SYGNUS CREDIT INVESTMENTS LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2018

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sygnus Credit Investments Limited ("the Company"), set out on pages 8 to 36, which comprise the statement of financial position as at June 30, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation and classification of investments

The key audit matter	How the matter was addressed in our audit
The valuation and classification of the Company's investments has been identified as a key audit matter given that the valuation includes significant assumptions and judgments about the performance of the underlying portfolio companies, over the tenure of the investments. Furthermore, the valuation methodology relies on unobservable inputs which have a significant impact on the resulting value of the investments. These judgements and assumptions could result in estimated fair values that are materially different from actual transaction values. *[see notes 9 and 18 to the financial statements]*	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the Company's controls over the determination and computation of fair values. • Challenging the reasonableness of prices/fair values by comparing to independent third party information. • Involving our own valuation specialists to assess the reasonableness of the valuation methodologies employed and the fair value conclusions. We considered the provisions of IFRS 13 *Fair Value Measurement* and reviewed the sources of data and underlying assumptions utilised to value the underlying investments • Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values. • Evaluating the appropriateness of classification of investment components in accordance with IFRS.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Key Audit Matters (continued)

2. Issue of ordinary shares to the public

The key audit matter	How the matter was addressed in our audit
The Company was listed on the Jamaica Stock Exchange on June 18, 2018, after 54.51% of its shares were issued to the public at J$13.72 for the JMD class shares and US$0.11 for the USD class shares. Existing shareholders purchased JMD class shares for J$13.10 and USD class shares for US$0.105. The accounting for this transaction is considered a key audit matter as judgement is required in determining the qualifying costs which relate solely to the issue of the shares, which are accounted for directly within equity. *[see note 12 to the financial statements]*	Our procedures in this area included the following: • Examining the analysis of the relevant costs incurred in the transaction and assessing their qualification as direct costs based on the requirements of IAS 32 *Financial Instruments: Presentation.* • Verifying a sample of the qualifying costs to supporting invoices and other relevant documentation. • Assessing the adequacy of the disclosures in respect of the share issue and the related transaction costs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Other Information (continued)

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditors' report is Lisa Brathwaite.

KPMG

Chartered Accountants
Saint Lucia

August 29, 2018

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SYGNUS CREDIT INVESTMENTS LIMITED

Statement of Financial Position
June 30, 2018
(Expressed in United States dollars)

	Notes	2018
ASSETS		
Cash at bank	5	400,259
Securities purchased under resale agreements	6	19,883,276
Interest receivable		229,494
Other receivables	7	788,625
Finance lease receivable	8	498,960
Investments	9	15,203,964
Total Assets		$37,004,578
LIABILITIES		
Accounts payable and accrued liabilities	10	201,779
Due to related companies	11	183,876
Total Liabilities		385,655
SHAREHOLDERS' EQUITY		
Share capital	12	35,107,673
Fair value reserve	13	87,503
Retained earnings		1,423,747
Total Shareholders' Equity		36,618,923
Total Liabilities and Shareholders' Equity		$37,004,578

The financial statements on pages 8 to 36 were approved by the Board of Directors on August 29, 2018 and signed on its behalf by:

________________________ Director
Dr. Ike Johnson

Nakita Edwards ________________________ Director
Ms. Nakita Edwards

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

SYGNUS CREDIT INVESTMENTS LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended June 30, 2018
(Expressed in United States dollars)

	Notes	2018
Income		
Interest income	14	1,170,917
Fair value gains		644,326
Participation fees	15	23,413
		1,838,656
Expenses		
Accounting fees		20,833
Advertising and promotion		5,343
Audit fees and expenses		48,435
Bank charges		3,098
Registration fees		15,581
Directors' fees and related expenses		29,225
Irrecoverable withholding tax		25,317
Other expenses		2,142
Management fees		182,368
Net foreign exchange loss		49,995
Professional fees		32,572
		414,909
Profit for the year		1,423,747
Other comprehensive income		
Items that are or may be subsequently reclassified to profit or loss:		
Unrealised gains on available-for-sale investments, being total other comprehensive income	13	87,503
Total comprehensive income for the year		$1,511,250
Earnings per stock unit	17	0.9¢

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

SYGNUS CREDIT INVESTMENTS LIMITED

Statement of Changes in Equity
Year ended June 30, 2018
(Expressed in United States dollars)

