



SYGNUS

CREDIT INVESTMENTS

Quarterly
REPORT

AS AT **DECEMBER 31, 2020**

Sygnus Credit Investments Limited

Unaudited Results for the 6 Months Ended December 31, 2020

Castries, St Lucia | Friday, February 12, 2021

Sygnus Credit Investments Ltd (“SCI” or “the Company”) is pleased to report on the unaudited financial results for the six months ended December 31, 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.

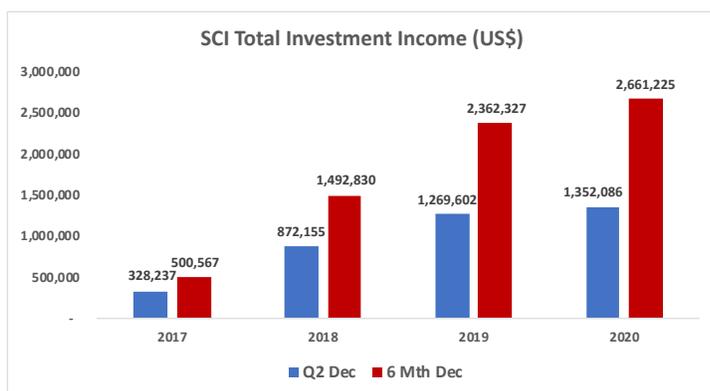
MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Sygnus Credit Investments Limited reported record six-month core revenues but lower core earnings and net profits for the period ended December 31, 2020. These results were underpinned by an expanded regional footprint across a record 8 Caribbean territories with a record US\$67.04 million in private credit investments. SCI successfully closed its additional public offering (APO) on December 30, 2020, which raised an estimated US\$27.1 million (as of the date of the share register on January 26, 2021). The new capital raise was consistent with SCI’s strategy to grow its regional private credit portfolio to at least US\$100 million within the next two to three years, while generating at least US\$8 million in core revenues. SCI’s Board of Directors will meet to consider an interim dividend payment on February 23, 2021.

The impact of the global Covid-19 pandemic on the Caribbean region and on middle-market businesses is ongoing, while the trajectory of the regional economic recovery remains uneven and unclear. However, SCI’s private credit portfolio remains resilient and is well positioned to navigate the effects of the pandemic.

SCI’s core revenues, or total investment income, grew by 11.4% or US\$269.0 thousand to a record US\$2.66 million, for the



six months ended December 31, 2020 (“6 Month 2020”). This compares with US\$2.36 million for the six months ended December 31, 2019 (“6 Month 2019”). For the second quarter ended December 31, 2020 (“Q2 2020”), total investment income grew by 5.4% or US\$68.6 thousand to a record US\$1.35 million. This compares with US\$1.27 million reported for the second quarter ended December 31, 2019 (“Q2 2019”). Core revenues were negatively impacted by a significant year-over-year growth in interest expense related to the timing of the use of debt to finance new investments. Subsequent to Q2 2020, SCI has repaid US\$11.6 million in debt from its

APO proceeds as at January 31, 2021.

	Q2 Dec 2020	Q2 Dec 2019	6 Mth Dec 2020	6 Mth Dec 2019	FYE Jun 2020
	US\$	US\$	US\$	US\$	US\$
Summary Results of Operations					
Interest Income	1,903,983	1,345,401	3,602,671	2,472,063	5,382,777
Interest Expense	(565,758)	(75,799)	(978,304)	(116,736)	(890,759)
Net Interest Income	1,338,225	1,269,602	2,624,367	2,355,327	4,492,018
Participation Fees	13,861	-	36,858	7,000	7,000
Total Investment Income	1,352,086	1,269,602	2,661,225	2,362,327	4,499,018
Total Operating Expenses	539,507	323,676	1,009,634	609,223	1,469,943
Net Investment Income	812,579	945,926	1,651,591	1,753,104	3,029,075
Gain (Loss) on Sale of Investments	24,175	-	24,175	7,000	(8,370)
Fair Value Gain (Loss)	(216,517)	107,185	(168,773)	305,191	74,640
Net Foreign Exchange Gain (Loss)	(15,753)	201,249	(49,951)	(303,865)	(1,039,375)
Impairment Allowance on Financial Assets	(141,728)	(150,309)	(196,446)	(122,456)	(101,593)
Profit for the Period	462,756	1,104,051	1,260,596	1,638,974	1,954,377
Taxation Credit	-	-	-	-	18,416
Profit Attributable to Shareholders	462,756	1,104,051	1,260,596	1,638,974	1,972,793
Earnings Per Share	0.13c	0.32c	0.36c	0.47c	0.56c
Net Investment Income Per Share	0.23c	0.27c	0.47c	0.50c	0.87c

