

SYGNUS | CREDIT
INVESTMENTS

Quarterly Report

AS AT
SEPTEMBER 30, 2018

Sygnus Credit Investments Limited

Unaudited Results for the 3 Months Ended September 30, 2018

Castries, St Lucia
Wednesday, November 14, 2018

Sygnus Credit Investments Limited

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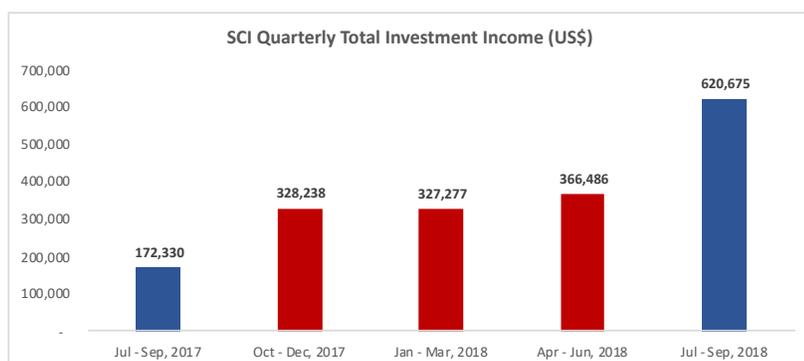
The Board of Directors of Sygnus Credit Investments Ltd ("SCI") is pleased to report its unaudited financial statements for the three-month period ended September 30, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Result of Operations

Sygnus Credit Investments Limited reported US\$620.7 thousand in total investment income, which grew by US\$448.3 thousand or 260.2% over the US\$172.3 thousand reported for the similar period last year. Relative to the prior quarter ending June 2018, total investment income grew by 69%. Total investment income represents the core revenues of SCI and was primarily driven by interest income from investments (97% of the total).

Net investment income, which represents SCI's core earnings, was US\$394.0 thousand (0.10 US cents per share), up US\$263.2 thousand or 201.3% over the US\$130.8 thousand (0.09 US cents per share) reported for the September quarter in 2017. This was driven by the US\$620.7 thousand in total investment income less US\$226.7 thousand in total operating expenses, which grew by US\$185.1 thousand over the corresponding period in 2017.



Net loss attributable to shareholders was US\$358.4 thousand, driven primarily by net foreign exchange losses, which included unrealized and one-off realized items which more than offset net investment income. Earnings per share was -0.1 US cents.

For the similar period last year, SCI reported a net profit attributable to stockholders of US\$47.6 thousand and earnings per share of 0.03 US cents.

	Q1 Sept 2018	Q1 Sept 2017	FY Jun 2018
	US\$	US\$	US\$
Summary Results of Operations			
Total Investment Income	620,675	172,330	1,194,330
Total Operating Expenses	226,699	41,558	364,914
Net Investment Income	393,976	130,771	829,416
Fair Value Gains	14,870	0	644,326
Less Net Foreign Exchange Loss	743,596	83,146	49,995
Less Provision for Expected Credit Losses	23,610	0	0
Net Income / (Loss) before Tax	(358,361)	47,625	1,423,747
Taxation Charge	0	0	0
Profit / (Loss) Attributable to Stockholders	(358,361)	47,625	1,423,747
Other Comprehensive Income:			
Unrealized Gains	0	288,238	87,503
Total Comprehensive Income / (Loss)	(358,361)	335,863	1,511,250
Earnings Per Share	-0.1c	0.03c	0.9c
Net Investment Income per Share	0.1c	0.09c	0.5c

Growth in Net Investment Income

The growth in net investment income reflected a larger increase in total investment income of US\$448.3 thousand, relative to US\$185.1 thousand for total operating expenses. The main driver of the increase in total operating expenses was management fees of US\$173.6 thousand (77% of the total) which were zero for the similar period last year.

Non-core Activities

SCI's non-core activities amounted to US\$752.3 thousand, comprising of US\$14.9 thousand in fair value gains, less US\$743.6 thousand in net foreign exchange losses, less US\$23.6 thousand in provision for expected credit losses (ECL).

