



**SYGNUS**

CREDIT INVESTMENTS

**Quarterly**  
REPORT

**AS AT SEPTEMBER 30, 2020**

# Sygnus Credit Investments Limited

## Unaudited Results for the 3 Months Ended September 30, 2020

Castries, St Lucia | Wednesday, November 11, 2020

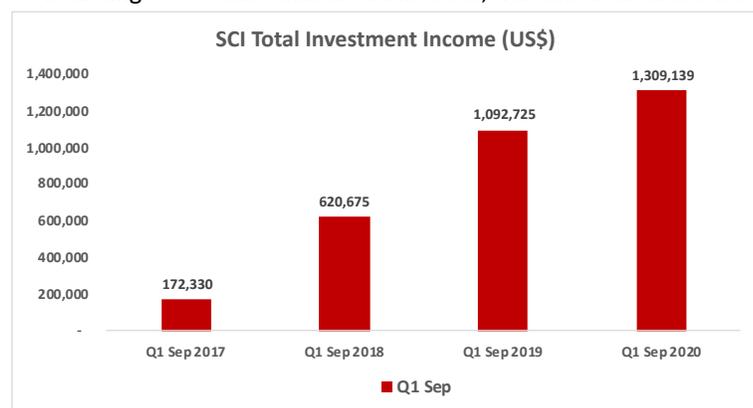
Sygnus Credit Investments Ltd (“SCI” or “the Company”) is pleased to report on the unaudited financial results for the three months ended September 30, 2020. The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Results of Operations

Sygnus Credit Investments Limited reported record core revenues and a 51% increase in net profits for the three months ended September 30, 2020. The Board of Directors authorized SCI to raise up to US\$50 million equivalent in equity and debt capital, at a Board meeting held on November 11, 2020. This capital is to finance SCI’s continued private credit expansion across the Caribbean region, with a material pickup in demand for flexible debt capital by high-quality middle-market businesses.

SCI’s results were driven by a record portfolio of private credit investments, in keeping with its mandate to drive the velocity of financing for middle-market businesses, via the alternative investment channel. The impact of the global Covid-19



pandemic on the Caribbean region and on middle-market businesses is ongoing, and the trajectory of the economic recovery remains unclear. However, SCI’s private credit portfolio remains resilient and is well positioned to see out the pandemic.

SCI’s core revenues, or total investment income, grew by 19.8% or US\$216.4 thousand to a record US\$1.31 million, for the three months ended September 30, 2020 (“Q1 Sep 2020”). This compares with US\$1.09 million for the three months ended September 30, 2019 (“Q1 Sep 2019”). Ninety-eight-point-two percent of SCI’s core revenues were comprised of net interest income.

	Q1 Sep 2020	Q1 Sep 2019	FYE Jun 2020
Summary Results of Operations	US\$	US\$	US\$
Interest Income	1,698,688	1,126,662	5,382,777
Interest Expense	(412,546)	(40,937)	(890,759)
Net Interest Income	1,286,142	1,085,725	4,492,018
Participation Fees	22,997	7,000	7,000
<b>Total Investment Income</b>	<b>1,309,139</b>	<b>1,092,725</b>	<b>4,499,018</b>
Total Operating Expenses	470,127	285,547	1,469,943
<b>Net Investment Income</b>	<b>839,012</b>	<b>807,178</b>	<b>3,029,075</b>
Loss on Sale of Investments			(8,370)
Fair Value Gain (Loss)	47,744	198,006	74,640
Net Foreign Exchange Gain (Loss)	(34,198)	(505,114)	(1,039,375)
Provision for Expected Credit Losses	(54,718)	27,853	(101,593)
<b>Profit for the Period</b>	<b>797,840</b>	<b>527,923</b>	<b>1,954,377</b>
Taxation Credit			18,416
<b>Profit Attributable to Shareholders</b>	<b>797,840</b>	<b>527,923</b>	<b>1,972,793</b>
<b>Earnings Per Share</b>	<b>0.23¢</b>	<b>0.15¢</b>	<b>0.56¢</b>
<b>Net Investment Income Per Share</b>	<b>0.24¢</b>	<b>0.23¢</b>	<b>0.87¢</b>

SCI’s core earnings, or net investment income, grew by 3.9% or US\$31.8 thousand, to US\$839.0 thousand for Q1 Sep 2020, versus US\$807.2 thousand for Q1 Sep 2019.

