		
Preference shares	1,561,681	1,717,016
Amortised cost:		
Short-term notes	271,396	245,524
Medium-term notes	<u>-</u>	<u>222,220</u>
	<u>1,833,077</u>	<u>2,184,760</u>

6. Investment property

	2024 \$'000	2023 \$'000
At beginning of the year	10,443,270	9,430,687
Acquisitions during the period:		
58 Lady Musgrave Road	-	284,060
Additions and improvements during the period	<u>29,709</u>	<u>956,695</u>
At end of the period	<u>10,472,979</u>	<u>10,671,442</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:

	2024 \$'000	2023 \$'000
<u>Assets</u>		
Due from related parties	14,761	4,514
Investment	199,176	150,000
Interest receivable	<u>4,647</u>	<u>28,933</u>
<u>Liabilities</u>		
Project management fees payable	249,077	270,684
Due to related parties	1,299,897	1,037,081
Loans payable (note 8)	1,383,167	1,080,035
Interest payable	<u>111,616</u>	<u>68,012</u>

SYGNUS REAL ESTATE FINANCE LIMITED

Notes to the consolidated financial statements

Six months ended February 29, 2024

*(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:

	2024	2023
	\$'000	\$'000
Interest income	13,552	10,500
Interest expense	<u>(62,554)</u>	<u>(46,504)</u>
<u>Operating expenses</u>		
Management fees	64,296	143,464
Corporate service fees	22,061	23,707
Professional fees	-	1,815
Director's fees and related expenses	<u>11,948</u>	<u>5,193</u>

8. Loans and borrowings

	2024	2023
	\$'000	\$'000
US\$ vendor mortgage	681,025	1,022,706
US\$ senior secured bridge loan	-	765,696
Loans from related parties	1,383,167	1,080,035
Revolving line of credit	<u>594,123</u>	<u>598,409</u>
	<u>2,658,315</u>	<u>3,466,846</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”.

9. Debt-to-equity conversion (continued)

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

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 were approved at the annual general meeting of the Company, which was held on March 21, 2024.