	Share capital (note 12)	Fair value reserve (note 13)	Retained earnings	Total
Total comprehensive income				
Profit for the year	-	-	1,423,747	1,423,747
Total other comprehensive income				
Unrealised gains on available-for-sale investments	-	87,503	-	87,503
Total comprehensive income for the year	-	87,503	1,423,747	1,511,250
Transaction with owners				
Issue of ordinary shares	35,107,673	-	-	35,107,673
Balances at June 30, 2018	$35,107,673	87,503	1,423,747	36,618,923

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

SYGNUS CREDIT INVESTMENTS LIMITED

Statement of Cash Flows
Year ended June 30, 2018
(Expressed in United States dollars)

	Notes	2018
Cash flows from operating activities		
Profit for the year		1,423,747
Adjustments for:		
Interest income	14	(1,170,917)
Fair value gains		(644,326)
		(391,496)
Increase in operating assets:		
Other receivables		(788,625)
Increase in operating liabilities:		
Accounts payable and accrued liabilities		201,779
Due to related companies		183,876
Net cash used in operating activities		(794,466)
Cash flows from investing activities		
Purchase of investments		(15,155,030)
Encashment of investments		682,895
Finance lease receivable		(498,960)
Purchase of securities purchased under resale agreements		(31,388,356)
Encashment of securities purchased under resale agreements		11,505,080
Interest income received		941,423
Net cash used in investing activities		(33,912,948)
Cash flows from financing activities		
Proceeds from issuance of shares	12	36,196,607
Transaction costs associated with shares issued	12	(1,088,934)
Net cash provided by financing activities		35,107,673
Cash at bank at the end of year		$ 400,259

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

1. The Company

Sygnus Credit Investments Limited ("the Company") was incorporated in Saint Lucia on January 13, 2017 under the International Business Companies Act as an International Business Company ("IBC"). The Company is domiciled in Saint Lucia with registered office at McNamara Corporate Services Inc., 20 Micoud Street, Castries, Saint Lucia.

The Company started operations on July 1, 2017. Consequently, these financial statements are for the year ended June 30, 2018.

The Company is a specialty credit investment company, dedicated to providing non-traditional financing to medium-sized firms across the Caribbean region. Non-traditional forms of credit are more customized and flexible than traditional financing. The Company offers an alternative channel through which medium-sized firms, which are typically underserved by traditional forms of financing, can access capital to drive their expansion and growth.

The investment portfolio of the Company is managed and administered by Sygnus Capital Management Limited ("SCM"), a related company incorporated in the Cayman Islands under the Cayman Companies Act (the "Act") and registered with the Cayman Islands Monetary Authority ("CIMA") as an Exempt Investment Management Company.

The Company has no employees.

The Company elected, under section 109 of the International Business Companies Act, to be liable to income tax at a tax rate of 1% per annum (see note 16).

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Certain new and amended standards came into effect during the financial period under review. The adoption of the new and amended standards did not have any significant impact on the Company’s financial statements.

Certain new and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. The Company has assessed them and determined that the following are relevant:

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

(a) Statement of compliance (continued)

(i) The Company is required to adopt IFRS 9, *Financial Instruments,* from July 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for other receivables, investments and securities purchased under resale agreements. However, the Company is still in the process of its assessment and the final impact is not yet known.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The Company believes that there is the possibility that impairment losses may increase for assets within the scope of IFRS 9 impairment model. However, the Company is still in the process of determining the likely financial impact on its financial statements.

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

(a) Statement of compliance (continued)

(i) The Company is required to adopt IFRS 9, *Financial Instruments* (continued)

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Company's assessment included an analysis to identify data gaps against current processes and the Company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior period with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as at July 1, 2018.

- The Company will determine the business model which a financial asset is held on the facts and circumstances that exist at the date of initial application.

(ii) IFRS 15, *Revenue From Contracts With Customers*, will be adopted effective July 1, 2018. IFRS 15 replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue-Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has conducted a preliminary assessment in order to determine the qualitative and quantitative impacts of the implementation of the standard. The Company does not expect a material impact due to the transition to IFRS 15. However, management has not yet completed its assessment and the financial impact has not yet been determined.

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

(a) Statement of compliance (continued)

(iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, will be adopted effective July 1, 2018. IFRIC 22 addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Company is assessing the impact that this interpretation will have on its 2019 financial statements.

(iv) IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities.

The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

Lessor accounting remains similar to current practice, as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Company is assessing the impact that this new standard will have on its 2020 financial statements.