Net profit attributable to shareholders grew by 51.1% or US\$269.9 thousand to US\$797.8 thousand for Q1 Sep 2020, versus US\$527.9 thousand for Q1 Sep 2019. This was the highest net profit for a first quarter.

Earnings per share (EPS) grew to 0.23 US cents for Q1 Sep 2020 vs 0.15 US cents for Q1 Sep 2019. Net investment income per share (NIIPS) grew to 0.24 US cents for Q1 Sep 2020 vs 0.23 US cents for Q1 Sep 2019.

## **Sygnus Credit Investments Limited**

### **Unaudited Results for the 3 Months Ended September 30, 2020**

#### Total Operating Expenses

Total operating expenses increased by 64.6% or US\$184.6 thousand to US\$470.1 thousand for Q1 Sep 2020. This compares with US\$285.5 thousand for Q1 Sep 2019. This increase was primarily driven by larger management fees due to a 71.9% increase in assets under management, and corporate services fees which began accruing on January 1, 2020. Management fees (64.5%) and corporate services fees (12.5%) were a combined 77.0% of total operating expenses. Management fees were US\$303.0 thousand for Q1 Sep 2020, up 51.0% or US\$102.3 thousand higher than the US\$200.7 thousand for Q1 Sep 2019. Corporate services fees were US\$58.6 thousand vs nil the prior year.

Excluding management fees and corporate services fees, operating expenses were US\$23.7 thousand higher than Q1 Sep 2019, reflecting higher software subscription, registration, auditing and advertising expenses.

#### Fair Value Gain / Loss

Fair value gains on profit sharing private credit investments, were US\$47.7 thousand for Q1 Sep 2020 vs US\$198.0 thousand for Q1 Sep 2019. The lower gains reflected wider credit spreads due to the global COVID-19 pandemic.

#### Net Foreign Exchange Gain / Loss

Net foreign exchange loss (unrealized) of US\$34.2 thousand for Q1 Sep 2020, was less than the loss (unrealized) of US\$505.1 thousand for Q1 Sep 2019. The lower loss reflected SCI's substantially lower net exposure to Jamaican dollar assets after converting J\$1.2 billion to USD during the third quarter of the last financial year. Thus, SCI's net exposure was US\$2.65 million in Q1 Sep 2020, substantially lower than the US\$13.78 million in Q1 Sep 2019.

#### Provision for Expected Credit Losses (ECL) / Impairment Allowance on Financial Assets

For a 13th consecutive quarter, SCI had zero realized losses on its private credit investment portfolio. SCI's ECL for Q1 Sep 2020 was US\$54.7 thousand versus a gain of US\$27.9 thousand for Q1 Sep 2019. The Q1 Sep 2019 figure represented reversal of previous ECL on a number of portfolio companies that were successfully exited during that quarter. ECL is a non-cash, unrealized charge, and reverses once an investment is exited without any realized losses.

For Q1 Sep 2020, the higher ECL charge reflected a more than doubling of SCI's private credit portfolio relative to Q1 Sep 2019, as well as the underlying global COVID-19 pandemic conditions. SCI's non-performing investment rate (NPI) was 2.3% of SCI's total Portfolio Company investments. This represented 1 Portfolio Company investment, whose terms are being restructured. The investment is fully collateralized and was placed on non-performing status in March 2020. SCI does not anticipate any realized losses from this investment over the medium term.

#### Total Revenues and Total Expenses

SCI's total revenues were comprised of core revenues, or total investment income (net interest income plus participation fees), plus the non-core revenue items comprising fair value gains. Total revenues were US\$1.36 million for Q1 Sep 2020, versus US\$1.29 million for Q1 Sep 2019.

Similarly, SCI's total expenses were comprised of core operating expenses, plus the non-core items of net foreign exchange loss, fair value loss, provision for expected credit losses and loss on sale of investments. Total expenses were US\$559.0 thousand for Q1 Sep 2020, versus US\$762.8 thousand for Q1 Sep 2019. Non-core revenues and non-core expenses may fluctuate significantly from time to time due to market conditions.

