

SYGNUS | CREDIT
INVESTMENTS

Quarterly Report

AS AT
MARCH 31, 2019

Sygnus Credit Investments Limited

Unaudited Results for the 9 Months Ended March 31, 2019

Castries, St Lucia | Wednesday, May 15, 2019

Sygnus Credit Investments Limited | Unaudited Results for the 9 Months Ended March 31, 2019

The Board of Directors of Sygnus Credit Investments Ltd (“SCI”) is pleased to report its unaudited financial statements for the nine months ended March 31, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

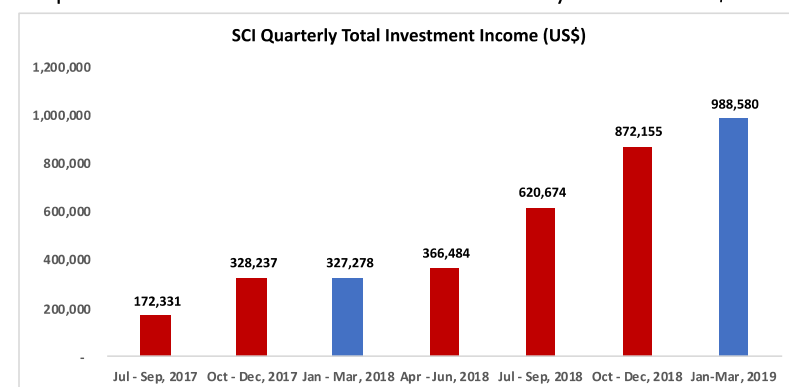
Results of Operations

Sygnus Credit Investments Limited reported record nine-month net profit, and quarterly records for core revenues and core earnings, for the period ended March 31, 2019. The results were driven by an expanding portfolio of private credit investments across the Caribbean region, in keeping with SCI’s mandate to provide Caribbean middle market firms with access to a non-traditional financing channel.

SCI’s core revenues, or total investment income, grew by 199.7% or US\$1.65 million to a record US\$2.48 million, in the nine months ending March 31, 2019 (“9 Month 2019”). This compares with US\$827.8 thousand for the nine months ended March 31, 2018 (“9 Month 2018”). For the third quarter ended March 2019 (“Q3 2019”), total investment income grew by 202.1% or US\$661.3 thousand to a record US\$988.6 thousand. This compares with US\$327.3 thousand reported for the third quarter ended March 31, 2018 (“Q3 2018”).

SCI’s core earnings, or net investment income, grew by 184.0% or US\$1.14 million to a record US\$1.76 million for 9 Month 2019, versus US\$619.4 thousand for 9 Month 2018. For Q3 2019, net investment income grew by 256.0% or US\$528.0 thousand to a record US\$734.3 thousand, versus US\$206.3 thousand reported for Q3 2018.

Net profit attributable to shareholders increased by 156.2% or US\$1.17 million to a record US\$1.93 million for 9 Month 2019, versus US\$751.9 thousand for 9 Month 2018. For Q3 2019, net profit increased by 999.3% or US\$909.5 thousand to US\$1.0 million.



Earnings per share (EPS) was 0.55 US cents for 9 Month 2019 vs 0.65 US cents for 9 Month 2018, and 0.29 US cents for Q3 2019 vs 0.08 US cents for Q3 2018. Net investment income per share (NIIPS) was 0.50 US cents for 9 Month 2019 vs 0.54 for 9 Month 2018, and 0.21 US cents for Q3 2019 vs 0.18 US cents for Q3 2018.