Sygnus Credit Investments Limited

Unaudited Results for the 3 Months Ended September 30, 2018

Fair Value Gains

Fair value gains were driven by investments in two Portfolio Companies with profit sharing upside in addition to regular investment income. There were no fair value gains for the similar period in 2017.

Net Foreign Exchange Losses

Net foreign exchange losses were driven by a one-time realized loss of US\$297.4 thousand from the purchase of 5.4 million US dollars and unrealized losses from movement in the JMD/USD exchange rate on SCI's JMD assets. Unrealized losses reflected movement in the exchange rate which ended the period at 134.04 from 129.39 the preceding quarter. This value may fluctuate based on whether the JMD/USD appreciates (gain) or depreciates (loss) from 134.04. Thirty six percent of SCI's assets were denominated in Jamaican dollars at the end of the period. Net foreign exchange losses were US\$83,146 for the similar period last year.

IFRS 9: Expected Credit Losses

SCI adopted IFRS 9 from July 1, 2018, which requires the recognition of an upfront charge for debt investments carried at amortized cost, using a forward looking ECL model. The ECL charge is a non-cash item and represents an initial recognition by SCI. Under the ECL transition method chosen, comparative information for the similar period last year is not restated. SCI does not have any non-performing or impaired credit investment in Portfolio Companies. The standard is explained further in the notes to the financial statements.

Total Income and Expenses

Total investment income plus fair value gains comprised total revenues of US\$635.4 thousand versus US\$172.3 thousand for the similar period last year. Total operating expenses, net foreign exchange loss and provision for expected credit losses comprised US\$993.9 thousand in total expenses. For the similar period last year, total expenses were US\$124.7 thousand.

Efficiency Ratio

SCI's core activities generated an efficiency ratio of 36.5% measured by total operating expenses to total investment income for the period. For the similar period in 2017, the efficiency ratio was 24.0%, with the lower ratio due in large part to no management fees being charged.

Investment Activity

At the end of the quarter, SCI had US\$18.5 million invested in 10 Portfolio Companies, up 78% over the US\$10.3 million invested in 4 Portfolio Companies for the similar period in 2017.

	Q1 Sept 2018	Q1 Sept 2017
Summary of Investment Activity	US\$	US\$
Fair Value of Investment in Portfolio Companies	18,457,816	10,349,873
New Portfolio Company Commitments During Quarter	3,170,360	10,349,873
Dry Powder to be Deployed	18,165,771	5,574,698
Number of Portfolio Company Investments (#)	10	4
Average Velocity of Net Investments Per Quarter	3,617,051	N/A
Average Investment per Portfolio Company	1,845,782	2,587,468
Weighted Average Term of Portfolio Company Investment	2.9	3.5
Weighted Average Yield on Portfolio Companies (%)	10.9%	10.7%
Non-performing Portfolio Company Investments	Nil	Nil

New Investment Commitments

During the quarter, SCI made three new investment commitments valued at US\$3.2 million versus US\$10.4 million in four commitments for the similar period in 2017. The lower number reflected a "bunching" of commitments that were not executed in time prior to the ending of the quarter.

The new investments were originated in the mining, microfinance and adventure tours industries in leading firms with strong growth and free cash flow generation.

Available Dry Powder

Dry Powder available to invest in new private credit opportunities across the Caribbean increased by US\$12.6 million to US\$18.2 million relative to the similar period in 2017, due to an initial public offering in June 2018 which raised US\$20.2 million.