#### Efficiency and Management Expense Ratios

SCI's core activities generated an efficiency ratio of 35.9% for Q1 Sep 2020, vs 26.1% for Q1 Sep 2019, well within the threshold target level of 40%. The efficiency ratio is measured by total operating expenses to total investment income. SCI's management expense ratio (MER) was 2.4% for Q1 Sep 2020 vs 2.7% for Q1 Sep 2019, also well within the threshold target level of 2.85%. MER is defined as total operating expenses as a percentage of total assets under management.

#### **Dividends Declared**

An interim dividend of US\$0.00249 per share was declared to all shareholders on record as of September 28, 2020, with an ex-dividend date of September 25, 2020. The dividend was paid on October 16, 2020, post the end of the quarter. The Q1 Sep 2020 dividend, was the same as the dividend declared in Q1 Sep 2019.

## Sygnus Credit Investments Limited

### Unaudited Results for the 3 Months Ended September 30, 2020

#### Private Credit Investment (PCI) Activity

At the end of Q1 Sep 2020, SCI's investment in Portfolio Companies grew by 116.9% to a record US\$62.3 million versus US\$28.7 million in Q1 Sep 2019. The number of Portfolio Company investments increased to a record 29 from 18 in the previous year. Portfolio Company investments include finance lease receivable on the balance sheet and is included in all investment activity.

	Q1 Sep 2020	Q1 Sep 2019	FYE Jun 2020
Summary of Investment Activity	US\$	US\$	US\$
Fair Value of Investment in Portfolio Companies	62,274,582	28,710,737	53,595,750
New Investment Commitments During Period*	8,689,944	9,993,462	54,725,233
Dry Powder to be Deployed**	3,900,744	10,226,926	5,505,973
Number of Portfolio Company Investments (#)	29	18	25
Average Investment per Portfolio Company	2,147,399	1,595,041	2,143,830
Weighted Average Term of Portfolio Company Investments (years)	1.8	2.2	2.1
Weighted Average Fair Value Yield on Portfolio Companies (%)	12.0%	12.0%	12.3%
Non Performing Portfolio Company Investments***	1	Nil	1
Non-performing Investments Ratio	2.3%	Nil	2.7%
* Q1 Sep 2020 does not include US\$4M remaining portion of new commitments undrawn			
* Does not include undrawn credit facilities ~US\$5.0 million			
***In the process of restructuring the terms of 1 Portfolio Company			

#### Portfolio Company Investment Commitments

SCI financed new investment commitments valued at US\$8.69 million during Q1 Sep 2020, versus US\$9.99 million in Q1 Sep 2019. The Q1 Sep 2020 figure does not include an additional US\$4.0 million that was originated but remained undrawn as at the end of the period. These undrawn amounts reflected the remaining portion of new commitments, that were only partially drawn down by Portfolio Companies.

#### Weighted Average Investment Tenor and Investment Yield

At the end of Q1 Sep 2020, the weighted average tenor of Portfolio Company investments declined to 1.8 years versus 2.2 years at the end of Q1 Sep 2019. The weighted average fair value yield on Portfolio Companies was 12.0%, the same as last year.

#### Allocation by Industry and Region

SCI's Portfolio Companies were diversified across 10 major industries and 7 regions across the Caribbean at the end of Q1 Sep 2020. Excluding dry powder, the top industry allocations were Infrastructure (17%), Manufacturing (17%) and Hospitality (16%). No industry had an allocation above 20%.

Portfolio Companies from Jamaica accounted for the highest allocation of SCI's portfolio at 50%, followed the Dutch Caribbean islands of Saba, St Martin and St Eustatius (SSS Islands) at 17% and St Lucia at 12%.

