

SYGNUS

CREDIT INVESTMENTS

**AUDITED FINANCIAL
STATEMENTS**



FOR THE YEAR ENDED **JUNE 30, 2020**



KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Sygnus Credit Investments Limited ("the Company"), comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiary ("the Group"), set out on pages 9 to 53, which comprise the Group's and Company's statement of financial position as at June 30, 2020, the Group's and Company's 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 Group and Company as at June 30, 2020, and the Group's and Company's financial performance and the Group's and Company's 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (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 of investments

The key audit matter	How the matter was addressed in our audit
<p>The valuation of the Group's investments amounting to US\$10,636,030 (2019:US\$7,507,015) includes significant assumptions and judgments about the performance of the underlying portfolio companies over the tenure of the investments.</p> <p>Furthermore, the valuation methodology relies on unobservable inputs which have a significant impact on the resulting value of the investments.</p> <p>These judgements and assumptions could result in estimated fair values that are materially different from actual transaction values.</p> <p>The volatility of prices on various markets has increased as a result of the spread of COVID-19. This affects the fair value measurement either directly, if fair value is determined based on market prices, or indirectly if a valuation technique is based on inputs that are derived from volatile markets.</p> <p><i>[see notes 5(e), 11 and 24 to the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> • Assessing and testing the design and operating effectiveness of the Group's control over the determination and computation of fair values. • Challenging the reasonableness of prices/fair values used by the Group by comparing to independent third party information, including assessing the impact of COVID-19 on the variables used in the fair value calculation. • 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 <i>Fair Value Measurement</i> and reviewed the sources of data and underlying assumptions utilised to value the investments.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Key Audit Matters (Continued)

1. Valuation of investments (continued)

The key audit matter	How the matter was addressed in our audit
	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none"> • 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.

2. Measurement of expected credit losses on financial assets

The key audit matter	How the matter was addressed in our audit
<p>IFRS 9 requires the Group to recognise expected credit losses ('ECL') on financial assets. The determination of ECL is highly subjective and requires management to make significant judgements and assumptions.</p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the model used by the Group for the calculation of expected credit losses, including governance over the determination of key judgements and assumptions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Key Audit Matters (Continued)

2. Measurement of expected credit losses on financial assets (continued)

The key audit matter	How the matter was addressed in our audit
<p>The key areas requiring greater management judgement include the determination of significant increase in credit risk ('SICR'), the determination of probabilities of default, losses given default, exposures at default and the application of forward-looking information.</p> <p>The identification of a significant increase in credit risk is a key area of judgement, as the criteria determine whether a 12 -month or lifetime loss allowance is recorded.</p> <p>The incorporation of forward-looking information, reflects a range of possible future economic conditions. Significant management judgement is used in determining the economic scenarios.</p> <p>These estimates involve increased judgement as a result of the economic impact of Covid-19 on the Group's financial assets. Management considered the following:</p> <ul style="list-style-type: none"> - Qualitative factors that create COVID-19 related changes to SICR. - Increased uncertainty about potential future economic scenarios and their impact on credit losses. 	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none"> - Testing the design and operating effectiveness of the key control over the computation of the expected credit losses. - Testing the completeness and accuracy of the data used in the model to the underlying accounting records on a sample basis. - Involving our financial risk modelling specialists to evaluate the appropriateness of the Group's impairment methodologies, including the SICR criteria used and independently assessing the assumptions for probabilities of default, losses given default and exposures at default and the incorporation of forward-looking information.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

Key Audit Matters (Continued)

2. Measurement of expected credit losses on financial assets (continued)

The key audit matter	How the matter was addressed in our audit
<p>The use of these judgements and assumptions increases the risk of material misstatement and is therefore an area of increased audit focus.</p> <p><i>[see notes 5(d) and 25(b) to the financial statements]</i></p>	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none"> - Assessing the adequacy of the disclosures of the key assumptions and judgements.

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.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

*Responsibilities of Management and Those Charged with Governance for the
Financial Statements (continued)*

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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix of this auditors' report. This description, which is located at pages 7-8, forms part of our auditors' report.

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



Chartered Accountants
Saint Lucia

August 27, 2020

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 Group'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SYGNUS CREDIT INVESTMENTS LIMITED

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, actions taken to eliminate threats or safeguards applied.

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 matter 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, 2020*(Expressed in United States dollars)*

	Notes	Group		Company	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	6	3,005,997	2,098,386	3,005,340	2,098,386
Securities purchased under resale agreements	7	2,499,976	1,044,234	2,499,976	1,044,234
Interest receivable		1,886,168	897,396	1,886,168	897,396
Other receivables	8	33,306	22,522	31,206	22,522
Due from related parties	9	-	116,809	118,700	116,809
Lease receivables	10	2,049,728	1,577,971	2,049,728	1,577,971
Investments	11	51,546,022	32,388,601	51,546,022	32,388,601
Deferred tax assets	12	18,416	-	-	-
Investment in subsidiary	13	-	-	76	76
Total Assets		<u>61,039,613</u>	<u>38,145,919</u>	<u>61,137,216</u>	<u>38,145,995</u>
LIABILITIES					
Accounts payable and accrued liabilities	14	1,378,640	377,384	1,370,675	377,384
Due to related parties	9	211,060	60,820	210,468	60,896
Dividends payable	15	218,805	121,178	218,805	121,178
Interest payable	16	175,711	-	175,757	-
Notes payable	17	14,869,476	-	7,037,903	-
Loans and borrowings	18	<u>6,513,562</u>	-	<u>14,396,003</u>	-
Total Liabilities		<u>23,367,254</u>	<u>559,382</u>	<u>23,409,611</u>	<u>559,458</u>
EQUITY					
Share capital	19	35,107,673	35,107,673	35,107,673	35,107,673
Retained earnings		<u>2,564,686</u>	<u>2,478,864</u>	<u>2,619,932</u>	<u>2,478,864</u>
Total Equity		<u>37,672,359</u>	<u>37,586,537</u>	<u>37,727,605</u>	<u>37,586,537</u>
Total Liabilities and Equity		<u>61,039,613</u>	<u>38,145,919</u>	<u>61,137,216</u>	<u>38,145,995</u>

The financial statements on pages 9 to 53 were approved by the Board of Directors on August 27, 2020.