	Q3 Mar 2019	Q3 Mar 2018	9 Mth Mar 2019	9 Mth Mar 2018	FY Jun 2018
	US\$	US\$	US\$	US\$	US\$
Summary Results of Operations					
Total Investment Income	988,580	327,279	2,481,409	827,846	1,194,330
Total Operating Expenses	254,278	121,017	722,318	208,435	364,914
Net Investment Income	734,302	206,262	1,759,091	619,411	829,416
Fair Value Gains	67,395	0	101,299	0	644,326
Net Foreign Exchange Gain (Loss)	185,514	(115,252)	126,301	132,473	(49,995)
Less Provision for Expected Credit Losses	(13,256)	0	60,257	0	0
Net Income / (Loss) before Tax	1,000,467	91,010	1,926,433	751,884	1,423,747
Taxation Charge	-	-	-	-	-
Profit Attributable to Shareholders	1,000,467	91,010	1,926,433	751,884	1,423,747
Other Comprehensive Income:					
Unrealized Gains (Loss)	0	0	0	189,154	87,503
Total Comprehensive Income	1,000,467	91,010	1,926,433	941,038	1,511,250
Earnings Per Share	0.29¢	0.08¢	0.55¢	0.65¢	0.9¢
Net Investment Income Per Share	0.21¢	0.18¢	0.50¢	0.54¢	0.5¢

Sygnus Credit Investments Limited

Unaudited Results for the 9 Months Ended March 31, 2019

Total Operating Expenses

Total operating expenses increased to US\$722.3 thousand for 9 Month 2019 versus US\$208.4 thousand for 9 Month 2018, and US\$254.3 thousand for Q3 2019 versus US\$121.0 thousand for Q3 2018. The 9 Month 2018 and Q3 2018 reported numbers are substantially lower than Q3 2019 and 9 Month 2019 respectively, due to lower management fees. No management fees were charged during the first two quarters of the 9 Month 2018 period. Management fees were 73% and 70% of 9 Month 2019 and Q3 2019 operating expenses respectively. Excluding management fees, SCI's 9 Month 2019 operating expenses were US\$195.4 thousand, an increase of 51.2% or US\$66.2 thousand over 9 Month 2018. Q3 2019 was US\$76.6 thousand, an increase of 83.5% or US\$34.8 thousand over Q3 2018. These increases were primarily driven by JSE listing fees and consultancy fees for implementation of new financial reporting standards, IFRS9.

Fair Value Gains

Fair value gains of US\$101.3 thousand and US\$67.4 thousand for 9 Month 2019 and Q3 2019 respectively, were driven by investments in two Portfolio Companies with profit sharing upside, in addition to regular investment income that is earned. There were no fair value gains for the similar periods in 9 Month 2018 and Q3 2018.

Net Foreign Exchange Gain / Loss

Net foreign exchange gains of US\$126.3 thousand for 9 Month 2019 was less than the gain of US\$132.5 thousand reported for 9 Month 2018. For Q3 2019, SCI reported gains of US\$185.5 thousand versus losses of US\$115.3 thousand for Q3 2018. The movement in foreign exchange gains and losses reflect SCI's exposure to Jamaican dollar assets, which fluctuate based on movements in the JMD/USD exchange rate.

Provision for Expected Credit Losses (ECL)

The ECL for 9 Month 2019 was US\$60.3 thousand and for Q3 2019 the ECL represented a gain of US\$13.3 thousand. The gain for Q3 2019 resulted from a lower ECL recognition relative to the three months ended December 2018 ("Q2 Dec 2018"). 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 private credit investments.

Total Revenues and Total Expenses

SCI's total revenues are comprised of core revenues, or total investment income (interest income plus participation fees), plus the non-core revenue items comprising fair value gains and net foreign exchange gains. Total revenues were US\$2.71 million and US\$1.24 million for 9 Month 2019 and Q3 2019 respectively, versus US\$960.3 thousand and US\$327.3 thousand for 9 Month 2018 and Q3 2018 respectively.

Similarly, SCI's total expenses are comprised of core operating expenses, plus the non-core items comprising net foreign exchange loss, fair value loss and provision for expected credit losses. Total expenses were US\$782.6 thousand and US\$241.0 thousand for 9 Month 2019 and Q3 2019 respectively, versus US\$208.4 thousand and US\$236.3 thousand for 9 Month 2018 and Q3 2018 respectively. Non-core revenues and non-core expenses may fluctuate significantly from time to time based on market conditions.