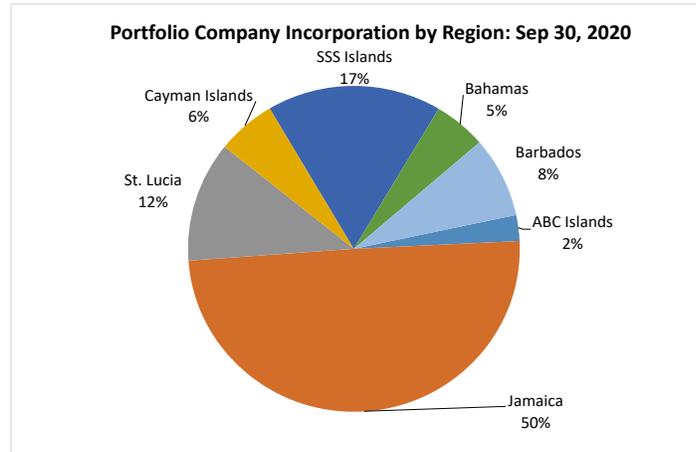
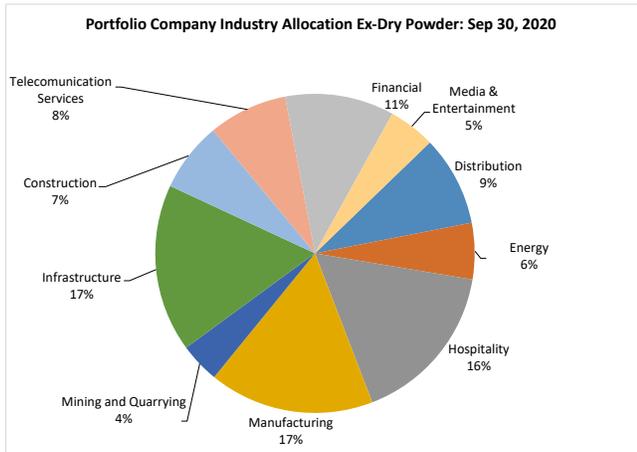
#### Liquidity and Capital Resources

At the end of Q1 Sep 2020, SCI had US\$3.90 million in Dry Powder on its balance sheet, in addition to US\$5.0 million in undrawn credit facilities, for a total of US\$8.9 million. Thus SCI had adequate available capital to finance the US\$4 million in investment commitments as at the end of the quarter, and new investment opportunities that were going through credit approval. However, to finance SCI's robust investment pipeline across the Caribbean region, the Company will seek to raise additional capital.

To facilitate the growth of SCI's private credit investment origination, the Board authorized a capital raise of US\$50 million or equivalent local currency, in equity and debt, at a Board meeting held on November 11, 2020. The equity capital will be raised via an additional public offering (APO), which was approved by shareholders at an extraordinary general meeting held in September 2020. SCI is far advanced with the prospectus for the APO, a draft of which was filed with regulators. SCI will seek

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**Unaudited Results for the 3 Months Ended September 30, 2020**

to raise additional capital via the debt markets to complete the US\$50 million capital raise after exhausting the equity capital from the APO.



**Balance Sheet Summary**

At the end of Q1 Sep 2020, SCI had a record US\$68.53 million in total assets, up 71.9% versus US\$39.86 million at the end of Q1 Sep 2019. The growth in SCI’s total assets was driven by US\$26.84 million in debt versus nil last year. Including the US\$26.84 million in debt, total liabilities were US\$30.93 million versus US\$2.62 million last year. Total shareholders’ equity was US\$37.60 million at the end of Q1 Sep 2020, versus US\$37.24 million last year.

**Covid-19 Impact, Risk Management and Opportunities**

The Caribbean region continues to feel the effects of the global COVID-19 pandemic, with varying degrees of impact on the economies in which SCI’s Portfolio Companies operate. However, there was some tentative good news on the horizon, with biopharmaceutical company Pfizer announcing early data for a vaccine candidate with 90% effectiveness on November 9, 2020, followed a day later by Eli Lilly with an antibody treatment. In addition to COVID-19, some countries have recently experienced dislocation from inclement weather conditions with damage to infrastructure, particularly in Jamaica.

While the assessment of the overall impact of COVID-19 is ongoing, SCI continues to rely on the deep knowledge, experienced team and proven investment philosophy that has been developed by its Investment Advisor and Investment Manager.

SCI continues to focus on three key priorities during this COVID-19 period.