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

(a) Statement of compliance (continued)

(v) Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

(i) Prepayment features with negative compensation

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

(ii) Modifications to financial liabilities

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Company is assessing the impact that the amended standard will have on its 2020 financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in United States dollars, which is the functional currency of the Company.

(d) Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

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

(d) Use of estimates and judgement (continued)

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

3. Accounting estimates and judgements in applying accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, is as follows:

Fair value of financial assets:

As described in note 18, management uses its judgement in selecting appropriate valuation techniques to determine fair values of financial assets classified as available-for-sale.

Consequently, the use of different assumptions and inputs could yield materially different results in the fair value of the Company's investments.

4. Significant accounting policies

(a) Cash at bank

Cash at bank is measured at cost.

(b) Securities purchased under resale agreements

Securities purchased under resale agreements ("Resale agreements") are short-term transactions whereby securities are bought with simultaneous agreements to resell the securities on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralised lending and are measured at amortised cost.

The difference between the purchase cost and resale consideration is recognised on the accrual basis over the period of the agreement, using the effective interest method, and is included in interest income.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash at bank, securities purchased under resale agreements, investments, other receivables and finance lease receivable. Financial liabilities include accounts payable and accrued liabilities and due to related companies.

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification:

Management determines the classification of investments at the time of acquisition and takes account of the purpose for which the investments were acquired. Investments are classified as available-for-sale and held-to-maturity.

Loans and receivables are those created or acquired by the Company, with fixed or determinable payments and are not quoted in an active market. Loans and receivables comprise cash at bank balances and securities purchased under resale agreements.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the company has the positive intent and ability to hold to maturity.

Available-for-sale securities are financial assets that are so designated by the Company.

Non-derivative financial liabilities are classified as other financial liability.

(ii) Recognition:

The Company initially recognise securities purchased under resale agreements and debt securities on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual terms of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(iii) Derecognition:

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Measurement:

Financial assets classified as available-for-sale are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at fair value. Unrealised gains and losses arising from changes in fair value, except for impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and presented in fair value reserve in equity (see note 13). Where fair value cannot be reliably determined, they are measured at cost. Where these securities are disposed of or impaired, the related accumulated unrealised gains or losses are reclassified to profit or loss.

On initial recognition, held-to-maturity investments are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses.

Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

(vi) Identification and measurement of impairment:

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Objective evidence that financial assets are impaired include default or delinquency by a borrower, the disappearance of an active market for a security, adverse changes in the payment status of the borrowers or issuers, indications that a debtor or issuer will enter into bankruptcy or observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Identification and measurement of impairment (continued):

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment incurred but not yet identified.

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (measured at amortised cost) with similar risks.

In assessing collective impairment, the company uses historical information of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses on assets measured at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve to profit or loss. The cumulative loss reclassified is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(vii) Fair value measurement:

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vii) Fair value measurement (continued):

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(d) Revenue recognition

(i) Interest income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

4. Significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Commission

Commission income is recognised on the accrual basis when the related services have been provided.

(e) Foreign currency transactions and balances

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

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(f) Other receivables

Other receivables are measured at amortised cost less impairment losses.

(g) Leases

Finance lease:

Lessor

On initial recognition, the lease receivable is measured as the present value of the lease rentals receivable. Initial direct costs are included in the initial measurement of the finance lease receivable which reduces the amount of income recognised over the lease term.

Interest earned on finance leases is recognized in profit or loss over the term of the lease on the straight-line basis.

(h) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- The host contract is not itself carried at fair value through profit or loss;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

4. Significant accounting policies (continued)

(i) Taxation

The Company is subject to tax at 1% of its taxable income in Saint Lucia. Taxation on the profit or loss for the period comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in profit or loss.

(i) Current taxation

Current tax charges are based on the taxable profit for the period, which differs from the profit before tax reported because they exclude items that are taxable or deductible in other periods, and items that are never taxable or deductible. The current tax is calculated at tax rates that have been enacted at the reporting date.

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods.

Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(j) Accounts payable and accrued liabilities and due to related companies

Accounts payable and accrued liabilities and due to related companies are measured at amortised cost.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(l) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures,* as the "reporting entity", that is, the Company).

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company.