Efficiency Ratio

SCI's core activities generated an efficiency ratio of 25.7% measured by total operating expenses to total investment income for Q3 2019, the fourth consecutive quarterly improvement. The efficiency ratio was 27.7% for the prior quarter in Q2 Dec 2018 and 37.0% for the comparative quarter in Q3 2018.

Average Annualized Return on Equity

SCI's average annualized return on equity was 10.7% and 6.9% for Q3 2019 and 9 Month 2019 respectively, versus 2.2% and 6.6% for Q3 2018 and 9 Month 2018 respectively.

Dividends Declared

On February 20, 2019, an interim dividend of US\$0.001735 per share was declared to all shareholders on record as of March 11, 2019, payable on April 5, 2019. This was SCI's second dividend payment in six months and represented a 30% increase over the first dividend payment of US\$0.0013358 paid on October 19, 2018.

Sygnus Credit Investments Limited
Unaudited Results for the 9 Months Ended March 31, 2019

Private Credit Investment (PCI) Activity

At the end of Q3 2019, SCI's investment in Portfolio Companies grew by 188.4% to US\$31.22 million versus US\$10.83 million in Q3 2018. The number of Portfolio Company investments increased to 16 in Q3 2019 from 3 in Q3 2018.

	Q3 Mar 2019	Q3 Mar 2018
Summary of Investment Activity	US\$	US\$
Fair Value of Investment in Portfolio Companies	31,238,210	10,829,806
Portfolio Company Commitments During Q3	6,466,800	Nil
Number of Portfolio Company Investments Exited During Q3	1	1
Dry Powder to be Deployed	6,467,692	5,739,084
Number of Portfolio Company Investments (#)	16	3
Average Velocity of Net Investments Per Quarter	3,858,526	3,707,800
Average Investment per Portfolio Company	1,952,388	3,609,935
Weighted Average Term of Portfolio Company Investments (years)	2.0	3.0
Weighted Average Fair Value Yield on Portfolio Companies (%)	12.3%	10.2%
Non-performing Portfolio Company Investments	Nil	Nil

Portfolio Company Investment Commitments

SCI made new investment commitments valued at US\$6.47 million during Q3 2019, gross of US\$3.44 million in repayments, for a net investment commitment of US\$3.03 million. The investments were originated in the health & lifestyle, distribution, mining & quarrying and telecommunication service industries, in leading firms with strong growth and free cash flow generation. There were no investments made during Q3 2018 as transactions were approved during the quarter but executed at the start of the following quarter. There was 1 short term investment exited during Q3 2019, similar to Q3 2018.

Average PCI Velocity and Average Investment per Portfolio Company

Since inception, SCI's average velocity of net investments (deployments plus repayments) per quarter was US\$3.9 million as at Q3 2019 up from US\$3.7 million as at Q3 2018. The average investment per Portfolio Company was US\$1.9 million as at Q3 2019 down from US\$3.6 million as at Q3 2018.

Weighted Average Investment Tenor and Investment Yield

At the end of Q3 2019, the weighted average tenor of Portfolio Company investments declined to 2.0 years versus 3.0 years at the end of Q3 2018. The weighted average fair value yield on SCI's private credit investments increased to 12.3% in Q3 2019 versus 10.2% in Q3 2018.