- proactively managing the risk of its private credit portfolio, that is, minimizing “realized” credit losses, versus “expected credit losses”, as the latter will fluctuate based on market conditions, but the former is permanent loss of shareholder value;
- maintaining ample liquidity and a flexible capital structure to support existing Portfolio Companies while playing offense on selective new investments with strong downside protection and;
- deepening current partnerships and building new relationships to grow the business beyond the duration of COVID-19.

Proactive Risk Management

From SCI’s perspective, a key part of proactive risk management is to deploy capital into resilient businesses, that is, business that have a higher probability of navigating through difficult market conditions. In addition to investing in resilient businesses, SCI also seeks to create additional downside protection buffers for its portfolio. The majority of SCI’s private credit investments are sponsored portfolio company investments (SPCI’s). SPCI’s represent businesses

## **Sygnus Credit Investments Limited**

### **Unaudited Results for the 3 Months Ended September 30, 2020**

which are part of a larger group of companies or an affiliated company, or, has private equity backing, or, has a major controlling common shareholder(s) with significant financial resources.

SPCI's enhances value creation for SCI, particularly during disruptive markets, by providing an additional layer of downside protection in the following ways: typically robust executive management teams capable of managing the business through a crisis; typically have the ability to inject additional equity capital into the business if needed; typically market leading businesses with significant market share. Thus SCI's private credit portfolio remains well positioned to see out the crisis.

As part of a three-phase risk management process, SCI continues to maintain frequent and proactive engagement with the executive management teams of its Portfolio Companies to monitor and assess COVID-19 risks.

#### Capital Structure and Investment Origination

History has shown that the greatest need for agile and flexible capital, such as private credit, is during periods of great stress. History is repeating itself with the global COVID-19 pandemic. SCI is seeing an unprecedented number of high-quality investment opportunities across the Caribbean region, desirous of accessing agile and flexible debt capital to finance growth and recovery.

SCI continues to be systematic in its approach to originating private credit investments across the Caribbean region. The focus remains on building a pipeline of niche opportunities to enhance shareholder value, and being a differentiated solutions provider, through our core competencies of:

- deep cross-sector expertise to diligence and manage risk exposures
- the ability to underwrite complexity
- the scale and certainty of capital to underwrite larger commitments
- the speed of execution we bring to our Portfolio Companies

To fund its investment origination, SCI will seek to raise and deploy an additional US\$50 million or equivalent into middle market businesses across the region. By raising and deploying equity capital first, SCI will be able to raise debt capital at a much greater scale later, given the very low existing leverage of 0.7X debt/equity, and an asset coverage ratio in excess of 150%, which is typically the global threshold.

#### Partnership Approach

SCI continues to see an unprecedented opportunity to deepen existing relationships and forge new partnerships with industry leading businesses by being a differentiated solutions provider. This includes collaborating with a wide cross section of traditional financial firms, to support companies to survive the current pandemic environment and lead the recovery and growth of middle-market businesses across the region.

**SYGNUS CREDIT INVESTMENTS LIMITED**

Consolidated Statement of Financial Position

September 30, 2020

(Expressed in United States Dollars)

	Unaudited 30-Sep-20 \$	Unaudited 30-Sep-19 \$	Audited 30-Jun-20 \$
<b>ASSETS</b>			
Cash and cash equivalents	3,900,744	5,915,933	3,005,997
Securities purchased under resale agreements	-	4,310,993	2,499,976
Interest receivable	2,296,917	773,386	1,886,168
Other receivables	41,072	14,476	33,306
Due from related parties	-	138,953	-
Lease receivables	1,933,622	1,499,042	2,049,728
Investments	60,340,960	27,211,695	51,546,022
Deferred tax assets	18,416	-	18,416
	<u><b>68,531,731</b></u>	<u><b>39,864,478</b></u>	<u><b>61,039,613</b></u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,254,452	499,933	1,378,640
Due to related parties	398,919	1,141,431	211,060
Dividends payable	1,065,274	979,597	218,805
Interest payable	377,262	-	175,711
Notes payable	14,787,400	-	14,869,476
Loans and borrowings	12,049,943	-	6,513,562
	<u><b>30,933,250</b></u>	<u><b>2,620,961</b></u>	<u><b>23,367,254</b></u>
<b>EQUITY</b>			
Share capital	35,107,673	35,107,673	35,107,673
Retained earnings	2,490,808	2,135,844	2,564,686
	<u><b>37,598,481</b></u>	<u><b>37,243,517</b></u>	<u><b>37,672,359</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><b>68,531,731</b></u>	<u><b>39,864,478</b></u>	<u><b>61,039,613</b></u>

