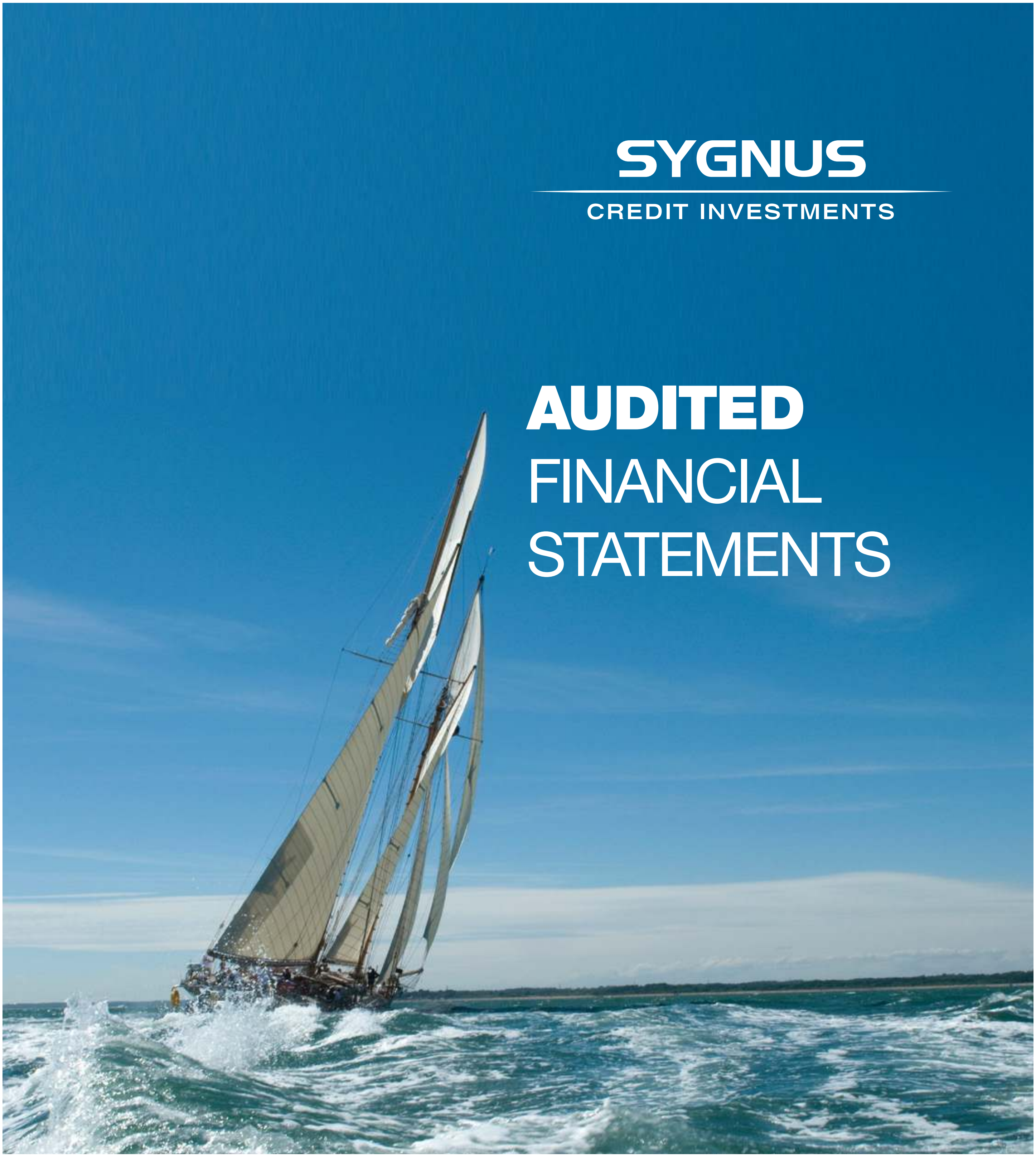

SYGNUS

CREDIT INVESTMENTS

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED **JUNE 30, 2021**

SYGNUS CREDIT INVESTMENTS LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2021

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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 (collectively, "the Group"), set out on pages 9 to 54, which comprise the Group's and Company's statements of financial position as at June 30, 2021, 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, 2021, 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.

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
The valuation of the Group's investments amounting to US$20,443,120 (2020:US$$10,636,030) includes significant assumptions and judgments about the performance of the counterparties over the tenure of the investments. Furthermore, the valuation methodology relies on unobservable inputs, which have a significant impact on the resulting values of the investments. These judgements and assumptions could result in estimated fair values that are materially different from actual transaction values. 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. *[see notes 4(e),10 and 24 of the financial statements]*	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the Group's controls over the determination and computation of fair values. • Challenging the reasonableness of prices/fair values used by the Group by comparing those prices 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 *Fair Value Measurement* and reviewed the sources of data and underlying assumptions utilised to value the investments.