4. Significant accounting policies (continued)

(l) Related parties (continued)

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group of companies (which means that each parent, subsidiary and fellow subsidiary is related to the other).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of companies of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of companies of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

5. Cash at bank

Cash at bank comprises savings accounts and a non-interest bearing operating account at commercial banks in Jamaica and St. Lucia.

6. Securities purchased under resale agreements

	2018
Denominated in United States dollars (a)	9,068,443
Denominated in Jamaica dollars (b)	10,814,833
	$19,883,276

(a) These instruments earn interest between 2% and 4.4% and mature within 12 months from the reporting date.

(b) These instruments earn interest between 1.5% and 2.75% and mature within 12 months from the reporting date.

At June 30, 2018, the fair value of the underlying collateral of the resale agreements was $20,845,492.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended June 30, 2018
(Expressed in United States dollars)

7. Other receivables

	2018
Prepaid expense	32,843
Amounts due from IPO lead arranger	755,782
	$788,625

8. Finance lease receivable

	2018
Minimum lease payments receivable	626,547
Less: Unearned income	(127,587)
	$498,960
The lease payments are receivable as follows:	
Within one year	164,454
Two – four years	462,093
	$626,547

The finance lease receivable is collectible over 48 months effective June 1, 2018.

9. Investments

	2018
Fair value through profit or loss	
Preference shares - profit participation and conversion options (a)	644,326
Available-for-sale	
Preference shares - host contract (a)	6,612,885
Held-to-maturity	
Commodity resale agreement (b)	4,000,000
Medium-term notes (c)	3,946,753
	7,946,753
Total	$15,203,964

(a) This represents two (2) convertible preference shares maturing within three to five years. These investments were carried out with companies in the manufacturing and energy industries. The terms and conditions of each preference share is as follows:

(Expressed in United States dollars)

9. Investments (continued)

(a) (continued)

i. The Company has an equity conversion option to convert all or part of the shares into common equity in the event of an Initial Public Offering or sale by the Issuer.

ii. The Company is entitled to receive a percentage of reported net profits of the Issuer.

iii. The Issuer has a redemption option whereby the preference shares can be redeemed prior to the maturity date by paying a premium to the Company.

(b) The commodity resale agreement will mature within one year from the reporting date.

(c) This represents three (3) medium-term notes maturing within three to five years. These notes can be repaid on or after the contracted periods.

10. Accounts payable and accrued liabilities

	2018
Audit fees	26,500
Other payables	11,647
Directors' fees and related expenses	10,746
Security deposit*	103,355
Accrued expenses	49,531
	$201,779

* This amount was withheld by the company as part of an investment transaction in the event of a default in payments.

11. Related party balances and transactions

(a) Identity of related parties:

The Company has related party relationships with its directors, shareholders and related entities.

(b) The statement of financial position includes the following balances with related parties in the ordinary course of business as follows:

	2018
Due to related companies:	
Sygnus Capital Limited	54,295
Sygnus Capital Management Limited	129,581
	$183,876

These balances are unsecured, interest free and repayable on demand.

(Expressed in United States dollars)

11. Related party balances and transactions (continued)

(c) The statement of profit or loss and other comprehensive income includes expenses incurred in transactions with related parties in the ordinary course of business as follows:

	2018
Management fees	182,368
Directors' fees and related expenses	29,225
	$211,593

12. Share capital

	2018
Authorised capital:	
(i) Unlimited ordinary shares	
(ii) One (1) special rights redeemable share of US$1	
Issued and fully paid:	
350,087,563 ordinary stock unit and one (1) special share	36,196,607
Less: transaction costs of share issue	(1,088,934)
	$35,107,673

Sygnus Capital Management Limited, a related company, holds 1 special rights share and 5.4 million ordinary stock units in the Company. The purpose of the Special Share is to ensure that the structure of the investment is not subverted by investors who may acquire substantial interest in the Company. The Special Share carries no right to participate in dividends or distribution of capital except on winding-up of the Company. At a general meeting, the holder of the Special Share carries 101% of the aggregate votes, vested in all ordinary shares issued by the Company. The remaining ordinary stock units are held by public and private investors.

Prior to Initial Public Offering (IPO), the Company effected a private placement of ordinary shares denominated in Jamaica Dollars and United States Dollars. In addition the Company also issued shares in bilateral transactions. Together, the Company issued 159,269,523 shares and raised capital of $15,975,526. On June 7, 2018, the Company raised additional capital through an Initial Public Offering (IPO), whereby it issued 190,818,040 shares and raised capital of $20,221,080. The split was between two classes of shares issued in Jamaica and US dollars. Both classes of shares were listed separately on the Jamaica Stock Exchange.