Sygnus Credit Investments Limited

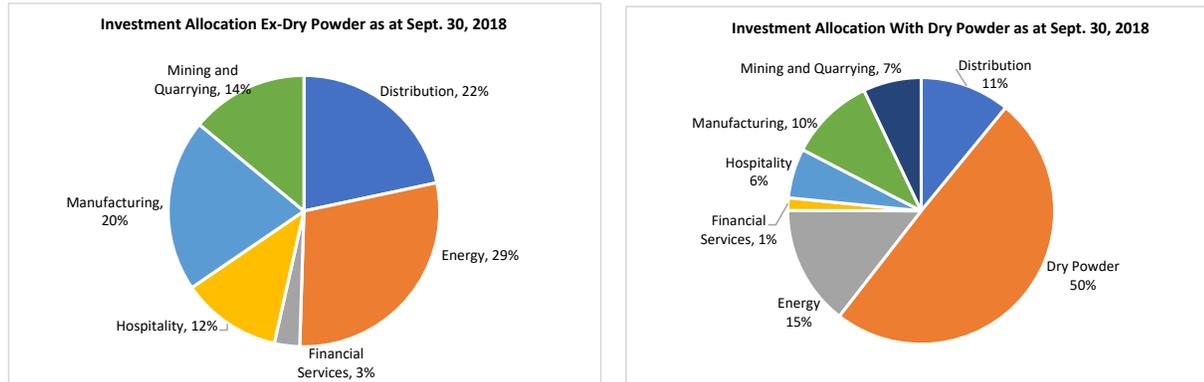
Unaudited Results for the 3 Months Ended September 30, 2018

Weighted Average Tenor and Yield

At the end of the quarter, the weighted average tenor of investments declined to 2.9 years from 3.5 years in the similar quarter last year, while the weighted average yield increased to 10.9% from 10.7%.

Portfolio Company Allocation

SCI's investments were allocated across six major industries, including manufacturing, mining, distribution and energy. The top three industries accounted for 36% of SCI's investment portfolio, when including available dry powder.



Balance Sheet

SCI had US\$37.1 million in total assets, up US\$21.0 million or 132% over the similar period last year, mainly comprising US\$18.5 million in Portfolio Companies and US\$18.2 million in Dry Powder. Of the US\$18.5 million in Portfolio Companies, US\$10.9 million (59%) are carried at amortized cost, US\$7.2 million (39%) carried at fair value through profit and loss and US\$466K (3%) in lease financing is carried at amortized cost. The new IFRS 9 standard with ECL applies to the combined total of US\$11.3 million in Portfolio Companies carried at amortized cost.

The company had liabilities of US\$1.3 million, versus US\$0.02 million for the similar period in 2017. These liabilities comprised of US\$1.2 million in payables relating to dividends (US\$476 thousand), undrawn investment disbursements (US\$640 thousand) and security deposits held (US\$96 thousand) as part of an investment in a Portfolio Company. SCI had zero debt.

Shareholders' Equity

Total shareholders' equity was US\$35.8 million for the period, up 124% or US\$19.8 million relative to US\$16.0 million for the similar period in 2017. At the end of the period, retained earnings was US\$0.7 million comprising of US\$1.4 million profit for the year ended June 30, 2018, plus US\$0.09 million IFRS 9 reclassification, less the current loss for the current period of US\$0.4 million less dividends payable of US\$0.5 million. SCI's book value per share was US\$0.1022 based on 350,087,563 shares.

Economic Environment

The Investment Advisor to SCI, Sygnus Capital Limited, continued to originate transactions across several Caribbean countries, chief among them Jamaica, one of the strongest economies within the region. Despite low average GDP, Jamaica has the best economic backdrop in nearly half a century with a fiscal surplus of ~0.6% of GDP, low policy interest rates of 2%, low average inflation below 4%, debt/GDP ratio below 100% for the first time in over two decades, and a stable current account deficit below 5% of GDP.

In addition, the authorities are in the process of implementing an independent fiscal council and making the central bank independent. As a result of these confluence of factors, economic activity amongst middle market companies continues to accelerate as firms seek to execute projects or expand their businesses for growth.

During the quarter there was substantial foreign exchange volatility between the Jamaican and US currencies, with the local exchange rate moving from 129.4 to as high as 138.50, before closing the quarter at 134.04.