Available Dry Powder

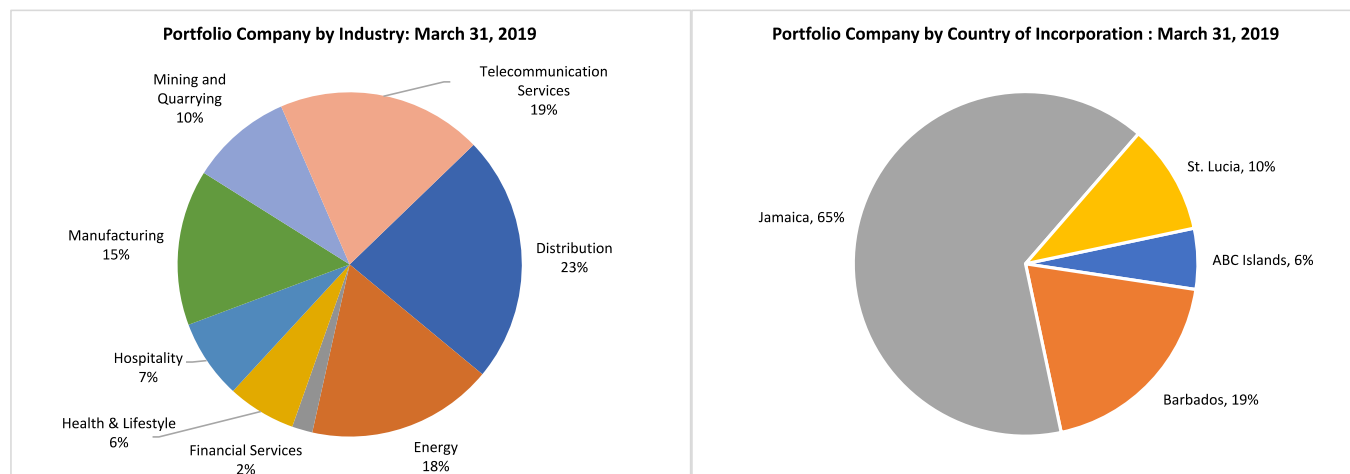
Dry Powder available to invest in new private credit opportunities across the Caribbean was US\$6.47 million at the end of Q3 2019 versus US\$5.74 million at the end of Q3 2018.

Allocation by Industry and Country of Incorporation

SCI's Portfolio Companies were diversified across eight major industries and four regions across the Caribbean. During Q3 2019, health & lifestyle services became the newest industry allocation. The top three industry allocations were Distribution (23%), Telecommunication Services (19%) and Energy (18%). Companies incorporated in Jamaica accounted for 65% of SCI's Portfolio, with 19% to Barbados, 10% to St Lucia and 6% to Aruba, Bonaire & Curacao (ABC Islands).

Sygnus Credit Investments Limited

Unaudited Results for the 9 Months Ended March 31, 2019



Balance Sheet

At the end of Q3 2019, SCI had US\$38.79 million in total assets, up US\$22.08 million or 132.1% over the similar period last year, mainly comprising US\$31.24 million in 16 Portfolio Companies and US\$6.47 million in Dry Powder. Of the US\$31.24 million in Portfolio Companies, US\$23.56 million (75%) was carried at amortized cost, including US\$1.68 million in finance lease, while US\$7.68 million (25%) was carried at fair value through profit and loss.

SCI had liabilities of US\$1.32 million for Q3 2019, versus US\$57.7 thousand for Q3 2018. The Q3 2019 liabilities comprised mainly of US\$655.4 thousand in dividends payable, US\$237.8 thousand in undrawn investment disbursements and US\$121.8 thousand held on behalf of Portfolio Companies. SCI had zero debt.

Shareholders' Equity

Total shareholders' equity was US\$37.46 million at the end of Q3 2019, up 124.9% or US\$20.81 million versus US\$16.66 million at the end of Q3 2018. SCI's book value per share increased to US\$0.1070 at the end of Q3 2019 based on 350,087,563 shares outstanding, from US\$0.1046 at the end of Q3 2018 based on 159,269,523 shares outstanding.

Economic Snapshot

The Investment Advisor to SCI, Sygnus Capital Limited, continued to originate transactions across several Caribbean countries, with 65% of Portfolio Companies incorporated in Jamaica. The macro-economic picture for Jamaica remains robust with many tailwinds supporting increased economic activity. During the quarter, interest rates in Jamaica fell to another record low of 1.25%, while credit to the private sector continued to surge, growing at an estimated 20.4% as of February 2019. In addition, credit quality remained relatively unchanged with stable non-performing loans close to historic lows. The economy has substantial room to absorb additional credit, with a credit-gap-to-GDP ratio of ~1.2%, well below the lower threshold of 2.0% by the Bank of International Settlement (BIS).