Mainly as a result of the timing of the use of debt, SCI’s core earnings, or net investment income, was lower by 5.8% or US\$101.5 thousand to US\$1.65 million for 6 Month 2020, vs US\$1.75 million for 6 Month 2019. For Q2 2020, net investment income was lower by 14.1% or US\$133.3 thousand to US\$812.6 thousand, vs US\$945.9 thousand for Q2 2019.

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Unaudited Results for the 6 Months Ended December 31, 2020

Net profit attributable to shareholders was lower by 23.1% or US\$378.4 thousand to US\$1.26 million for 6 Month 2020, vs US\$1.64 million for 6 Month 2019. For Q2 2020, net profit was lower by 58.1% or US\$641.3 thousand to US\$462.8 thousand vs US\$1.10 million in Q2 Dec 2019. A combination of substantially larger interest expenses related to the timing of the use of debt, and unrealized fair value losses related to higher interest rates on fair value instruments, were the main drivers of the lower net profits for 6 Month 2020 and Q2 2020 vs the prior periods.

Earnings per share (EPS) was 0.36 US cents for 6 Month 2020 vs 0.47 US cents for 6 Month 2019, and 0.13 US cents for Q2 2020 vs 0.32 US cents for Q2 2019. Net investment income per share (NIIPS) was 0.47 US cents for 6 Month 2020 vs 0.50 US cents for 6 Month 2019, and 0.23 US cents for Q2 2020 vs 0.27 US cents for Q2 2019.

Total Operating Expenses

Total operating expenses increased to US\$1.0 million for 6 Month 2020 vs US\$609.2 thousand for 6 Month 2019, and US\$539.5 thousand for Q2 2020 vs US\$323.7 thousand for Q2 2019. The 6 Month 2020 and Q2 2020 reported numbers were 65.7% and 66.7% higher than 6 Month 2019 and Q2 2019 respectively, driven primarily by higher management fees related to larger assets under management and corporate services fees which began accruing on January 1, 2020. Management fees and corporate services fees were a combined 76.2% and 75.7% of operating expenses for 6 Month 2020 and Q2 2020 respectively.

Excluding management fees and corporate services fees, operating expenses were US\$239.8 thousand for 6 Month 2020 (up US\$64.9 thousand) and US\$131.2 thousand for Q2 2020 (up US\$41.2 thousand). These increases were primarily driven by higher professional, auditing and director's fees.

Fair Value Losses / Gains

Fair value losses on profit sharing private credit investments were S\$168.8 thousand for 6 Month 2020 (US\$216.5 thousand for Q2 2020) vs a gain of US\$305.2 thousand for 6 Month 2019 (US\$107.2 thousand for Q2 2019). The unrealized losses in the current period vs the unrealized gains reported in the prior periods reflected an increase in market interest rates used to value these instruments during the month of December 2020. Movements in interest rates may cause fluctuations in fair value losses or gains from period to period.