 _____ Director
 Dr. Ike Johnson


 _____ Director
 Linval Freeman

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, 2020

(Expressed in United States dollars)

	Notes	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
Income					
Interest income calculated using the effective interest method	20	5,382,777	3,168,047	5,382,777	3,168,047
Interest expense	20	(890,759)	-	(844,524)	-
		4,492,018	3,168,047	4,538,253	3,168,047
Fair value gains from financial instruments at FVTPL	25(b)	74,640	135,429	74,640	135,429
Participation fees	21	7,000	50,944	7,000	50,944
		<u>4,573,658</u>	<u>3,354,420</u>	<u>4,619,893</u>	<u>3,354,420</u>
Expenses					
Management fees	9(ii)	1,005,985	707,175	1,005,985	707,175
Net foreign exchange loss		1,039,375	219,011	1,039,702	219,011
Loss on sale of investments		8,370	-	8,370	-
Impairment allowance on financial assets	26(b)(vi)	101,593	74,645	101,593	74,645
Other expenses	22	463,958	302,958	436,204	302,958
		<u>2,619,281</u>	<u>1,303,789</u>	<u>2,591,854</u>	<u>1,303,789</u>
Profit before taxation		1,954,377	2,050,631	2,028,039	2,050,631
Tax credit	23(a)	18,416	-	-	-
Profit for the year, being total comprehensive income		<u>1,972,793</u>	<u>2,050,631</u>	<u>2,028,039</u>	<u>2,050,631</u>
Earnings per stock unit	24	<u>0.56¢</u>	<u>0.59¢</u>		

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

SYGNUS CREDIT INVESTMENTS LIMITED

Group Statement of Changes in Equity
 Year ended June 30, 2020
 (Expressed in United States dollars)

	<u>Share capital</u> \$ [Note 19]	<u>Fair value reserve</u> \$	<u>Retained earnings</u> \$	<u>Total</u> \$
Balances at June 30, 2018	35,107,673	87,503	1,423,747	36,618,923
Adjustment on initial application of IFRS 9	<u>-</u>	<u>(87,503)</u>	<u>79,672</u>	<u>(7,831)</u>
Adjusted balances at July 1, 2018	35,107,673	-	1,503,419	36,611,092
Profit for the year, being total comprehensive income for the year	-	-	2,050,631	2,050,631
Transaction with owners				
Dividends declared (note 15)	<u>-</u>	<u>-</u>	<u>(1,075,186)</u>	<u>(1,075,186)</u>
Balances at June 30, 2019	35,107,673	-	2,478,864	37,586,537
Profit for the year, being total comprehensive income for the year	-	-	1,972,793	1,972,793
Transaction with owners				
Dividends declared (note 15)	<u>-</u>	<u>-</u>	<u>(1,886,971)</u>	<u>(1,886,971)</u>
Balances at June 30, 2020	<u>35,107,673</u>	<u>-</u>	<u>2,564,686</u>	<u>37,672,359</u>

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

SYGNUS CREDIT INVESTMENTS LIMITED

Company Statement of Changes in Equity
 Year ended June 30, 2020
 (Expressed in United States dollars)

	<u>Share capital</u> \$ [Note 19]	<u>Fair value reserve</u> \$	<u>Retained earnings</u> \$	<u>Total</u> \$
Balances at June 30, 2018	35,107,673	87,503	1,423,747	36,618,923
Adjustment on initial application of IFRS 9	<u>-</u>	<u>(87,503)</u>	<u>79,672</u>	<u>(7,831)</u>
Adjusted balances at July 1, 2018	35,107,673	-	1,503,419	36,611,092
Profit for the year, being total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>2,050,631</u>	<u>2,050,631</u>
Transaction with owners				
Dividends declared (note 15)	<u>-</u>	<u>-</u>	<u>(1,075,186)</u>	<u>(1,075,186)</u>
Balances at June 30, 2019	35,107,673	-	2,478,864	37,586,537
Profit for the year, being total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>2,028,039</u>	<u>2,028,039</u>
Transaction with owners				
Dividends declared (note 15)	<u>-</u>	<u>-</u>	<u>(1,886,971)</u>	<u>(1,886,971)</u>
Balances at June 30, 2020	<u>35,107,673</u>	<u>-</u>	<u>2,619,932</u>	<u>37,727,605</u>

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

SYGNUS CREDIT INVESTMENTS LIMITED

Statement of Cash Flows

Year ended June 30, 2020

(Expressed in United States dollars)

	Notes	Group		Company	
		2020 \$	2019 \$	2020 \$	2019 \$
Cash flows from operating activities					
Profit for the year		1,972,793	2,050,631	2,028,039	2,050,631
Adjustments for:					
Interest income	20	(5,382,777)	(3,168,047)	(5,382,777)	(3,168,047)
Interest expense	20	890,759	-	844,524	-
Impairment allowance on financial assets	26(b)(vi)	101,593	74,645	101,593	74,645
Taxation		(18,416)	-	-	-
Amortization of transaction costs on issued notes		80,876	-	33,716	-
Fair value gains		(74,640)	(135,429)	(74,640)	(135,429)
		(2,429,812)	(1,178,200)	(2,449,545)	(1,178,200)
Changes in operating assets and liabilities:					
Other receivables		(10,784)	766,103	(8,684)	766,103
Due from related parties		116,809	(116,809)	(1,891)	(116,809)
Accounts payable and other accrued liabilities		1,001,256	175,605	993,291	175,605
Due to related parties		<u>150,240</u>	(<u>123,056</u>)	<u>149,572</u>	(<u>122,980</u>)
		(1,172,291)	(476,357)	(1,317,257)	(476,281)
Interest paid		(<u>715,048</u>)	<u>-</u>	(<u>668,767</u>)	<u>-</u>
Net cash used in operating activities		(<u>1,887,339</u>)	(<u>476,357</u>)	(<u>1,986,024</u>)	(<u>476,281</u>)
Cash flows from investing activities					
Purchase of investments		(79,206,083)	(31,254,244)	(79,206,083)	(31,254,244)
Investment in subsidiary		-	-	-	(76)
Encashment of investments		60,021,709	14,102,735	60,021,709	14,102,735
Lease receivables		(471,757)	(1,079,011)	(471,757)	(1,079,011)
Purchase of securities purchased under resale agreements		(12,502,302)	(12,675,881)	(12,502,302)	(12,675,881)
Encashment of securities purchased under resale agreements		11,046,560	31,534,748	11,046,560	31,534,748
Interest income received		<u>4,394,005</u>	<u>2,500,145</u>	<u>4,394,005</u>	<u>2,500,145</u>
Net cash (used in)/provided by investing activities		(<u>16,717,868</u>)	<u>3,128,492</u>	(<u>16,717,868</u>)	<u>3,128,416</u>
Cash flows from financing activities					
Dividends paid	15	(1,789,344)	(954,008)	(1,789,344)	(954,008)
Loans and borrowings, net		6,513,562	-	14,396,003	-
Proceeds from issue of notes		15,191,000	-	7,191,100	-
Transaction costs associated with notes issued		(<u>402,400</u>)	<u>-</u>	(<u>186,913</u>)	<u>-</u>
Net cash provided by/(used in) financing activities		<u>19,512,818</u>	(<u>954,008</u>)	<u>19,610,846</u>	(<u>954,008</u>)
Net increase in cash and cash equivalents		907,611	1,698,127	906,954	1,698,127
Cash and cash equivalents at beginning of year		<u>2,098,386</u>	<u>400,259</u>	<u>2,098,386</u>	<u>400,259</u>
Cash and cash equivalents at end of year		<u><u>3,005,997</u></u>	<u><u>2,098,386</u></u>	<u><u>3,005,340</u></u>	<u><u>2,098,386</u></u>