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
	Our procedures in this area included the following (continued): • 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
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.	Our procedures in this area included the following: • 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.

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
The key areas requiring greater management judgement include the determination of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposures at default and the application of forward-looking information. 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. The incorporation of forward-looking information, reflects a range of possible future economic conditions. Significant management judgement is used in determining the economic scenarios. 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: • Qualitative factors that create COVID-19 related changes to SICR. • Increased uncertainty about potential future economic scenarios and their impact on credit losses.	Our procedures in this area included the following (continued): • 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, 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
The use of these judgements and assumptions increases the risk of material misstatement and is therefore an area of increased audit focus. *[see notes 4(d) and 25(b) to the financial statements]*	Our procedures in this area included the following (continued): • 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 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 to 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.

KPMG

Chartered Accountants
Saint Lucia

August 27, 2021

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.

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
As at June 30, 2021
(Expressed in United States dollars)

	Notes	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
ASSETS					
Cash and cash equivalents	5	1,029,391	3,005,997	1,028,938	3,005,340
Securities purchased under resale agreements	6	-	2,499,976	-	2,499,976
Interest receivable		3,232,954	1,886,168	3,232,954	1,886,168
Other receivables	7	197,229	33,306	196,503	31,206
Due from related parties	8(a)	613,395	-	767,870	118,700
Lease receivables	9	2,287,083	2,049,728	2,287,083	2,049,728
Investments	10	80,510,395	51,546,022	80,510,395	51,546,022
Deferred tax assets	11	-	18,416	-	-
Investment in subsidiary	12	-	-	76	76
Total Assets		87,870,447	61,039,613	88,023,819	61,137,216
LIABILITIES					
Accounts payable and accrued liabilities	13	1,174,870	1,378,640	1,172,569	1,370,675
Due to related parties	8(a)	510,647	211,060	510,647	210,468
Dividends payable	14	247,582	218,805	247,582	218,805
Interest payable	15	50,862	175,711	50,907	175,757
Taxation payable		2,348	-	2,348	-
Notes payable	16	14,670,025	14,869,476	6,744,133	7,037,903
Loans and borrowings	17	4,478,037	6,513,562	12,360,478	14,396,003
Total Liabilities		21,134,371	23,367,254	21,088,664	23,409,611
EQUITY					
Share capital	18	60,883,532	35,107,673	60,883,532	35,107,673
Retained earnings		5,852,544	2,564,686	6,051,623	2,619,932
Total Equity		66,736,076	37,672,359	66,935,155	37,727,605
Total Liabilities and Equity		87,870,447	61,039,613	88,023,819	61,137,216

The financial statements on pages 9 to 54 were approved by the Board of Directors on August 27, 2021.

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, 2021
(Expressed in United States dollars)

	Notes	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Income					
Interest income calculated using the effective interest method	19	8,221,661	5,382,777	8,221,661	5,382,777
Interest expense	19	(1,797,459)	(890,759)	(1,704,899)	(844,524)
		6,424,202	4,492,018	6,516,762	4,538,253
Fair value gains from financial instruments at FVTPL	24(b)	1,416,793	74,640	1,416,793	74,640
Gain on sale of investments		24,175	-	24,175	-
Fee income	20	62,786	7,000	62,786	7,000
		7,927,956	4,573,658	8,020,516	4,619,893
Expenses					
Management fees	8(b)	1,456,937	1,005,985	1,456,937	1,005,985
Performance fees	8(b)	349,514	-	349,514	-
Corporate service fees	8(b)	265,663	75,910	265,663	75,910
Net foreign exchange loss		72,988	1,039,375	73,964	1,039,702
Loss on sale of investments		-	8,370	-	8,370
Impairment allowance on financial assets	25(b)(vi)	69,710	101,593	69,710	101,593
Other expenses	21	654,817	388,048	620,984	360,294
		2,869,629	2,619,281	2,836,772	2,591,854
Profit before taxation		5,058,327	1,954,377	5,183,744	2,028,039
Taxation (charge)/credit	22(a)	(30,010)	18,416	(11,594)	-
Profit for the year, being total comprehensive income		5,028,317	1,972,793	5,172,150	2,028,039
Earnings per stock unit	23	1.11¢	0.56¢		

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, 2021
(Expressed in United States dollars)

	Share capital $ [Note 18]	Retained earnings $	Total $
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 14)	-	(1,886,971)	(1,886,971)
Balances at June 30, 2020	35,107,673	2,564,686	37,672,359
Profit for the year, being total comprehensive income for the year	-	5,028,317	5,028,317
Transactions with owners			
Issue of ordinary shares	25,775,859	-	25,775,859
Dividends declared (note 14)	-	(1,740,459)	(1,740,459)
Balances at June 30, 2021	60,883,532	5,852,544	66,736,076