Net Foreign Exchange Gain / Loss

Net foreign exchange loss of US\$50.0 thousand for 6 Month 2020 was lower than the loss of US\$303.9 thousand reported for 6 Month 2019. For Q2 2020, SCI reported a loss of US\$15.8 thousand vs gains of US\$201.2 thousand for Q2 2019. The movement in foreign exchange gains and losses reflected SCI's net exposure to Jamaican dollar assets, which fluctuate based on movements in the JMD/USD exchange rate. SCI's net exposure to JMD at the end of December 2020 was reduced to US\$1.57 million equivalent, down from US\$15.59 million equivalent at the end of December 2019. Subsequent to December 2020, SCI's net JMD exposure was further reduced to approximately nil as at January 31, 2021. SCI does not have a foreign currency trading business.

Impairment Allowance on Financial Assets (IAFA)

SCI had zero realized losses on its private credit investment portfolio for a 14th consecutive quarter. The impairment allowance on financial assets for 6 Month 2020 was US\$196.4 thousand vs US\$122.5 thousand for 6 Month 2019, and US\$141.7 thousand for Q2 2020 vs US\$150.3 thousand for Q2 2019. SCI's impairment allowance is a non-cash unrealized charge, and reverses if an investment is exited without any realized losses. The higher impairment allowance for 6 Month 2020 was driven by a combination of a larger portfolio of private credit investments, as well as the underlying global COVID-19 pandemic conditions.

SCI's non-performing investment rate (NPI) was 2.1% of portfolio company investments, vs nil for Q2 2019. 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.

Total Revenues and Total Expenses

SCI's total revenues are comprised of core revenues, or total investment income (interest income plus participation fees), plus the non-core revenue items of fair value gains, net foreign exchange gains and gain on sale of investments. Total revenues

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Unaudited Results for the 6 Months Ended December 31, 2020

were US\$2.52 million and US\$1.16 million for 6 Month 2020 and Q2 2020 respectively, vs US\$2.67 million and US\$1.38 million for 6 Month 2019 and Q2 2019 respectively.

Similarly, SCI's total expenses were comprised of core operating expenses, plus the non-core items of net foreign exchange loss, fair value loss, impairment allowance on financial assets and loss on sale of investments. Total expenses were US\$1.26 million and US\$697.0 thousand for 6 Month 2020 and Q2 2020 respectively, vs US\$1.04 million and US\$272.7 thousand for 6 Month 2019 and Q2 2019 respectively. Non-core revenues and non-core expenses may fluctuate significantly from time to time based on market conditions.

Efficiency Ratio

SCI's core activities generated an efficiency ratio of 39.9% for Q2 2020 and was within the threshold level of 40%. The efficiency ratio is measured by total operating expenses to total investment income. SCI's management expense ratio (MER) was 2.6% for Q2 2020, within the threshold level of 2.85%. The MER is defined as total operating expenses as a percentage of total assets under management. Both the efficiency ratio and the MER were temporarily affected by timing differences during the reporting period which is expected to reverse and lower these ratios in future periods.

Dividends Paid

An interim dividend of US\$0.00249 was paid on October 16, 2020, the same as paid in the similar quarter in 2019. The Board of Directors will consider the payment of an interim dividend at a meeting to be held on February 23, 2021.

Private Credit Investment (PCI) Activity

At the end of Q2 2020, SCI's investment in Portfolio Companies grew by 23.4% to a record US\$67.04 million vs US\$54.35 million in Q2 2019. The number of Portfolio Company investments increased to a record 33 from 23 in the previous year. Portfolio Company investments include finance lease receivable on the balance sheet and is included in all investment activity.