No dividends were paid during the year.

13. Fair value reserve

This represents unrealised gains on available-for-sale investments.

(Expressed in United States dollars)

14. Interest income

	2018
Resale agreements	186,735
Investments	974,343
Finance lease	6,738
Bank balances	3,101
	$1,170,917

15. Participation fee

This represents fees arising from participating in the commodity resale agreement transaction.

16. Taxation

Income earned by the Company for the year is exempt from income tax as these transactions were conducted with member states of CARICOM.

(a) The provision for income tax at 1% of the results for the year, adjusted for tax purposes, is at Nil at end of the reporting period.

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

	2018 $
Profit before taxation	1,423,747
Computed "expected" tax charge of 1%	14,237
Tax effect of treating items differently for financial statements and tax reporting purposes -	
Net foreign exchange losses	500
Interest income from CARICOM member states	(11,709)
Fair value gains from investments in CARICOM member states	(6,443)
Tax losses	3,415
Actual tax charge recognised	-

(c) Deferred tax asset of approximately $3,415 in respect of taxation losses has not been recognised in the financial statements, due to the Company being in its start-up phase and the uncertainty that profits will be generated within the foreseeable future against which the asset can be realised.

17. Earnings per share

Earnings per stock unit is calculated by dividing the profit attributable to stockholders, by the weighted average number of ordinary stock units in issue.

	2018
Profit attributable to stockholders	$ 1,423,747
Weighted average number of ordinary stock units in issue	166,593,971
Basic earnings per stock unit	0.9¢

The Company does not have any instrument that has a dilutive effect on its basic earnings per share.

18. Fair value of financial instruments

The amounts included in the financial statements for cash at bank, securities purchased under resale agreements, accounts payable and accrued liabilities, and due to related companies reflect the approximate fair values because of short-term maturity of these instruments.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and those inputs have a significant effect on the instrument valuation. This category includes instruments that are valued based on prices for similar instruments for which significant adjustments or assumptions are made to reflect differences between the instruments.

Accounting classification and fair values:

The Company's investments measured at fair value are classified at Level 3 in the fair value hierarchy. There were no transfers between levels during the year.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended June 30, 2018
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18. Fair value of financial instruments (continued)

(a) The valuation techniques used in measuring fair value in Level 3 hierarchy is detailed below, as well as the significant unobservable inputs used.

Valuation techniques	**Fair value at June 30, 2018**	**Significant unobservable inputs**	**Range of estimates (weighted – average) for unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Preference shares - Discounted cash flow method	$731,829	• Adjusted profit of the issuer(s) based on probability of achievement • Risk-adjusted discount rates	• Probability of achievement range of 33% - 53% • Fixed income discount rate of 7.4% - 9.4% and Equity discount rate of 18.6% - 26.6%	The estimated fair value would increase/(decrease) if: • Adjusted profit was higher/(lower) • The cost of debt was (higher)/lower • Interest rates changed

(b) The following shows a reconciliation of the fair value measurements:

	2018
Purchases	6,538,399
Total gains or losses:	
In profit or loss	644,326
In other comprehensive income	87,503
Foreign exchange loss	(13,017)
Balance as of June 30, 2018	$7,257,211

19. Financial risk management

The Company has exposure to the following financial risks from its operations and the use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

19. Financial risk management (continued)

The Board of Directors, together with management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board's risk management mandate is carried out through the following committees:

1. Audit & Governance Committee

The Company has established an Audit & Governance Committee. The primary purpose of this Committee is to assist the Board in fulfilling its oversight responsibilities. In performing its duties, the Committee maintains effective working relationships with the Board, the Enterprise Risk Committee and the Company's external auditors.

The Committee will play a key role in corporate governance and internal controls. The Committee is also responsible for assisting the Board of Directors in its compliance with regulatory requirements.

2. Credit and Risk Management Committee

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

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

In addition to CRIC, the Company has also established an Enterprise Risk Committee. This Committee is accountable to the Board and assists the Board in providing leadership, direction, and oversight pertaining to the Company's risk governance and framework, including the Company's risk appetite statement and risk limits and tolerances ("Risk Appetite Statement"). The Committee also assists the Board to foster a culture within the Company that demonstrates the benefits of a risk-based approach to risk management and internal controls. The Committee works closely with the Audit & Governance Committee.