  
 \_\_\_\_\_ Director

**Dr. Ike Johnson**  
  
 \_\_\_\_\_ Director

**Linval Freeman**

**SYGNUS CREDIT INVESTMENTS LIMITED**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Three Months ended September 30, 2020

*(Expressed in United States Dollars)*

	Unaudited Three months ended 30-Sep-20 \$	Unaudited Three months ended 30-Sep-19 \$	Audited Year Ended 30-Jun-20 \$
<b>Income</b>			
Interest income calculated using the effective interest method	1,698,688	1,126,662	5,382,777
Interest expense	(412,546)	(40,937)	(890,759)
Fair value gains from financial instruments at FVTPL	1,286,142	1,085,725	4,492,018
Other income	47,744	198,006	74,640
	22,997	7,000	7,000
	<b>1,356,883</b>	<b>1,290,731</b>	<b>4,573,658</b>
<b>Expenses</b>			
Management fees	303,004	200,697	1,005,985
Net foreign exchange loss	34,198	505,114	1,039,375
Loss on sale of investments	-	-	8,370
Impairment allowance on financial assets	54,718	(27,853)	101,593
Other expenses	167,123	84,850	463,958
	<b>559,043</b>	<b>762,808</b>	<b>2,619,281</b>
<b>Profit before taxation</b>	<b>797,840</b>	<b>527,923</b>	<b>1,954,377</b>
Tax credit	-	-	18,416
<b>Profit for the period, being total comprehensive income</b>	<b>797,840</b>	<b>527,923</b>	<b>1,972,793</b>
<b>Earnings per stock unit (cents)</b>	<b>0.23</b>	<b>0.15</b>	<b>0.56</b>

**SYGNUS CREDIT INVESTMENTS LIMITED**

## Consolidated Statement of Changes in Equity

Three Months ended September 30, 2020

*(Expressed in United States Dollars)*

	Share capital \$	Retained earnings \$	Total \$
<b>Balance as at 30 June 2019</b>	35,107,673	2,478,864	37,586,537
Profit, being total comprehensive income for the period	-	527,923	527,923
<b>Transaction with owners</b>			
Dividends declared	-	(870,943)	(870,943)
<b>Balance as at 30 September 2019</b>	<u>35,107,673</u>	<u>2,135,844</u>	<u>37,243,517</u>
<b>Balance as at 30 June 2020</b>	35,107,673	2,564,686	37,672,359
Profit, being total comprehensive income for the period	-	797,840	797,840
<b>Transaction with owners</b>			
Dividends declared	-	(871,718)	(871,718)
<b>Balance as at 30 September 2020</b>	<u>35,107,673</u>	<u>2,490,808</u>	<u>37,598,481</u>