SYGNUS CREDIT INVESTMENTS LIMITED**Statement of Financial Position****Unaudited****September 30, 2018 / (Expressed in United States dollars)**

	Unaudited As at 30-Sep-18	Unaudited As at 30-Sep-17	Audited As at 30-Jun-18
ASSETS			
Cash and cash equivalents	2,582,533	2,126,922	400,259
Securities purchased under resale agreements	15,583,238	3,447,777	19,883,276
Interest receivable	446,904	93,934	229,494
Other receivables	15,416	-	788,625
Financial lease receivable	465,770	-	498,960
Investments	17,992,046	10,349,873	15,203,964
Total Assets	37,085,907	16,018,506	37,004,578
LIABILITIES			
Accounts payable and accrued liabilities	1,214,899	9,290	201,779
Due to related companies	78,095	6,015	183,876
Total Liabilities	1,292,994	15,305	385,655
SHAREHOLDERS' EQUITY			
Share capital	35,107,673	15,667,338	35,107,673
Fair value reserve	-	288,238	87,503
Retained earnings	685,240	47,625	1,423,747
Total Shareholders' Equity	35,792,913	16,003,201	36,618,923
Total Liabilities and Shareholders' Equity	37,085,907	16,018,506	37,004,578

**Director****Dr. Ike Johnson****Director****Ian Williams**

SYGNUS CREDIT INVESTMENTS LIMITED
Statement of Profit or Loss and Other Comprehensive Income
Unaudited
Quarter Ended September 30, 2018 / (Expressed in United States dollars)

	Note	Quarter Ended 30-Sep-18	Quarter Ended 30-Sep-17	Audited Year Ended 30-Jun-18
Income				
Interest income		605,729	172,330	1,170,917
Fair value gains		14,870	-	644,326
Participation fees		14,944	-	23,413
		<u>635,543</u>	<u>172,330</u>	<u>1,838,656</u>
Expenses				
Accounting fees		4,854	5,471	20,833
Advertising and promotion		1,623	-	5,343
Audit fees and expenses		4,287	8,750	48,435
Bank charges		1,411	1,563	3,098
Directors' fees and related expenses		7,623	-	29,225
Other expenses		17,427	-	2,142
Irrecoverable withholding tax		12,098	7,606	25,317
Management fees		173,642	-	182,368
Net foreign exchange loss	5	743,596	83,146	49,995
Provision for expected credit losses	2(b)	23,610	-	-
Professional fees		2,399	9,360	32,572
Registration fees		1,334	8,809	15,581
		<u>993,904</u>	<u>124,705</u>	<u>414,909</u>
(Loss) / profit for the period / year		(358,361)	47,625	1,423,747
Other comprehensive income				
Items that are or may be subsequently reclassified to profit to profit or loss:				
Unrealised gain on available-for-sale investments, being being total other comprehensive expense		-	288,238	87,503
Total other comprehensive income for the period / year		<u>-</u>	<u>288,238</u>	<u>87,503</u>
Total comprehensive (expense) / income for the period / year		<u>(358,361)</u>	<u>335,863</u>	<u>1,511,250</u>
Earnings per stock unit	4	<u>(0.1)¢</u>	<u>0.03¢</u>	<u>0.9¢</u>

SYGNUS CREDIT INVESTMENTS LIMITED
Statement of Changes in Equity
Unaudited
Quarter Ended September 30, 2018 / (Expressed in United States dollars)

	<u>Share capital</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Transaction with owners:				
Issue of ordinary shares	15,667,338	-	-	15,667,338
Total 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	-	288,238	-	288,238
Profit for the period	-	-	47,625	47,625
Total comprehensive income for the period	-	288,238	47,625	335,863
Balances as at September 30, 2017	15,667,338	288,238	47,625	16,003,201
Balances as at June 30, 2018	35,107,673	87,503	1,423,747	36,618,923
Total comprehensive expense:				
IFRS 9 Impact:				
Reclassify investments from available-for-sale to fair value through profit or loss	-	(87,503)	87,503	-
Loss for the period	-	-	(358,361)	(358,361)
Total comprehensive expense for the period	-	(87,503)	(270,858)	(358,361)
Transactions with owners, recorded directly in equity				
Dividends declared, being total distributions to owners (note 3)	-	-	(467,649)	(467,649)
Balances as at September 30, 2018	35,107,673	-	685,240	35,792,913