In March 2019, Jamaica announced a range of tax measures that will positively impact business and economic activity in general. The measures that are particularly important for middle market firms which is the focus for SCI are: (i) a reduction in the transfer tax payable on certain property, including Jamaican real estate, shares and securities in Jamaica companies, from 5% to 2%; (ii) replacing all ad valorem stamp duty rates with a fixed stamp duty of JMD\$5.0 thousand per document, including granting of security as collateral. This latter development is likely to stimulate greater competition and increase the access to credit.

On balance, Jamaica remains one of the best countries for SCI to originate private credit investments, as GDP, albeit low, continues to improve (2.0% in 4th quarter of calendar year 2019), unemployment is at a record low 8.0%, inflation is well behaved below 3.5%, debt/GDP continues trending below 100%, tax revenues are growing at double digit rates, and the country is on track for a credit rating upgrade to B+ from B. In addition to Jamaica, SCI, through its Investment Advisor, will continue to seek opportunities to expand its footprint across the Caribbean region.

SYGNUS CREDIT INVESTMENTS LIMITED

**FINANCIAL STATEMENTS
(UNAUDITED)**

NINE MONTHS ENDED MARCH 31, 2019

SYGNUS CREDIT INVESTMENTS LIMITED
FINANCIAL STATEMENTS
(UNAUDITED)
NINE MONTHS ENDED March 31, 2019

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Statement of Financial Position

Unaudited


March 31, 2019 / (Expressed in United States dollars)

	Unaudited As at 31-Mar-19	Unaudited As at 31-Mar-18	Audited As at 30-Jun-18
ASSETS			
Cash and cash equivalents	1,588,466	370,707	400,259
Securities purchased under resale agreements	4,879,226	5,368,377	19,883,276
Interest receivable	511,124	144,761	229,494
Other receivables	484,707	-	788,625
Due from related companies	92,540	-	-
Financial lease receivable	1,678,445	-	498,960
Investments	29,559,765	10,829,806	15,203,964
Total Assets	38,794,273	16,713,651	37,004,578
LIABILITIES			
Accounts payable and accrued liabilities	1,329,836	26,493	201,779
Due to related companies	-	31,264	183,876
Total Liabilities	1,329,836	57,757	385,655
SHAREHOLDERS' EQUITY			
Share capital	35,107,673	15,714,856	35,107,673
Fair value reserve	-	189,154	87,503
Retained earnings	2,356,764	751,884	1,423,747
Total Shareholders' Equity	37,464,437	16,655,894	36,618,923
Total Liabilities and Shareholders' Equity	38,794,273	16,713,651	37,004,578



Dr. Ike Johnson

Director



Nakita Edwards

Director

SYGNUS CREDIT INVESTMENTS LIMITED
Statement of Profit or Loss and Other Comprehensive Income
Unaudited
Nine Months Ended March 31, 2019