**SYGNUS CREDIT INVESTMENTS LIMITED**

## Consolidated Statement of Cash Flows

Three Months ended September 30, 2020

*(Expressed in United States Dollars)*

	Unaudited Three months ended 30-Sep-20 \$	Unaudited Three months ended 30-Sep-19 \$	Audited Year ended 30-Jun-20 \$
<b>Cash flows from operating activities</b>			
Profit for the period	797,840	527,923	1,972,793
Adjustments for:			
Interest income	(1,698,688)	(1,126,662)	(5,382,777)
Interest expense	412,546	40,937	890,759
Impairment allowance on financial assets	54,718	(27,853)	101,593
Taxation	-	-	(18,416)
Amortisation of transaction costs on notes issued	42,162	-	80,876
Fair value gains	(47,744)	(198,006)	(74,640)
	<u>(439,166)</u>	<u>(783,661)</u>	<u>(2,429,812)</u>
Changes in operating assets:			
Other receivables	(7,766)	8,046	(10,784)
Due from related parties	-	(22,144)	116,809
Changes in operating liabilities:			
Accounts payable and other accrued liabilities	751,574	122,549	1,001,256
Due to related parties	187,859	1,080,610	150,240
	<u>492,501</u>	<u>405,400</u>	<u>(1,172,291)</u>
Interest paid	(210,995)	(40,937)	(715,048)
	<u>281,506</u>	<u>364,463</u>	<u>(1,887,339)</u>
Net cash provided by/ (used in) operating activities	<u>281,506</u>	<u>364,463</u>	<u>(1,887,339)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(16,206,042)	(13,422,657)	(79,206,083)
Encashment of investments	7,404,342	18,825,423	60,021,709
Lease receivables, net	115,870	78,929	(471,757)
Purchase of securities purchased under resale agreements	-	(4,532,302)	(12,502,302)
Encashment of securities purchased under resale agreements	2,500,000	1,265,543	11,046,560
Interest income received	1,287,939	1,250,672	4,394,005
	<u>(4,897,891)</u>	<u>3,465,608</u>	<u>(16,717,868)</u>
Net cash (used in) / provided by investing activities	<u>(4,897,891)</u>	<u>3,465,608</u>	<u>(16,717,868)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	(25,249)	(12,524)	(1,789,344)
Loans and borrowings, net	5,536,381	-	6,513,562
Proceeds from the issue of notes	-	-	15,191,000
Transaction costs associated with notes issued	-	-	(402,400)
	<u>5,511,132</u>	<u>(12,524)</u>	<u>19,512,818</u>
Net cash provided by / (used in) financing activities	<u>5,511,132</u>	<u>(12,524)</u>	<u>19,512,818</u>
<b>Net increase in cash and cash equivalents</b>	894,747	3,817,547	907,611
<b>Cash and cash equivalents at beginning of period</b>	<u>3,005,997</u>	<u>2,098,386</u>	<u>2,098,386</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>3,900,744</u></u>	<u><u>5,915,933</u></u>	<u><u>3,005,997</u></u>

## SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements

Three months ended September 30, 2020

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### 1. Identification

Sygnus Credit Investments Limited (the “Company”) was incorporated in Saint Lucia on January 13, 2017 under the International Business Companies Act as an International Business Company (“IBC”). The Company is domiciled in Saint Lucia with its registered office at McNamara Corporate Services Inc., Bella Rosa Road, Gros Islet, Saint Lucia.

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

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

The Company has a wholly owned subsidiary Sygnus Credit Investments Jamaica Limited, which was incorporated in Jamaica on May 7, 2019. The Company and its subsidiary are collectively referred to as “the Group” in these financial statements.

### 2. Statement of compliance and basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standards 34, ‘Interim Financial Reporting’, and are to be read in conjunction with the audited financial statements for the year ended June 30, 2020. The notes to the interim financial statements provide an explanation of events and transactions that are significant to understanding the changes in the financial position and performance of the Group since its financial year ended June 30, 2020.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended June 30, 2020 which were prepared in accordance with International Financial Reporting Standards (IFRS).

#### New standards effective in the current year

There are several new standards and amendments to published standards that came into effect during the current financial year. No significant impact to the financial statements has been determined from the adoption of these standards.

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

**(b) Basis of preparation**

The interim financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value. The interim financial statements are presented in United States dollars, which is also the functional currency of the Group.

**3. Dividends**

On September 4, 2020 the Board of Directors approved the payment of an interim dividend of US\$0.00249 per share amounting to \$871,718, which was paid on October 16, 2020 to shareholders on record as at September 28, 2020. For the comparative quarter ended September 30, 2019 the dividend per share recorded was \$870,943 (US\$0.00249 per share).

**4. Earnings per share**

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

	30-Sep-20	30-Sep-19
Profit attributable to stockholders (\$)	<u>797,840</u>	<u>527,923</u>
Weighted average number of ordinary stock units in issue	<u>350,087,563</u>	<u>350,087,563</u>
Basic earnings per stock unit	<u>0.23¢</u>	<u>0.15¢</u>

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

**5. Net foreign exchange gains and losses**

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. For the quarter ended September 30, 2020 there was an overall net foreign exchange loss due to the depreciation of the Jamaican dollar over this period. The average foreign exchange rate moved from J\$139.0611 to US\$1 at the financial year ended June 30, 2020 to J\$141.5717 to US\$1 at the end of September 2020.