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

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements

Year ended June 30, 2020

(Expressed in United States dollars)

1. The Company

Sygnus Credit Investments Limited ("the Company") was incorporated in Saint Lucia on January 13, 2017 as an International Business Company ("IBC"). The Company's registered office is located 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.

The Company has no employees and 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 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 23).

The Company has a wholly owned subsidiary, Sygnus Credit Investments Jamaica Limited (SCIJL), which was incorporated in Jamaica on May 7, 2019 and had no trading activities during the prior reporting period. SCIJL's principal activity is to raise financing on behalf of the Company. The Company and its subsidiary are collectively referred to as "the Group".

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").

New and amended standards that became effective during the year:

Certain new and amended standards which were in issue, came into effect during the current financial period. The Company has assessed them and adopted those which are relevant to its financial statements.

IFRS 16 *Leases* came into effect during the current financial period and was applied on July 1, 2019. Changes to the accounting policy is described in note 4.

New and amended standards and interpretations issued but not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards and interpretations have been issued which are not yet effective and which the Group has not yet adopted. The Group has assessed the relevance of all such standards, amendments and interpretations and has determined the following are likely to be relevant to its operations:

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*2. Statement of compliance and basis of preparation (continued)(a) **Statement of compliance (continued)****New and amended standards and interpretations issued but not yet effective (continued):**

- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual reporting periods beginning on or after January 1, 2020, and provides a definition of material to guide preparers of financial statements in making judgements about information to be included in financial statements.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group does not expect the amendment to have a significant impact on its 2021 financial statements.

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The Group is assessing the impact that the amendments will have on its 2021 financial statements.

- Amendments to IFRS 3 *Business Combinations*, applicable to businesses acquired in annual reporting periods beginning on or after January 1, 2020, provides more guidance on the definition of a business. The amendments include:
 - (a) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020

(Expressed in United States dollars)

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

(a) Statement of compliance (continued)

New and amended standards and interpretations issued but not yet effective (continued):

- Amendments to IFRS 3 *Business Combinations* (continued)
 - (b) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

The Group is assessing the impact that the amendments will have on its 2021 financial statements.

(b) Basis of preparation

The financial statements are prepared on the historical cost basis, except for certain financial instruments 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 Group.

(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 reporting date 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.

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. Critical accounting judgements and key sources of estimation uncertainty

Estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year and judgements that have a significant effect on the amounts recognised in the financial statements, include the following:

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020

(Expressed in United States dollars)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(a) Key sources of estimation uncertainty

(i) *Impairment of financial assets*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing companies of similar financial assets for the purposes of measuring ECL.

(ii) *Fair value of financial instruments*

Management uses its judgement in selecting the appropriate valuation techniques to determine fair value of financial instruments. The estimates of fair value arrived at may be significantly different from the actual price of the instrument in an actual arm's length transaction.

(b) Critical accounting judgements in applying the Group's accounting policies

The Group's accounting policies which require the use of judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements include the following:

Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

4. Changes in accounting policy

Except for changes below, the Group has consistently applied the accounting policies set out in note 5 to all periods presented in these consolidated financial statements.

The Group initially applied IFRS 16 *Leases* from July 1, 2019. A number of other new revised and amended standards are also effective from July 1, 2019 but they do not have a material effect on these financial statements.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*4. Changes in accounting policy (continued)IFRS 16 *Leases*

(a) Definition of a lease:

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an arrangement contains a lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 5(j).

The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after July 1, 2019.

(b) As a lessor:

As a lessor, the accounting remains similar to the practice under IAS 17. The lessor will continue to classify leases as finance or operating leases.

- The Group has determined that the application of IFRS 16 as at July 1, 2019 has not given rise to any change in the Group's assets and liabilities.
- The Group leases its equipment under lessor arrangements and has no operating leases. The Group is therefore not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

5. Significant accounting policies(a) **Basis of consolidation**

(i) Business combinations:

Business combinations are accounted for using the acquisition method at the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(a) Basis of consolidation (continued):**

(i) Business combinations (continued):

When the result is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries:

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Loss of control:

On the loss of control, the Group derecognises the assets and liabilities of a subsidiary and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) Transactions eliminated on consolidation:

Balances and transactions between companies within the Group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements.

(b) Cash and cash equivalents

Cash comprises cash at banks and cash equivalents which are highly liquid financial assets that are readily convertible to known amounts of cash (that is, with original maturities of less than three months), are subject to insignificant risk of changes in value, and are used for the purpose of meeting short-term commitments. Cash and cash equivalents are classified and measured at amortised cost.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(c) 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.

(d) Financial instruments

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

(i) Classification and subsequent measurement

In applying IFRS 9, the Group classified its financial assets in the following measurement categories:

- (a) Fair value through profit or loss (FVTPL); or
- (b) Amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Business model assessment:

In making an assessment of the objective of the business model in which a financial asset is held, the Group considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets; and

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(d) Financial instruments (continued)**

(i) Classification and subsequent measurement (continued)

Business model assessment (continued):

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.

Solely payments of principal and interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Financial assets are classified as FVTPL when they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Group does not have any instruments classified as fair value through other comprehensive income. The instruments held are not marketable and or does not meet the classification requirements under IFRS 9.

(ii) Derecognition

The Group 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.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(d) Financial instruments (continued)**

(ii) Derecognition (continued)

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

(iii) Measurement of gains and losses on financial assets

Gains and losses on financial assets at amortised cost and FVTPL are included in the statement of profit or loss.

(iv) Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on the financial instruments measured at amortised cost.

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.
- A financial asset is credit impaired (‘Stage 3’) when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(d) Financial instruments (continued)**

(iv) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECL

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The ECL is determined by using the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These three components are multiplied together and adjusted for forward looking information and discount rates.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Other and lease receivables are measured at an amount equal to lifetime ECL.