	Quarter Ended 31-Mar-19 US\$	Quarter Ended 31-Mar-18 US\$	Nine Months Ended 31-Mar-19 US\$	Nine Months Ended 31-Mar-18 US\$	Audited Year Ended 30-Jun-18 US\$
Income					
Interest income	978,580	321,308	2,440,464	814,375	1,170,917
Fair value gains	67,395	-	101,299	-	644,326
Net foreign exchange gain	185,514	-	126,301	132,473	-
Participation fees	10,000	5,971	40,944	13,471	23,413
	1,241,489	327,279	2,709,008	960,319	1,838,656
Expenses					
Accounting fees	13,359	5,015	22,358	15,560	20,833
Advertising and promotion	-	-	3,127	-	5,343
Audit fees and expenses	3,750	5,235	11,787	25,235	48,435
Bank charges	1,081	299	4,495	2,308	3,098
Directors' fees and related expenses	7,623	6,125	22,869	16,928	29,225
Other expenses	8,530	-	42,121	-	2,142
Irrecoverable withholding tax	3,289	13,292	38,553	24,796	25,317
Management fees	177,652	79,250	526,959	79,250	182,368
Net foreign exchange loss	-	115,252	-	-	49,995
Provision for expected credit losses on financial assets	(13,256)	-	60,257	-	-
Professional fees	37,450	10,160	45,761	31,520	32,572
Registration fees	1,544	1,641	4,288	12,838	15,581
	241,022	236,269	782,575	208,435	414,909
	1,000,467	91,010	1,926,433	751,884	1,423,747
Profit for the period / year					
Other comprehensive income					
Items that are or may be subsequently reclassified to profit or loss:					
Unrealized gain on available-for-sale investments, being total other comprehensive expense	-	-	-	189,154	87,503
	-	-	-	189,154	87,503
Total comprehensive income	1,000,467	91,010	1,926,433	941,038	1,511,250
Earnings per stock unit	0.29¢	0.08¢	0.55¢	0.65¢	0.9¢

	Share capital US\$	Fair value reserve US\$	Retained earnings US\$	Total US\$
Transaction with owners:				
Issue of ordinary shares	15,714,856	-	-	15,714,856
Total comprehensive income:				
Items that are or may be subsequently reclassified to profit or loss:				
Unrealized gains on available-for-sale investments, being total other comprehensive income	-	189,154	-	189,154
Profit for the period	-	-	751,884	751,884
Total comprehensive income for the period	-	189,154	751,884	941,038
Balances as at March 31, 2018	15,714,856	189,154	751,884	16,655,894
Paid in Capital	19,392,817			19,392,817
Total Comprehensive Income:				
Items that may or may be subsequently reclassified to profit or loss:				
Unrealized gains on available-for-sale-investments		(101,651)		(101,651)
Net profit for the period			671,863	671,863
Balances as at June 30, 2018	35,107,673	87,503	1,423,747	36,618,923
Total comprehensive (expense) / income:				
IFRS 9 Impact:				
Adjustment on initial application of IFRS 9			(5,595)	(5,595)
Restated Balances as at July 2018	35,107,673	87,503	1,418,152	36,613,328
Reclassify investments from available-for-sale to fair value through profit or loss	-	(87,503)	87,503	-
Net profit for the period	-	-	1,926,433	1,926,433
Total comprehensive (expense) / income for the period	-	-	1,926,433	1,926,433
Transactions with owners, recorded directly in equity				
Dividends declared, being total distributions to owners	-	-	(1,075,324)	(1,075,324)
Balances as at March 31, 2019	35,107,673	-	2,356,764	37,464,437

	Year to date 31-Mar-19 US\$	Year to date 31-Mar-18 US\$	Year Ended 30-Jun-18 US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period / year	1,926,433	751,884	1,423,747
Adjustments:			
Interest income	(2,440,464)	(814,375)	(1,170,917)
	-	(132,473)	-
Provision for expected credit losses on financial assets	60,257	-	-
Fair value gains	(101,299)	-	(644,326)
	<u>(555,073)</u>	<u>(194,964)</u>	<u>(391,496)</u>
Decrease / (increase) in operating assets:			
Other receivables	303,917	-	(788,625)
Due from related companies	(92,540)	-	-
Increase / (decrease) in operating liabilities:			
Accounts payable and other accrued liabilities	1,128,056	26,513	201,779
Due to related companies	(183,876)	31,264	183,876
	<u>600,485</u>	<u>(137,187)</u>	<u>(794,466)</u>
Net cash provided / (used in) by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(18,109,930)	(5,242,687)	(15,155,030)
Encashment of investments	3,797,886	(10,640,652)	682,895
Finance lease receivable	(1,182,200)	-	(498,960)
Purchase of securities purchased under resale agreements	(9,835,505)	-	(31,388,356)
Encashment of securities purchased under resale agreements	24,839,555	-	11,505,080
Fair Value Reserves	-		
Investment income received	2,158,834	669,614	941,423
	<u>1,668,640</u>	<u>(15,213,725)</u>	<u>(33,912,948)</u>
Net cash provided by / (used in) investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared	(1,075,324)	-	-
Proceeds from the issuance of shares	-	(308,189)	36,196,607
Transaction cost associated with shares issued	-	16,023,045	(1,088,934)
	<u>(1,075,324)</u>	<u>15,714,856</u>	<u>35,107,673</u>
Net cash (used in) / provided by financing activities			
NET INCREASE CASH AND CASH EQUIVALENTS	1,193,801	363,944	400,259
Effects of Foreign Exchange gain on cash & cash equivalents	-	6,763	-
CASH AND BANK BALANCES - Beginning of the period	394,665	-	-
	<u>1,588,466</u>	<u>370,707</u>	<u>400,259</u>
CASH AND BANK EQUIVALENTS - End of the period			
REPRESENTED BY:			
Cash and cash equivalents	1,588,466	370,707	400,259
	<u>1,588,466</u>	<u>370,707</u>	<u>400,259</u>