	Q2 Dec 2020	Q2 Dec 2019	FYE Jun 2020
Summary of Investment Activity	US\$	US\$	US\$
Fair Value of Investment in Portfolio Companies	67,040,103	54,346,778	53,595,750
New Investment Commitments During Period*	10,510,936	29,788,939	54,725,233
Dry Powder to be Deployed	1,629,152	5,476,999	5,505,973
Number of Portfolio Company Investments (#)	33	23	25
Average Investment per Portfolio Company	2,031,518	2,362,903	2,143,830
Weighted Average Term of Portfolio Company Investments (years)	1.8	2.9	2.1
Weighted Average Fair Value Yield on Portfolio Companies (%)	11.9%	12.5%	12.3%
Non Performing Portfolio Company Investments**	1	Nil	1
Non-performing Investments Ratio	2.1%	Nil	2.7%
* Q2 Dec 2020 does not include US\$6M remaining portion of new unfunded commitments			
**In the process of restructuring the terms of 1 Portfolio Company			

Portfolio Company Investment Commitments

SCI financed new investment commitments valued at US\$10.51 million during Q2 2020, vs a record US\$29.79 million for Q2 2019. The Q2 2020 figure does not include US\$6 million in unfunded commitments originated during the quarter.

Weighted Average Investment Tenor and Investment Yield

At the end of Q2 2020, the weighted average tenor of Portfolio Company investments declined to 1.8 years vs 2.9 years at the end of Q2 2019. The weighted average fair value yield on Portfolio Companies declined to 11.9% vs 12.5% last year.

Allocation by Industry and Region

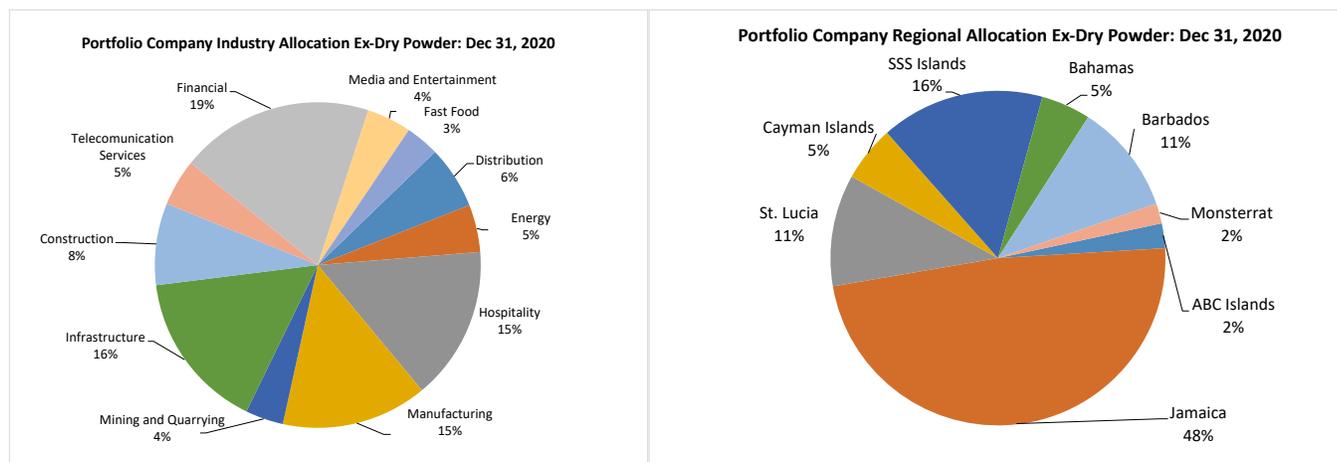
SCI's Portfolio Companies were diversified across a record 11 major industries and a record 8 regions across the Caribbean in Q2 Dec 2020. Excluding Dry Powder, the top three industry allocations were Financial (19%), Infrastructure (16%) and

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Unaudited Results for the 6 Months Ended December 31, 2020

Manufacturing (15%) and Hospitality (15%). SCI made its first investment in the Fast-Food industry during the quarter, further diversifying its portfolio investments.

Companies from Jamaica accounted for the highest allocation of SCI's Portfolio with 48%, followed by the Dutch Caribbean Islands of Saba, St Eustatius and St Martin (SSS islands) with 16% and Barbados and St Lucia with 11% each respectively. SCI made its first investment in Montserrat during Q2 2020, pushing its Caribbean exposure to 8 territories.