(v) Financial liabilities

The Group classifies non-derivative financial liabilities into the 'other financial liabilities' category. These are measured at amortised cost.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(d) Financial instruments (continued)****(vi) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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.

(e) 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group uses valuation techniques.

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 Group 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 Group 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 Group 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.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(f) Investment in subsidiary**

Investment in subsidiary is measured in the financial statements at cost, less any impairment loss.

(g) Revenue recognition**(i) Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (b) Financial assets that are not POCI but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

(ii) Participation fees

Participation fees are recognised on the accrual basis when the related services are performed.

(h) 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.

(i) Other receivables and due from related parties

Other receivables and amounts due from related parties are measured at amortised cost less any impairment loss.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(j) Leases**

Finance lease:

*Lessor**Policy applicable from July 1, 2019*

At the inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a financial lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Upon lease commencement, the Group recognises assets under a finance lease as a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before July 1, 2019

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 are recognised based on a constant periodic rate of interest on the finance lease receivable.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(k) Embedded derivatives**

Derivatives may be embedded in another contractual arrangement (a host contract).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

When an embedded derivative cannot be separated from the host contract, such as, the cash flows are not solely payments of principal and interest, the entire contract is designated as fair value through profit or loss.

(l) Taxation

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.

(m) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020

(Expressed in United States dollars)

5. Significant accounting policies (continued)

(m) Interest expense (continued)

The effective interest rate is established on initial recognition of the financial liability and not revised subsequently.

(n) Accounts payable, accrued liabilities and due to related parties

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

(o) 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.

(p) Dividends

Dividends to shareholders are recorded in the financial statements in the period in which they are declared.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(r) 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 Group).

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

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

- (i) The entity and the Group 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).

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*5. Significant accounting policies (continued)**(r) Related parties (continued)**

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

- (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 group or an entity related to the Group.
- (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 Group or to the parent of the Group.

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

6. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Cash and bank balances	1,505,997	2,098,386	1,505,340	2,098,386
Securities purchased under resale agreements [(see (i))]	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>
	<u>3,005,997</u>	<u>2,098,386</u>	<u>3,005,340</u>	<u>2,098,386</u>

- (i) This resale agreement matures on July 20, 2020. It is collateralised by Government of Jamaica securities with a fair value of \$1,746,665 (2019: \$Nil) and earns interest at a rate of 3.25%.

7. Securities purchased under resale agreements

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Resale agreements	2,500,000	1,044,444
Less: allowance for impairment [see note 26(b)(v)]	<u>(24)</u>	<u>(210)</u>
	<u>2,499,976</u>	<u>1,044,234</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*7. Securities purchased under resale agreements (continued)

The Group has entered into collateralised resale agreements with interest rates ranging between 3.75% and 4.00% (2019: 2.50% and 4.40%). All resale agreements mature within 12 months from the reporting date.

At June 30, 2020, the fair value of the underlying collateral of the resale agreements was \$2,955,797 (2019: \$1,088,523).

8. Other receivables

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Prepaid expenses	<u>33,306</u>	<u>22,522</u>	<u>31,206</u>	<u>22,522</u>

9. Related party balances and transactions

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

- (i) The statement of financial position includes balances with related parties, arising in the normal course of business as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Due from related parties:				
Subsidiary	-	-	118,700	-
Other related entities	-	<u>116,809</u>	-	<u>116,809</u>
	<u>-</u>	<u>116,809</u>	<u>118,700</u>	<u>116,809</u>
	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Due to related parties:				
Subsidiary	-	-	-	76
Other related entities	<u>211,060</u>	<u>60,820</u>	<u>210,468</u>	<u>60,820</u>
	<u>211,060</u>	<u>60,820</u>	<u>210,468</u>	<u>60,896</u>
Interest payable due to related parties (note 16)	<u>10,647</u>	<u>-</u>	<u>25,484</u>	<u>-</u>
Loans due to related parties (note 18)	<u>719,110</u>	<u>-</u>	<u>8,601,551</u>	<u>-</u>
Accounts payable [note 14(i)]	<u>28,750</u>	<u>-</u>	<u>28,750</u>	<u>-</u>

Balances due to and from related parties are unsecured, interest free and repayable on demand. Amounts due from the related parties are considered low credit risk. No allowance for impairment was recognised.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*9. Related party balances and transactions (continued)

- (ii) The statement of profit or loss and other comprehensive income includes expenses incurred with related parties, arising in the normal course of business as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Management fees	1,005,985	707,175	1,005,985	707,175
Corporate service fees (note 22)	75,910	-	75,910	-
Accounting fees	31,655	26,780	31,655	26,780
Directors' fees and related expenses	26,286	40,203	26,286	40,203
Professional fees	10,183	-	6,096	-
Interest expense	<u>36,462</u>	<u>-</u>	<u>295,929</u>	<u>-</u>
	<u>1,186,481</u>	<u>774,158</u>	<u>1,441,861</u>	<u>774,158</u>

10. Lease receivables

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Net investment in the lease	2,416,167	2,034,259
Less: unearned finance income	(366,305)	(454,293)
Less: impairment allowance [see note 26(b)(v)]	(134)	(1,995)
	<u>2,049,728</u>	<u>1,577,971</u>
The lease payments are receivable as follows:		
Within one year	1,015,363	500,755
Two - five years	<u>1,400,804</u>	<u>1,533,504</u>
	<u>2,416,167</u>	<u>2,034,259</u>

11. Investments

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Fair value through profit or loss		
Preference shares - profit participation and conversion options (i) [see also note 25(b)]	<u>10,636,030</u>	<u>7,507,015</u>
Amortised cost		
Commodity resale agreement (ii)	3,595,550	4,447,598
Short-term notes (ii)	16,174,936	9,612,764
Medium-term notes (iii)	<u>21,323,417</u>	<u>10,901,495</u>
	<u>41,093,903</u>	<u>24,961,857</u>
Sub-total	51,729,933	32,468,872
Less: impairment allowance [see note 26(b)(v)]	(183,911)	(80,271)
	<u>51,546,022</u>	<u>32,388,601</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*11. Investments (continued)

- (i) This represents three (3) 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 are as follows:
- (a) The Group 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.
- (b) The Group is entitled to receive a percentage of reported net/gross profits of the Issuers.
- (c) The Issuers have a redemption option whereby the preference shares can be redeemed prior to the maturity date by paying a premium to the Group.
- (ii) The commodity resale agreement and short-term notes will mature within one year from the reporting date.
- (iii) This represents medium-term notes maturing within two to five years. These notes can be repaid on or after the contracted periods.

12. Deferred tax assets

Deferred income is calculated in full on temporary differences using a principal tax rate of 25%.