3. Investment Advisory Committee

The Company's Investment Advisor, Sygnus Capital Limited, a related company, has established an Investment Advisory Committee ("IAC"), which is responsible for analyzing and recommending all investment and credit proposals to the Credit Risk and Investment Committee and monitoring the performance of the Company's investment portfolio. This committee consists of three members who were appointed by the Investment Advisor's Board of Directors. The CEO of the Investment Advisor was appointed as the Chairman of the IAC.

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

The Company's risk management policies are established to identify and analyze the risks faced by the Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The Company manages this risk by establishing policies for granting credit and entering into financial contracts. The Company's credit risk is concentrated, primarily, in cash at bank balances, securities purchased under resale agreements, investments, other receivables and finance lease receivable.

Exposure to credit risk:

The maximum credit exposure, the total amount of loss the Company would suffer if every counter-party to the Company's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position.

(i) Cash at bank balances are held with financial institutions and collateral is not required for such accounts, as management regards the institutions as strong.

(ii) The Company manages credit risk related to other receivables by limiting exposure to specific counterparties and by monitoring settlements.

(iii) Securities purchased under resale agreements, finance lease receivable and investments expose the Company to credit losses as there is a risk that the counterparty will fail to fulfill its contractual obligations. The Company manages this risk by contracting only with counterparties that management considers to be financially sound.

An analysis of the concentration of credit risk from its investments and resale agreements are as follows:

Industries	2018
Distribution	4,000,000
Hospitality	1,198,960
Manufacturing	3,936,642
Mining and Quarrying	1,120,903
Energy	5,446,419
Financial	19,883,276
	$35,586,200

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

(ii) Liquidity risk

Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Company generally makes investments in financial instruments issued by private companies, substantially all of which are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for the Company to sell or dispose of such investments in a timely manner at or close to fair value, if the need arises.

In addition, the Company faces liquidity risk in the form of funding risk. This is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with its investments. Maturities of assets and liabilities, and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

The Company is not subject to any externally imposed liquidity requirements.

The Company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

Financial liabilities, are due to be settled within three months of the reporting date at their measurement values.

(iii) Market risk

Market risk is the risk that the value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Such risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as foreign exchange and interest rates. The market risk arising from investment activities is reviewed and assessed by the Investment Advisory Committee and the Credit and Risk Investment Committee. Investment transactions are monitored by the Board of Directors.

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

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, financial instruments will vary because of exchange rate fluctuations. The Company incurs foreign currency risk on transactions that are denominated in currency other than the United States dollar. The currency giving rise to this risk is the Jamaica dollar.

(Expressed in United States dollars)

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

(iii) Market risk (continued

(a) Foreign currency risk

The exposure to foreign currency risk at the reporting date was as follows:

	J$	US$ equivalent
Foreign currency assets:		
Cash and bank balances	18,840,122	145,641
Long-term notes	929,244,014	7,183,395
Securities purchased under resale agreements	1,399,006,748	10,814,833
	2,347,090,884	18,143,869

Exchange rate for the US dollar to the Jamaica dollar was US$1 to J$129.36.

Sensitivity analysis

A 4% weakening of the Jamaica dollar against the United States dollar would have decreased equity and profit by US$697,271, assuming all other variables remained constant. A 2% strengthening of the Jamaica dollar against the United States dollar would have increased equity and profit by US$370,692.

(b) Interest rate risk

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

Management of interest rate risk

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

(Expressed in United States dollars)

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Management of interest rate risk (continued)

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

	Carrying value 2018 $
Variable rate instruments:	
Assets	74,084
Fixed rate instruments:	
Assets	35,586,200

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Company's investments, resale agreements, finance lease receivable and bank balances. These are substantially the interest sensitive instruments impacting the Company's financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the reporting date was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If market interest rates had been 100 basis points higher or lower and all other variables were held constant, the effect on the Company's profit would have been as follows:

	2018 $
Effect on profit	
Increase 100 basis points	741
Effect on profit	
Decrease 100 basis points	(741)

20. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide benefits for its stakeholders and to maintain an optimal capital structure to enable investments with additional companies. The Company may utilise leverage and may borrow up to 50% of its total assets to fund investments in additional portfolio companies. There was no other externally imposed capital requirement.

The Company's approach to capital management is monitored by the Enterprise Risk Committee and Board of Directors.