Notes to the Financial Statements

Unaudited

Nine Months Ended March 31, 2019 / (Expressed in United States dollars)

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) Statement of compliance**

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 of 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 periods 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 increased 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 March 31, 2019 fall under stage 1 of the ECL model.

Notes to the Financial Statements

Unaudited

Nine Months Ended March 31, 2019 / (Expressed in United States dollars)

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 March 31, 2019.

(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 January 1, 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 March 31, 2019.

3. DIVIDENDS DECLARED

The Company declared on February 20, 2019 an interim dividend of US\$ 0.001735 per share to all shareholders on record as of March 11, 2019 payable April 5, 2019.

4. 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.

	31-Mar- 2019	31-Mar- 2018	30-Jun- 2018
Profit attributable to stockholders	\$ <u>1,926,433</u>	<u>751,884</u>	<u>1,423,747</u>
Weighted average number of ordinary stock units in issue	<u>350,087,563</u>	<u>114,861,529</u>	<u>166,593,971</u>
Basic earnings per stock unit	<u>0.55¢</u>	<u>0.65¢</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 GAINS

The net foreign exchange gain for the quarter ended March 31, 2019 is mainly attributable to the appreciation of the Jamaican dollar against the United States Dollar which resulted in the favourable revaluation of the Company's Jamaican dollar assets. The average foreign exchange rate moved from J\$126.80 to US\$1 at the end of the December quarter to J\$125.02 to US\$1 at the end of the March quarter.

6. IFRS 9 Provisioning

Initial recognition of IFRS 9 Expected Credit Loss provisioning resulted in a movement of \$5,595 against equity.

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	JCSD TRUSTEE SERVICES LTD - SIGMA	28,608,341	8.2%
2	ATL GROUP PENSION FUND TRUSTEES NOMINEE MITED	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 LTD FM10	6,933,400	2.0%
9	GASSAN AZAN	7,285,700	2.1%
10	YIYAN ZHONG	7,000,000	2.0%
	Subtotal	152,880,741	43.7%
	Total	350,087,563	100%

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
1	Clement "Wain" Iton	95,200	N/A	0.03%
2	Nakita Edwards	Nil	N/A	Nil
3	Ian Williams	1,000,000	Ladesa Williams	0.29%
4	Hope Fisher	Nil	N/A	Nil
5	Damian Chin	Nil	N/A	Nil
6	Peter Thompson	Nil	N/A	Nil
7	Dr. Ike J. Johnson	95,300	N/A	0.03%
8	Dr. Ike J. Johnson	5,400,000	Sygnus Capital Management	1.54%

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Senior Management	Shareholdings	Connected Parties	% Holdings
1	Sygnus Capital Management	5,400,000	Dr. Ike J. Johnson	1.54%
2	McNamara Corporate Services	Nil	N/A	Nil