Deferred tax assets and liabilities recognised in the statement of financial position are attributable to the following:

	<u>Group</u> 2020 \$
Deferred income tax assets	22,214
Deferred income tax liabilities	(3,798)
Net deferred income tax assets	<u>18,416</u>

The amounts comprising the deferred income tax account and the movements therein are as follows:

	<u>Group</u> 2020		
	<u>Balance at</u> <u>July 1, 2019</u>	<u>Recognised</u> <u>in profit or loss</u> [Note 23(a)]	<u>Balance at</u> <u>June 30, 2020</u>
	\$	\$	\$
Tax losses carried forward	-	18,516	18,516
Interest payable	-	3,698	3,698
Unrealised foreign exchange gains	-	(89)	(89)
Interest receivable	-	(3,709)	(3,709)
Net deferred income tax assets	<u>-</u>	<u>18,416</u>	<u>18,416</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*13. Investment in subsidiary

Investment in subsidiary represents shares at cost (see note 1).

14. Accounts payable and accrued liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Accounts payable [see (i)]	83,696	72,786	83,696	72,786
Audit fees	58,500	36,000	58,500	36,000
Directors' fees and related expenses	7,875	7,490	7,875	7,490
Security deposits [see (ii)]	1,204,068	129,389	1,204,068	129,389
Other payables and accrued expenses	<u>24,501</u>	<u>131,719</u>	<u>16,536</u>	<u>131,719</u>
	<u>1,378,640</u>	<u>377,384</u>	<u>1,370,675</u>	<u>377,384</u>

(i) Included in this balance is an amount of \$28,750 (2019: \$Nil), which represents arranger fees on short-term notes payable to a related entity.

(ii) These balances were withheld by the Company as part of an investment transaction in the event of a default in payments.

15. Dividends

	<u>2020</u>	<u>2019</u>
	\$	\$
Final dividend in respect of 2019 @ 0.0025 cents per share	871,712	-
Interim dividend in respect of 2020 @ 0.0029 cents per share	1,015,259	-
Final dividend in respect of 2018 @ 0.0013 cents per share	-	467,649
Interim dividend in respect of 2019 @ 0.0017 cents per share	<u>-</u>	<u>607,537</u>
	<u>1,886,971</u>	<u>1,075,186</u>

As at the reporting date, \$218,805 (2019: \$121,178) was unpaid.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*16. Interest payable

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
US\$ bridge facility	30,689	-	30,689	-
Revolving line of credit	7,223	-	7,223	-
Loans from related parties	10,647	-	25,484	-
Senior unsecured J\$ and US\$ notes	<u>127,152</u>	<u>-</u>	<u>112,361</u>	<u>-</u>
	<u>175,711</u>	<u>-</u>	<u>175,757</u>	<u>-</u>

17. Notes payable

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Senior unsecured J\$ notes [see (i)]	7,037,903	-	7,037,903	-
Senior unsecured US\$ notes [see (ii)]	<u>7,831,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>14,869,476</u>	<u>-</u>	<u>7,037,903</u>	<u>-</u>

(i) This represents fixed rate unsecured notes issued in two tranches, with interest rates of 6.00% and 6.50% per annum, payable on a quarterly basis. The notes mature on December 31, 2021 and December 31, 2022 respectively.

(ii) This represents fixed rate unsecured notes issued in two tranches, with interest rates of 6.00% and 6.25% per annum, payable on a quarterly basis. The notes mature on December 31, 2021 and December 31, 2022 respectively.

18. Loans and borrowings

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
US\$ bridge facility [see (i)]	5,000,000	-	5,000,000	-
Revolving line of credit [see (ii)]	880,910	-	880,910	-
Loans from related parties [see (iii), note 9]	<u>719,110</u>	<u>-</u>	<u>8,601,551</u>	<u>-</u>
	6,600,020	-	14,482,461	-
Less: transaction costs				
Incurred during the year	(97,500)	-	(97,500)	-
Amortised for the year	<u>11,042</u>	<u>-</u>	<u>11,042</u>	<u>-</u>
	<u>6,513,562</u>	<u>-</u>	<u>14,396,003</u>	<u>-</u>

(i) This represents an unsecured facility of up to US\$10 million (Jamaican equivalent). The USD loan attracts interest at a rate of 5.85% (JMD rate of 6.25%) per annum. The facility matures on May 4, 2021 with an extension option of 6 months.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*18. Loans and borrowings (continued)

- (ii) This represents an unsecured 1-year facility of up to J\$575 million or USD equivalent. Interest is payable quarterly at 6.50% (USD rate of 6.00%). The facility matures on November 29, 2020.
- (iii) This represents:
- (a) An unsecured loan from a related entity of up to J\$100 Million. This loan attracts interest at 6.50% and matures on July 8, 2020 (see note 9).
- (b) Unsecured loans of US\$4.9 million and US\$3 million in the Company from its subsidiary at interest rates of 6.15% and 6.30% respectively. The loans mature on December 16, 2021 and December 24, 2022 respectively.

19. Share capital

Authorised capital:

- (i) Unlimited ordinary shares
- (ii) One (1) special rights redeemable share of US\$1

	<u>2020</u>	<u>2019</u>
	\$	\$
Issued and fully paid:		
350,087,563 (2019: 350,087,563) ordinary stock units	36,196,607	36,196,607
and one (1) special share		
Less: transaction costs of share issue	<u>(1,088,934)</u>	<u>(1,088,934)</u>
	<u>35,107,673</u>	<u>35,107,673</u>

Sygnus Capital Management Limited, a related company, holds 1 special rights share and 5.4 million ordinary stock units 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 the annual 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.

20. Net interest income

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Interest income, calculated using the effective interest method				
Cash and cash equivalents	3,556	13,828	3,556	13,828
Resale agreements	32,923	376,797	32,923	376,797
Lease receivables	170,893	45,754	170,893	45,754
Investments	<u>5,175,405</u>	<u>2,731,668</u>	<u>5,175,405</u>	<u>2,731,668</u>
	<u>5,382,777</u>	<u>3,168,047</u>	<u>5,382,777</u>	<u>3,168,047</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*20. Net interest income (continued)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Interest expense				
Notes payable	542,508	-	236,806	-
Loans and borrowings	<u>348,251</u>	<u>-</u>	<u>607,718</u>	<u>-</u>
	<u>890,759</u>	<u>-</u>	<u>844,524</u>	<u>-</u>
Net interest income	<u>4,492,018</u>	<u>3,168,047</u>	<u>4,538,253</u>	<u>3,168,047</u>