Liquidity, Capital Resources and Additional Public Offering

At the end of Q2 Dec 2020, SCI had US\$1.63 million in Dry Powder on its balance sheet. All of SCI's credit facilities were fully drawn. To facilitate SCI's continued deepening of the regional private credit channel within the alternative investment ecosystem, and to finance its robust investment pipeline, the Company sought to issue new shares via an additional public offering (APO), in December 2020. The offer, which opened on December 18, 2020, sought to raise US\$22 million equivalent from JMD and USD share classes, with an option to upsize by up to a further US\$10 million equivalent. The offer successfully closed on December 30, 2020. It was oversubscribed and upsized by an estimated 51% of the up-sizeable amount, raising an estimated US\$27.1 million as of the final date of the share register on January 26, 2021. The additional shares were listed on January 26, 2021. Subsequent to the closing of the offer, as of January 31, 2021, SCI had repaid a total of US\$11.6 million in debt comprising of a short-term bridge facility and partial repayment of a revolving credit facility.

SCI received strong institutional and retail support for the APO: an initial estimate shows that at least 76% or J\$1.9 billion of the J\$2.49 billion in JMD share class applications was from institutional investors (pension funds and other corporates). SCI also received overwhelming support from individual investors with the vast majority of the US\$10.17 million in USD share class applications representing individuals from across the Caribbean region, in addition to those individuals who subscribed for JMD shares.

The APO also allowed SCI to deepen its investor base: an estimated 58% of total applications or 2,189 new shareholder applications were received. Finally, existing shareholders accounted for an estimated 64.3% or US\$17.4 million of the total capital that was raised, which is a significant show of support from the existing shareholder base.

SCI would like to thank all existing and new shareholders who participated in the APO, as the Company seeks to deliver on its target to grow its private credit investment portfolio to at least US\$100 million and generate at least US\$8 million in core revenues within the targeted timeline of the next 2 to 3 years.

Balance Sheet

At the end of Q2 2020, SCI had a record US\$71.69 million in total assets, an increase of US\$10.40 million or 16.97% over the similar period last year. This was mainly comprised of a record US\$67.04 million in 33 Portfolio Companies, US\$1.63 million

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Unaudited Results for the 6 Months Ended December 31, 2020

in Dry Powder and US\$2.96 million in interest income receivable. The growth in SCI's total assets was driven by US\$31.91 million in debt vs US\$20.05 million last year. Total shareholders' equity was US\$38.06 million vs US\$38.35 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. While significant progress has been made in the area of vaccination and anti-body treatments, with millions of persons from developed countries being vaccinated, the virus has mutated which continues to complicate the path to "normalcy" for most parts of the world, and the Caribbean in particular. In fact, a so called "second wave" of Covid-19 infections has overtaken some Caribbean territories which may present additional challenges for many Caribbean territories to navigate.

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.

SYGNUS CREDIT INVESTMENTS LIMITED

Consolidated Statement of Financial Position

December 31, 2020

(Expressed in United States Dollars)

	Unaudited 31-Dec-20 \$	Unaudited 31-Dec-19 \$	Audited 30-Jun-20 \$
ASSETS			
Cash and cash equivalents	1,629,152	5,476,999	3,005,997
Securities purchased under resale agreements	-	-	2,499,976
Interest receivable	2,956,147	1,308,656	1,886,168
Other receivables	41,314	14,477	33,306
Due from related parties	2,250	142,687	-
Lease receivables	1,933,897	1,908,787	2,049,728
Investments	65,106,206	52,437,991	51,546,022
Deferred tax assets	18,416	-	18,416
	<u>71,687,382</u>	<u>61,289,597</u>	<u>61,039,613</u>
LIABILITIES			
Accounts payable and accrued liabilities	714,900	807,196	1,378,640
Due to related parties	553,265	1,514,808	211,060
Dividends payable	281,103	471,309	218,805
Deferred income	-	33,753	-
Interest payable	164,169	66,266	175,711
Notes payable	14,823,318	11,393,504	14,869,476
Loans and borrowings	17,089,390	8,655,193	6,513,562
	<u>33,626,145</u>	<u>22,942,029</u>	<u>23,367,254</u>
EQUITY			
Share capital	35,107,673	35,107,673	35,107,673
Retained earnings	2,953,564	3,239,895	2,564,686
	<u>38,061,237</u>	<u>38,347,568</u>	<u>37,672,359</u>
TOTAL LIABILITIES AND EQUITY	<u>71,687,382</u>	<u>61,289,597</u>	<u>61,039,613</u>