SYGNUS CREDIT INVESTMENTS LIMITED
Statement of Cash Flows
Unaudited
Quarter Ended September 30, 2018 / (Expressed in United States dollars)

	Quarter Ended 30-Sep-18	Quarter Ended 30-Sep-17	Year Ended 30-Jun-18
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) / profit for the period / year	(358,361)	47,625	1,423,747
Adjustments for:			
Interest income	(605,729)	(172,330)	(1,170,917)
Provision for expected credit losses	23,610	-	-
Fair value gains	(14,870)	-	(644,326)
	(955,350)	(124,705)	(391,496)
Decrease / (increase) in operating assets:			
Other receivables	773,209	-	(788,625)
Increase / (decrease) in operating liabilities:			
Accounts payable and other accrued liabilities	1,013,120	9,291	201,779
Due to related companies	(105,782)	6,015	183,876
Net cash provided by / (used in) operating activities	725,197	(109,399)	(794,466)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,856,363)	(10,061,635)	(15,155,030)
Encashment of investments	122,415	-	682,895
Finance lease receivable	31,680	-	(498,960)
Purchase of securities purchased under resale agreements	(5,395,892)	(3,954,250)	(31,388,356)
Encashment of securities purchased under resale agreements	9,655,276	506,470	11,505,080
Interest income received	367,610	78,398	941,423
Net cash provided by / (used in) investing activities	1,924,726	(13,431,017)	(33,912,948)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared (note 3)	(467,649)	-	-
Proceeds from the issuance of shares	-	15,975,527	36,196,607
Transaction costs associated with shares issued	-	(308,189)	(1,088,934)
Net cash (used in) / provided by financing activities	(467,649)	15,667,338	35,107,673
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,182,274	2,126,922	400,259
CASH AND BANK BALANCES - Beginning of the period	400,259	-	-
CASH AND CASH EQUIVALENTS - End of the period	2,582,533	2,126,922	400,259
REPRESENTED BY:			
Cash and cash equivalents	2,582,533	2,126,922	400,259

SYGNUS CREDIT INVESTMENTS LIMITED
Notes to the Financial Statements
Unaudited
Quarter Ended September 30, 2018

1. IDENTIFICATION

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 its registered office at McNamara Corporate Services Inc., 20 Micoud Street, Castries, Saint Lucia.

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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Basis of preparation

The interim financial statements have been prepared under the historical cost basis and are expressed in United States dollars.

These financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*.

The interim financial report is to be read in conjunction with the audited financial statements for the year ended June 30, 2018. The notes to the interim financial statements provide an explanation events and transactions that are significant to understanding the changes in the financial position and performance of the Company since its financial year ended June 30, 2018.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended June 30, 2018.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Statement of compliance

New standards effective in the current year

(i) IFRS 9, "Financial Instruments"

IFRS 9 replaces International Accounting Standard 39 as it relates to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. IFRS 9 is effective for financial period beginning on or after 1 January 2018. The Company adopted IFRS 9 effective July 1, 2018. In accordance with the transitional provisions of IFRS 9, the comparative figures have not been restated.

The Company's financial assets have been classified in the following categories based on its business model used managing its financial assets and the contractual cash flows of the financial assets:

- (a) Financial assets measured at fair value through profit or loss
- (b) Financial assets measured at amortised cost

Under IFRS 9, the Company is required to assess on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets being carried at fair value through profit or loss and those being carried at amortised cost. ECL is recognised in profit or loss before the loss event has occurred. The measurement of ECL reflects an unbiased and probability weighted amount determined by evaluating a range of possible outcomes. The probability weighting considers multiple scenarios based on reasonable and supportable forecasts. The ECL amount represents the single best outcome, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The computation of ECL takes into account the probability of default ("PD") and the loss given default ("LGD"). The ECL model uses a three-stage approach based on the extent of deterioration since origination as follows:

Stage 1 – The twelve-month ECL is applied to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The computation of the ECL is done using a 12-month PD that is representative of the probability of default occurring over the next 12 months.