21. Participation fees

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

22. Other expenses

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Accounting fees	36,308	37,323	36,308	37,323
Advertising	19,787	5,317	19,705	5,317
Audit fees and expenses	68,138	36,537	68,138	36,537
Bank charges	8,501	6,005	7,142	6,005
Commitment fees	47,349	-	47,349	-
Corporate service fees [note 9(ii)]	75,910	-	75,910	-
Directors' fees and related expenses	26,286	40,203	26,286	40,203
Irrecoverable tax	4,280	39,239	881	39,239
Professional fees	34,991	60,609	28,032	60,609
Registration fees	57,175	9,310	41,944	9,310
Other	<u>85,233</u>	<u>68,415</u>	<u>84,509</u>	<u>68,415</u>
	<u>463,958</u>	<u>302,958</u>	<u>436,204</u>	<u>302,958</u>

23. 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) Depending on the jurisdiction and nature of business, income tax is computed at 1% and 25% of profit for the year. The provision for income tax on the results for the year, adjusted for tax purposes, is (\$18,416) (2019: \$Nil) at end of the reporting period.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*23. Taxation (continued)

(a) (Continued)

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Deferred income tax:		
Origination and reversal of temporary differences	100	-
Tax losses (note 12)	<u>(18,516)</u>	<u>-</u>
Total tax credit recognised in statement of profit or loss	<u>(18,416)</u>	<u>-</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Profit before taxation	<u>1,972,793</u>	<u>2,050,631</u>	<u>2,028,039</u>	<u>2,050,631</u>
Computed “expected” tax charge of 1%	20,280	20,506	20,280	20,506
Computed “expected” tax credit of 25%	<u>(18,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,864	20,506	20,280	20,506
Tax effect of treating items differently for financial statements and tax reporting purposes -				
Net foreign exchange loss	10,397	2,190	10,397	2,190
Interest income from CARICOM member states	<u>(39,947)</u>	<u>(31,680)</u>	<u>(39,947)</u>	<u>(31,680)</u>
Fair value gains from investments in CARICOM member states	<u>(746)</u>	<u>(1,354)</u>	<u>(746)</u>	<u>(1,354)</u>
Disallowed income and expenses and other items	1,016	-	1,016	-
Unused tax losses	<u>9,000</u>	<u>10,338</u>	<u>9,000</u>	<u>10,338</u>
Actual tax credit recognised	<u>(18,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) At June 30, 2020, tax losses, subject to the agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to approximately \$75,000 (2019: \$Nil). Tax losses are carried forward indefinitely, however, the amount that can be utilised in any one year is restricted to 50% of the current year’s taxable profits.

(d) No deferred tax was recognised for the Company in the financial statements as the differences between the accounting and tax treatments are all permanent differences.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*24. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit attributable to stockholders of \$1,972,793 (2019: \$2,050,631) by the weighted average number of ordinary stock units in issue totalling 350,087,563 (2019: 350,087,563).

The Group does not have any instruments that have a dilutive effect on its basic earnings per share.

25. Fair value of financial instruments

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

The definition of fair value is described in note 5(e).

IFRS 13 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 Group'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, 2020*(Expressed in United States dollars)*25. Fair value of financial instruments (continued)

Accounting classification and fair values (continued):

- (a) The following table shows the valuation techniques used in measuring the fair value, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Range of estimates for unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow method	<ul style="list-style-type: none"> Adjusted profit of the issuer(s) based on probability of achievement Risk-adjusted discount rates 	<ul style="list-style-type: none"> Probability of achievement of 45% Fixed income discount rate of 6.88% to 9.78% and equity discount rate of 20.16% to 24.32% 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> 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:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Opening balance	7,507,015	7,257,211
Purchases	4,335,907	-
Sales	(838,120)	-
Gains/(losses):		
Fair value gains in profit or loss	74,640	135,429
Loss on sale	(56,926)	-
Foreign exchange adjustments	(386,486)	114,375
	<u>10,636,030</u>	<u>7,507,015</u>

26. Financial risk management

The Group 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

(a) Overview

The Group has developed and implemented a risk management policy that involves the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group 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 Group's activities.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(a) Overview (continued)**

The risk management policy of the Group also adopts best practice measures to address perceived or real conflicts of interest that may arise in the operations and management of the business.

The Board of Directors is ultimately responsible for the risk management policies of the Group. The Board's risk management mandate is carried out through the following committees:

(i) Audit and 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 Management Committee and the Group's external auditors.

The Committee plays 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.

(ii) Credit Risk and Investment

The Group 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 Group and is responsible for all credit and investment decisions relating to the Group'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.

(iii) Enterprise Risk Management Committee

In addition to CRIC, the Group has also established an Enterprise Risk Management Committee, a sub-committee of the Board.

This Committee 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 and Governance Committee.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(a) Overview (continued)****(iv) Investment Advisory Committee**

The Group's Investment Advisor, Sygnus Capital Limited, a related company, is responsible for analysing and recommending all investment and credit proposals to the Credit Risk and Investment Committee and supporting the Investment Manager with the monitoring of the investment portfolio. The Investment Advisor executes these functions through an Investment Advisory Committee ("IAC").

The Group's risk management policies are established to identify and analyze the risks faced by the Group's 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.

(v) Impact of COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices across the Caribbean region, where the Group has portfolio company investments, across a wide cross section of industries. In response to the pandemic, Management has adopted several measures specifically around financial risk management. These measures include:

- Proactive risk management process to monitor and manage Covid-19 risks using a four-phase process as follows:
 1. Phase I covered continuous data and information gathering to assess risks faced by the Group and its investment in portfolio companies across the Caribbean region;
 2. Phase II covered the development of short-term action plans to mitigate the risks identified in Phase I, in collaboration with partners and portfolio companies; and
 3. Phase III dealt with developing and executing longer term plans using a collaborative approach with the Group's partners and portfolio companies, while monitoring and assessing the financial environment.
 4. Phase IV involved monitoring the impact of the pandemic on existing clients. The Group offered forbearance plans to clients who met certain requirements.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(a) Overview (continued)****(v) Impact of COVID-19 (continued)**

- Effective management of liquidity given disruption in financial markets, to ensure ample liquidity is available to fund operating expenses whilst providing support to existing portfolio companies impacted by COVID-19 and make selective new investments across the Caribbean region. In this regard, the Group negotiated a US\$10 million bridge financing facility, of which US\$5 million was undrawn as at June 30, 2020. The bridge facility is in addition to undrawn revolving lines of credit with two banking partners that were negotiated earlier during the year.

The borrowings noted above are new debts for the year and Management has assessed that the Company is profitable and had sufficient liquidity to meet its obligations as they came due. Management is expecting that there will be opportunities across the Caribbean where companies will require flexible capital to grow their businesses given the restrictive financial environment created by COVID-19. Management has committed to accept selective new opportunities across the Caribbean with strong downside protection.