## 6. Loans and borrowings

This represents net borrowings which include bank credit lines at rates ranging between 5.85% to 8.00% per annum.

## 7. Notes payable

This represents unsecured J\$ and US\$ fixed rate debt issued in tranches and bearing interest rates of 6.00% to 6.50% per annum, payable on a quarterly basis. The notes mature in December 2021 and December 2022.

## 8. Significant accounting policies

### (a) Securities purchased under resale agreements

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

### (b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

#### (i) Classification and measurement

The classification of financial assets is determined based on the business model under which the financial asset is held, as well as the contractual cash flow characteristics of the financial asset. In applying IFRS 9, the Group classified its financial assets as fair value through profit or loss (FVTPL) or amortised cost.

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

- 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).

## 8. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (ii) Impairment

The Group recognizes allowances for expected losses (ECLs) on the financial instruments measured at amortised cost. Under IFRS 9, there is a 'three-stage' model for impairment based on changes in credit quality since initial recognition:

Stage 1 - financial instruments that are not credit impaired are included in Stage 1. The ECL is measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months.

Stage 2 - when there is a significant increase in credit risk since initial recognition, but the financial instrument is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 - a financial asset is credit impaired and included in Stage 3 when one or more events that have a detrimental impact on the estimated future cash flows of the financial instrument has occurred. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

## 9. Related party transactions

The Group is currently in discussions with a related company to provide corporate and accounting services. The Board is in support of the Group entering into the arrangement, however, a definitive agreement will be put in place upon the finalization of the discussions. Pending the finalizing of the definitive agreement, an accrued expense of \$58,555 was recorded for the quarter, in respect of services that have been provided under the proposed arrangement.

Investment management services are also being provided to the Group by a related company under a separate Investment Management Agreement for which the management fee was incurred.

## 10. Impact Assessment of Coronavirus (COVID-19)

Management continues to evaluate the impact of COVID-19 on financial performance, primarily in the assessment of security values and the probability of default in performing expected credit loss calculations. The Group maintains a well-diversified portfolio of investments that is expected to cushion the impact of the crisis, however, Management continues to monitor the turn of events closely, and is actively working on implementing the necessary strategic actions to mitigate the effect on business activities.

**Sygnus Credit Investments Limited**  
**Unaudited Results for the 3 Months Ended September 30, 2020**

<b>Top Ten Shareholders</b>			
<b>No</b>	<b>Shareholders</b>	<b>Shareholdings</b>	<b>% Holdings</b>
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LTD	27,271,991	7.8%
2	MF&G TRUST & FINANCE LTD	20,144,000	5.8%
3	NATIONAL INSURANCE FUND	20,000,000	5.7%
4	JMMB FUND MANAGERS LTD - T1 EQUITIES FUND	19,460,000	5.6%
5	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY	11,898,735	3.4%
6	JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL EQUITY	11,809,955	3.4%
7	HEART TRUST / NTA PENSION SCHEME	8,189,300	2.3%
8	GASSAN AZAN	7,285,700	2.1%
9	JAMAICA MONEY MARKET BROKERS LTD FM10	6,933,400	2.0%
10	WILDELLE LIMITED	5,500,000	1.6%
	<b>Subtotal</b>	<b>138,493,081</b>	<b>39.6%</b>
	<b>Total</b>	<b>350,087,563</b>	<b>100.0%</b>

<b>Shareholdings of Directors, Senior Managers &amp; Connected Parties</b>				
<b>No</b>	<b>Director</b>	<b>Shareholdings</b>	<b>Connected Parties</b>	<b>% Holdings</b>
1	Clement "Wain" Iton	95,200	N/A	0.03%
2	Linval Freeman	10,000	Donna Freeman Kristifer Freeman Kimberly Freeman	0.003%
3	Ian Williams	960,435	Ladesa Williams	0.27%
4	Hope Fisher	Nil	N/A	Nil
5	Damian Chin	Nil	N/A	Nil
6	Peter Thompson	Nil	N/A	Nil
7	Dr. Ike J. Johnson	95,300	N/A	0.03%
8	Dr. Ike J. Johnson	5,400,000	Sygnus Capital Management	1.54%

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