Stage 2 – This stage is applicable when a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired. This requires the computation of ECL based on the lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. The provisions for ECL are usually higher in this stage due to the increase credit risk and the longer time span being considered when compared to *stage 1*.

Stage 3 – This stage is applicable to financial assets that have an objective evidence of impairment. This requires the computation of ECL based on the lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.

The Company's financial assets for the quarter ended September 30, 2018 falls under stage 1 of the ECL model.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements

Unaudited

Quarter Ended September 30, 2018

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Statement of compliance (cont'd)

New standards effective during the year (cont'd)

(i) IFRS 9, "Financial Instruments" (cont'd)

The impact of adopting IFRS 9 has been reflected in the Company's financial performance and its financial position for the quarter ended September 30, 2018.

(ii) IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 replaces the provisions of International Accounting Standards that relate to the recognition of revenue. IFRS 15 is effective for financial periods beginning on or after 1 January 2018. The Company adopted IFRS 15 effective July 1, 2018. The adoption of IFRS 15 did not have any significant impact on the Company's operations for the quarter ended September 30, 2018.

3. DIVIDENDS DECLARED

The Company declared an interim dividend of 0.13358 US cents per share to all shareholders on record as of September 18, 2018 and payable on October 19, 2018, subject to compliance with applicable laws. The ex-dividend date was September 17, 2018.

4. EARNINGS PER SHARE

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

	30-Sep- 2018	30-Sep- 2017	30-Jun- 2018
(Loss) / profit attributable to stockholders	<u>\$ (358,361)</u>	<u>47,625</u>	<u>1,423,747</u>
Weighted average number of ordinary stock units in issue	<u>350,087,563</u>	<u>141,015,269</u>	<u>166,593,971</u>
Basic earnings per stock unit	<u>(0.1)¢</u>	<u>0.03¢</u>	<u>0.9¢</u>

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

5. NET FOREIGN EXCHANGE LOSS

The Company converted a portion of its Jamaican dollar holdings equivalent to US\$5.4 million for the quarter ended September 30, 2018 at a weighted average rate of J\$136.50 to US\$1.

TOP TEN SHAREHOLDERS

No	SHAREHOLDER	SHAREHOLDINGS (Volume)	%
1	JCSD TRUSTEE SERVICES	28,843,560	8.2%
2	ATL GROUP PENSION FUND TRUSTEES NOMINEE LIMITED	27,500,000	7.9%
3	MF&G TRUST & FINANCE LTD	20,139,000	5.8%
4	NATIONAL INSURANCE FUND	20,000,000	5.7%
5	EQUITY FUND (JMD), JMMB T1	19,460,000	5.6%
6	HEART TRUST/ NTA PENSION SCHEME	8,189,300	2.3%
7	MANDALA INC.	7,765,000	2.2%
8	JAMAICA MONEY MARKET BROKERS LIMITED FM10	7,674,000	2.2%
9	GASSAN AZAN	7,285,700	2.1%
10	YIYAN ZHONG	7,000,000	2.0%
	Subtotal	153,856,560	43.9%
	Total Number of Shares	350,087,563	100%

Shareholdings of Directors , Senior Managers & Connected Parties				
No	Directors	Shareholdings (Volume)	Connected Parties	%
1	Clement Wain Iton	95,200		0.03%
2	Nakita Edwards	Nil		Nil
3	Ian Williams	1,000,000	Ladesa Williams	0.29%
4	Hope Fisher	Nil		Nil
5	Damian Chin	Nil		Nil
6	Peter Thompson	Nil		Nil
7	Dr. Ike J. Johnson	95,300		0.03%
8	Dr. Ike J. Johnson	5,400,000	Sygnus Capital Management Limited	1.54%
No	Directors	Shareholdings (Volume)	Connected Parties	%
	Sygnus Capital Management Limited	5,400,000	Dr Ike J. Johnson	1.54%
	McNamara Corporate Services Ltd.	Nil		Nil