Director

Dr. Ike Johnson


Director

Linval Freeman

SYGNUS CREDIT INVESTMENTS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Six Months ended December 31, 2020
(Expressed in United States Dollars)

	Unaudited Three months ended 31-Dec-20	Unaudited Three months ended 31-Dec-19	Unaudited Six months ended 31-Dec-20	Unaudited Six months ended 31-Dec-19	Audited Year Ended 30-Jun-20
Income					
Interest income calculated using the effective interest method	1,903,983	1,345,401	3,602,671	2,472,063	5,382,777
Interest expense	(565,758)	(75,799)	(978,304)	(116,736)	(890,759)
Fair value (losses)/gains from financial instruments at FVTPL	1,338,225	1,269,602	2,624,367	2,355,327	4,492,018
Other income	(216,517)	107,185	(168,773)	305,191	74,640
	38,036	-	61,033	7,000	7,000
	1,159,744	1,376,787	2,516,627	2,667,518	4,573,658
Expenses					
Management fees	344,798	233,649	647,802	434,346	1,005,985
Net foreign exchange loss/(gain)	15,753	(201,249)	49,951	303,865	1,039,375
Loss on sale of investments	-	-	-	-	8,370
Impairment allowance on financial assets	141,728	150,309	196,446	122,456	101,593
Other expenses	194,709	90,027	361,832	174,877	463,958
	696,988	272,736	1,256,031	1,035,544	2,619,281
Profit before taxation	462,756	1,104,051	1,260,596	1,631,974	1,954,377
Tax credit	-	-	-	-	18,416
Profit for the period, being total comprehensive income	462,756	1,104,051	1,260,596	1,631,974	1,972,793
Earnings per stock unit (cents)	0.13	0.32	0.36	0.47	0.56

SYGNUS CREDIT INVESTMENTS LIMITED

Consolidated Statement of Changes in Equity

Six Months ended December 31, 2020

(Expressed in United States Dollars)

	Share capital \$	Retained earnings \$	Total \$
Balance as at 30 June 2019	35,107,673	2,478,864	37,586,537
Profit, being total comprehensive income for the period	-	1,631,974	1,631,974
Transaction with owners			
Dividends declared	-	(870,943)	(870,943)
Balance as at 31 December 2019	<u>35,107,673</u>	<u>3,239,895</u>	<u>38,347,568</u>
Balance as at 30 June 2020	35,107,673	2,564,686	37,672,359
Profit, being total comprehensive income for the period	-	1,260,596	1,260,596
Transaction with owners			
Dividends declared	-	(871,718)	(871,718)
Balance as at 31 December 2020	<u>35,107,673</u>	<u>2,953,564</u>	<u>38,061,237</u>

SYGNUS CREDIT INVESTMENTS LIMITED

Consolidated Statement of Cash Flows

Six Months ended December 31, 2020

(Expressed in United States Dollars)