(b) Credit risk

Credit risk is the risk of a financial loss arising from a counterparty to a financial contract failing to discharge its obligations. The Group manages this risk by establishing policies for granting credit and entering into financial contracts. The Group's credit risk is concentrated, primarily, in securities purchased under resale agreements, lease receivables and investments.

Exposure to credit risk:

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

Cash and cash equivalents are held with financial institutions and collateral is not required for such accounts, as management regards the institutions as strong. The strength of these financial institutions is continually reviewed by the CRIC and the Enterprise Risk Management Committee.

The Group manages credit risk related to other receivables by limiting exposure to specific counterparties and by monitoring settlements.

Securities purchased under resale agreements, lease receivables 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.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***Exposure to credit risk (continued):*

The estimation of expected credit losses for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

The following table summarises credit risk exposure for investments, lease and resale agreements at their carrying amounts as categorised by industry sectors. These facilities are well diversified across industry sectors, and are primarily extended to customers within Jamaica and other Caribbean territories:

	<u>Group and Company</u>				
	<u>Investments</u>	<u>Leases</u>	<u>Resale Agreements</u>	<u>Total 2020</u>	<u>Total 2019</u>
	\$	\$	\$	\$	\$
Distribution	4,670,838	1,159,946	-	5,830,784	6,522,619
Hospitality	6,854,698	889,916	-	7,744,614	5,368,903
Manufacturing	9,834,653	-	-	9,834,653	5,250,592
Mining and Quarrying	2,488,811	-	-	2,488,811	2,946,586
Energy	3,501,377	-	-	3,501,377	5,385,629
Telecommunications	3,000,000	-	-	3,000,000	6,000,000
Health and Lifestyle	3,000,000	-	-	3,000,000	2,000,000
Construction	4,570,147	-	-	4,570,147	-
Infrastructure	10,609,409	-	-	10,609,409	-
Financial	<u>3,200,000</u>	<u>-</u>	<u>2,500,000</u>	<u>5,700,000</u>	<u>1,618,953</u>
	51,729,933	2,049,862	2,500,000	56,279,795	35,093,282
Less: Impairment allowance					
[see note 26(b)(vi)]	(183,911)	(134)	(24)	(184,069)	(82,476)
	<u>51,546,022</u>	<u>2,049,728</u>	<u>2,499,976</u>	<u>56,095,726</u>	<u>35,010,806</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement:*

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition.

(i) Significant increase in credit risk (SICR)**Change in credit quality since initial recognition**

<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and third-party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a movement of two notches from the credit risk rating at origination.

A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):***(i) Significant increase in credit risk (SICR) (continued)**

If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

(ii) Definition of default

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. the counterparty is more than 90 days past due on its contractual payments; and
- quantitative: e.g. the counterparty meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

(iii) Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

The Group uses a forward-looking score card model to estimate the potential of future economic conditions.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, supranational organisations and selected private-sector forecasters.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):***(iii) Incorporation of forward-looking information (continued)**

Considering the COVID-19 pandemic, the Group applied a management overlay using a scorecard approach. The scorecard used the following three macroeconomic factors with respective probability weights:

Indicator	Weighting
Interest rate	50%
Real GDP growth	30%
Inflation rate	20%
Total	100%

Scenarios for the macroeconomic variables are derived for each of the time periods six months (10%), twelve months (30%) and more than a year (60%). Based on the scenario score derived for each scenario, the scenario weights are applied to derive a weighted average score.

(iv) Credit risk grading

The Group assesses the probability of default using internal ratings. These are segmented into rating classes. The Group's rating scale is shown below.

Rating	Description	Definition	Category
1	Exceptional	Portfolio company is performing exceptional	Standard Monitoring
2	Very Good	Portfolio company is performing very good	
3	Good	Portfolio company is performing good	
4	Average	Portfolio company is performing average	Enhanced Monitoring
5	Below average	Portfolio company is performing below average	
6	Default/Non-accrual	Portfolio company has defaulted/placed on non-accrual	Default/restructured

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and to take corrective action.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):***(v) Credit quality analysis**

The following table contains information about the credit quality of financial assets measured at amortised cost and represents their carrying amounts at the reporting date.

**Investments and resale agreements
at amortised cost**

	Group and Company				2019
	2020				
	Stage 1	Stage 2	Stage 3	Total	Stage 1
	\$	\$	\$	\$	
Credit grade:					
Standard monitoring	40,928,779	-	-	40,928,779	25,553,966
Enhanced monitoring	-	1,237,150	-	1,237,150	452,335
Default/restructured	-	-	<u>1,427,974</u>	<u>1,427,974</u>	-
	40,928,779	1,237,150	1,427,974	43,593,903	29,006,301
Impairment allowance					
- investments (note 11)	(165,265)	(18,646)	-	(183,911)	(80,271)
Impairment allowance					
- resale agreements (note 7)	(24)	-	-	(24)	(210)
	<u>40,763,490</u>	<u>1,218,504</u>	<u>1,427,974</u>	<u>43,409,968</u>	<u>25,925,820</u>

Other financial assets at amortised cost

	Group and Company	
	2020	2019
	Stage 1	Stage 1
	\$	\$
	12-Month	12-Month
	ECL	ECL
Credit grade:		
Standard monitoring	2,049,862	1,579,966
Impairment allowance (see note 10)	(134)	(1,995)
	<u>2,049,728</u>	<u>1,577,971</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***Expected credit loss measurement (continued):**(vi) Impairment allowance*

The following tables show a reconciliation of the opening to the closing loss allowance.