	Unaudited Six months ended 31-Dec-20 \$	Unaudited Six months ended 31-Dec-19 \$	Audited Year ended 30-Jun-20 \$
Cash flows from operating activities			
Profit for the period	1,260,596	1,631,974	1,972,793
Adjustments for:			
Interest income	(3,602,671)	(2,472,063)	(5,382,777)
Interest expense	978,304	116,736	890,759
Impairment allowance on financial assets	196,446	122,456	101,593
Taxation	-	-	(18,416)
Amortisation of transaction costs on notes issued	84,319	-	80,876
Fair value losses/(gains)	168,773	(305,191)	(74,640)
	<u>(914,233)</u>	<u>(906,088)</u>	<u>(2,429,812)</u>
Changes in operating assets:			
Other receivables	(8,008)	8,045	(10,784)
Due from related parties	(2,250)	(25,878)	116,809
Changes in operating liabilities:			
Accounts payable and other accrued liabilities	(794,217)	463,565	1,001,256
Due to related parties	342,205	1,453,912	150,240
	<u>(1,376,503)</u>	<u>993,556</u>	<u>(1,172,291)</u>
Interest paid	<u>(989,846)</u>	<u>(50,470)</u>	<u>(715,048)</u>
Net cash (used in) / provided by operating activities	<u>(2,366,349)</u>	<u>943,086</u>	<u>(1,887,339)</u>
Cash flows from investing activities			
Purchase of investments	(32,268,090)	(48,636,609)	(79,206,083)
Investment in subsidiary	-	76	-
Encashment of investments	18,342,624	28,769,947	60,021,709
Lease receivables, net	115,870	(330,816)	(471,757)
Purchase of securities purchased under resale agreements	(2,084,980)	(7,002,302)	(12,502,302)
Encashment of securities purchased under resale agreements	4,584,980	8,046,543	11,046,560
Interest income received	2,532,692	2,060,803	4,394,005
	<u>(8,776,904)</u>	<u>(17,092,358)</u>	<u>(16,717,868)</u>
Net cash used in investing activities	<u>(8,776,904)</u>	<u>(17,092,358)</u>	<u>(16,717,868)</u>
Cash flows from financing activities			
Dividends paid	(809,420)	(520,812)	(1,789,344)
Loans and borrowings, net	10,575,828	8,655,193	6,513,562
Proceeds from the issue of notes	-	11,393,504	15,191,000
Transaction costs associated with notes issued	-	-	(402,400)
	<u>9,766,408</u>	<u>19,527,885</u>	<u>19,512,818</u>
Net cash provided by financing activities	<u>9,766,408</u>	<u>19,527,885</u>	<u>19,512,818</u>
Net increase in cash and cash equivalents	<u>(1,376,845)</u>	<u>3,378,613</u>	<u>907,611</u>
Cash and cash equivalents at beginning of period	<u>3,005,997</u>	<u>2,098,386</u>	<u>2,098,386</u>
Cash and cash equivalents at end of period	<u><u>1,629,152</u></u>	<u><u>5,476,999</u></u>	<u><u>3,005,997</u></u>

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 period last year, dividend 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.

	31-Dec-20	31-Dec-19
Profit attributable to stockholders (\$)	<u>1,260,596</u>	<u>1,631,974</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>0.36¢</u>	<u>0.47¢</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 six months ended December 31, 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\$141.7090 to US\$1 at the end of December 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

Corporate and accounting services are provided to the Group by a related company under a governing Corporate Services Agreement. An amount totaling \$122,037 (2019: Nil) was expensed for the six-month period in respect of services that have been provided under this agreement.

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 of \$647,802 (2019: \$434,346) was incurred over the six-month period.

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.

11. Additional Public Offering of ordinary shares

During the quarter, the Company launched an additional public offering (APO) of ordinary shares. The offer was oversubscribed, and the Company exercised the option to upsize the offering to 240,887,900 new ordinary shares. The APO closed to the public on December 30, 2020 and the allotment of shares to subscribers was completed in January 2021. The Company raised US\$10.2 million from the USD share class and J\$2.5 Billion from the JMD share class.

Sygnus Credit Investments Limited
Unaudited Results for the 6 Months Ended December 31, 2020

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
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%
	Subtotal	138,493,081	39.6%
	Total	350,087,563	100.0%

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
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%
		5,400,000	Sygnus Capital Management	1.54%

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