**Investments and resale agreements
at amortised cost**

	<u>Group and Company</u>				<u>2019</u>
	<u>2020</u>				
	Stage 1	Stage 2	Stage 3	Total	
	12-Month	Lifetime	Lifetime		
<u>ECL</u>	<u>ECL</u>	<u>ECL</u>	<u>\$</u>	<u>\$</u>	
	\$	\$	\$	\$	\$
Balance at July 1	80,481	-	-	80,481	7,574
Transfer from stage 1 to stage 2	(4,976)	4,976	-	-	-
Transfer from stage 1 to stage 3	(23,761)	-	23,761	-	-
Amounts derecognised during the year	(30,863)	-	-	(30,863)	-
New amounts recognised during the year	70,883	-	-	70,883	-
Net remeasurement of impairment allowance	<u>73,525</u>	<u>13,670</u>	<u>(23,761)</u>	<u>63,434</u>	<u>72,907</u>
Impairment allowance at June 30	<u>165,289</u>	<u>18,646</u>	<u>-</u>	<u>183,935</u>	<u>80,481</u>

Other financial assets at amortised cost

	<u>Group and Company</u>
	<u>2020</u>
	Stage 1
	\$
Balance at July 1	1,995
Net remeasurement of impairment allowance	(1,861)
Balance at June 30	<u>134</u>
Total impairment allowance as at June 30, 2020	<u>184,069</u>

Total impairment loss recognised during the current year amounted to \$101,593.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(b) Credit risk (continued)***(vi) Impairment allowance (continued)*

The following tables show a reconciliation of the opening to the closing loss allowance (continued)

Other financial assets at amortised cost (continued)

	Group and Company <u>2019</u> Stage 1 \$
Balance at June 30, 2019 (IAS 39)	-
Remeasurement on July 1, 2018 (IFRS 9)	257
Impairment recognised during the year	<u>1,738</u>
Impairment allowance as at June 30, 2019	<u>1,995</u>
Total impairment allowance as at June 30, 2019	<u>82,476</u>

Total impairment loss recognised during the prior year amounted to \$74,645.

(c) Liquidity risk

Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Group 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 Group to sell or dispose of such investments in a timely manner at or close to fair value, if the need arises.

In addition, the Group faces liquidity risk in the form of funding risk. This is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with its investments and obligations as they fall due.

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 Group and its exposure to changes in interest rates and exchange rates.

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

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

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(d) 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 rates 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 Risk and Investment Committee. Investment transactions are monitored by the Board of Directors.

The elements of market risk that affect the Group 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 Group incurs foreign currency risk on transactions that are denominated in currencies other than the United States dollar. The currency giving rise to this risk is the Jamaica dollar.

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

	<u>Group</u>			
	<u>2020</u>		<u>2019</u>	
	<u>J\$</u>	<u>US\$ equivalent</u>	<u>J\$</u>	<u>US\$ equivalent</u>
Foreign currency assets:				
Cash and cash equivalents	14,270,074	102,617	226,686,278	1,736,844
Interest receivable	58,088,544	417,720	-	-
Other receivables	292,050	2,100	-	-
Investments	<u>1,588,559,498</u>	<u>11,423,468</u>	<u>1,603,101,710</u>	<u>12,282,780</u>
	<u>1,661,210,166</u>	<u>11,945,905</u>	<u>1,829,787,988</u>	<u>14,019,624</u>
Foreign currency liabilities:				
Interest payable	18,110,073	130,231	27,612,557	211,564
Notes payable	978,696,223	7,037,903	-	-
Loans and borrowings	222,509,000	1,600,020	-	-
Due to related parties	<u>446,387</u>	<u>3,210</u>	<u>-</u>	<u>-</u>
	<u>1,219,761,683</u>	<u>8,771,364</u>	<u>27,612,557</u>	<u>211,564</u>
Net exposure	<u>441,448,483</u>	<u>3,174,541</u>	<u>1,802,175,431</u>	<u>13,808,060</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(d) Market risk (continued)**

(a) Foreign currency risk (continued)

	<u>Company</u>			
	<u>2020</u>		<u>2019</u>	
	<u>J\$</u>	<u>US\$ equivalent</u>	<u>J\$</u>	<u>US\$ equivalent</u>
Foreign currency assets:				
Cash and cash equivalents	14,270,074	102,617	226,686,278	1,736,844
Interest receivable	58,088,544	417,720	-	-
Due from related parties	2,634,173	18,943	-	-
Investments	<u>1,588,559,498</u>	<u>11,423,468</u>	<u>1,603,101,710</u>	<u>12,282,780</u>
	<u>1,663,552,289</u>	<u>11,962,748</u>	<u>1,829,787,988</u>	<u>14,019,624</u>
Foreign currency liabilities:				
Interest payable	18,110,073	130,231	27,612,557	211,564
Notes payable	978,696,223	7,037,903	-	-
Loans and borrowings	222,500,000	1,600,020	-	-
Due to related parties	<u>364,139</u>	<u>2,619</u>	<u>-</u>	<u>-</u>
	<u>1,219,670,435</u>	<u>8,770,773</u>	<u>27,612,557</u>	<u>211,564</u>
Net exposure	<u>443,881,854</u>	<u>3,191,975</u>	<u>1,802,175,431</u>	<u>13,808,060</u>

Exchange rate for the US dollar to the Jamaica dollar was US\$1 to J\$139.06 (2019: J\$130.52)

Sensitivity to foreign exchange movements

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis represents outstanding Jamaica dollar denominated assets and liabilities as at the year-end, and the analysis is done on the same basis as 2019.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(d) Market risk (continued)**

(a) Foreign currency risk (continued)

Sensitivity to foreign exchange movements (continued)

	<u>Group</u>			
	<u>2020</u>		<u>2019</u>	
	<u>% change in currency rate</u>	<u>Effect on profit \$</u>	<u>% change in currency rate</u>	<u>Effect on profit \$</u>
JMD	- 6%	(179,692)	- 6%	(781,558)
JMD	<u>+ 2%</u>	<u>64,787</u>	<u>+ 4%</u>	<u>575,336</u>

	<u>Company</u>			
	<u>2020</u>		<u>2019</u>	
	<u>% change in currency rate</u>	<u>Effect on profit \$</u>	<u>% change in currency rate</u>	<u>Effect on profit \$</u>
JMD	- 6%	(180,679)	- 6%	(781,558)
JMD	<u>+ 2%</u>	<u>65,143</u>	<u>+ 4%</u>	<u>575,336</u>

(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 Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group manages this risk by monitoring interest rates daily. Even though there are 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.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended June 30, 2020*(Expressed in United States dollars)*26. Financial risk management (continued)**(d) Market risk (continued)**

(b) Interest rate risk (continued)

Management of interest rate risk (continued)

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

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Variable rate instruments	<u>252,218</u>	<u>135,643</u>
Fixed rate instruments	<u>56,095,726</u>	<u>35,010,806</u>

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates. These are substantially the interest sensitive instruments impacting the Group's financial results. For floating rate assets, the analysis assumes the amount of the asset outstanding at the reporting date was outstanding for the whole period. A 100 (2019: 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 (2019: 100) basis points higher or lower and all other variables were held constant, the effect on the Group's profit would have been as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	\$	\$
Effect on profit		
Increase 100 (2019: 100) basis points	<u>2,522</u>	<u>1,356</u>
Effect on profit		
Decrease 100 (2019: 100) basis points	<u>(2,522)</u>	<u>(1,356)</u>

The analysis is done on the same basis as 2019 and assumes that all other variables remain constant.

27. 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 are no externally imposed capital requirements.

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