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, 2021
(Expressed in United States dollars)

	Share capital $ [Note 18]	Retained earnings $	Total $
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	-	2,028,039	2,028,039
Transaction with owners			
Dividends declared (note 14)	-	(1,886,971)	(1,886,971)
Balances at June 30, 2020	35,107,673	2,619,932	37,727,605
Profit for the year, being total comprehensive income for the year	-	5,172,150	5,172,150
Transactions with owners			
Issue of ordinary shares	25,775,859	-	25,775,859
Dividends declared (note 14)	-	(1,740,459)	(1,740,459)
Balances at June 30, 2021	60,883,532	6,051,623	66,935,155

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

SYGNUS CREDIT INVESTMENTS LIMITED

Statement of Cash Flows
Year ended June 30, 2021
(Expressed in United States dollars)

	Notes	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Cash flows from operating activities					
Profit for the year		5,028,317	1,972,793	5,172,150	2,028,039
Adjustments for:					
Interest income	19	(8,221,661)	(5,382,777)	(8,221,661)	(5,382,777)
Interest expense	19	1,797,459	890,759	1,704,899	844,524
Impairment allowance on financial assets	25(b)(vi)	69,710	101,593	69,710	101,593
Taxation	22(a)	30,010	(18,416)	11,594	-
Amortisation of transaction costs on issued notes		167,791	80,876	73,472	33,716
Fair value gains	24(b)	(1,416,793)	(74,640)	(1,416,793)	(74,640)
		(2,545,167)	(2,429,812)	(2,606,629)	(2,449,545)
Changes in operating assets and liabilities:					
Other receivables		(163,923)	(10,784)	(165,297)	(8,684)
Due from related parties		(613,395)	116,809	(649,170)	(1,891)
Accounts payable and accrued liabilities		(571,012)	1,001,256	(565,348)	993,291
Due to related parties		299,587	150,240	300,179	149,572
		(3,593,910)	(1,172,291)	(3,686,265)	(1,317,257)
Taxation paid		(9,246)	-	(9,246)	-
Net cash used in operating activities		(3,603,156)	(1,172,291)	(3,695,511)	(1,317,257)
Cash flows from investing activities					
Purchase of investments		(56,602,971)	(79,206,083)	(56,602,971)	(79,206,083)
Encashment of investments		28,985,821	60,021,709	28,985,821	60,021,709
Lease receivables		(237,519)	(471,757)	(237,519)	(471,757)
Purchase of securities under resale agreements		(7,084,980)	(12,502,302)	(7,084,980)	(12,502,302)
Encashment of securities purchased under resale agreements		9,584,980	11,046,560	9,584,980	11,046,560
Interest income received		6,874,875	4,394,005	6,874,875	4,394,005
Net cash used in investing activities		(18,479,794)	(16,717,868)	(18,479,794)	(16,717,868)
Cash flows from financing activities					
Dividends paid		(1,711,682)	(1,789,344)	(1,711,682)	(1,789,344)
Proceeds from issue of shares		27,102,262	-	27,102,262	-
Transaction costs associated with shares issued		(1,326,403)	-	(1,326,403)	-
Loans and borrowings, net		(2,035,525)	6,513,562	(2,035,525)	14,396,003
Proceeds from issue of notes		-	15,191,000	-	7,191,100
Transaction costs associated with notes issued		-	(402,400)	-	(186,913)
Interest paid		(1,922,308)	(715,048)	(1,829,749)	(668,767)
Net cash provided by financing activities		20,106,344	18,797,770	20,198,903	18,942,079
Net (decrease)/increase in cash and cash equivalents		(1,976,606)	907,611	(1,976,402)	906,954
Cash and cash equivalents at beginning of year		3,005,997	2,098,386	3,005,340	2,098,386
Cash and cash equivalents at end of year		1,029,391	3,005,997	1,028,938	3,005,340

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

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 was managed and administered up to February 28, 2021 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. Effective March 1, 2021, the Investment Manager was changed from SCM to Sygnus Capital Limited ("SCL"). The change was in keeping with a board decision to wind down the operations of SCM. SCL and the Company re-negotiated a new Investment Management Agreement which was signed effective June 1, 2021.

The Company has 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 22).

The Company has a wholly owned subsidiary, Sygnus Credit Investments Jamaica Limited ("SCIJL"), which was incorporated in Jamaica on May 7, 2019. 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 as follows:

- 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.

2. Statement of compliance and basis of preparation

(a) Statement of compliance (continued)

- 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.

- 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.

  (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.

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:

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 9 *Financial Instruments* and IFRS 16 *Leases* and are effective for annual periods beginning on or after January 1, 2022.

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):

(i) Amendment to IFRS 16 *Leases* removes the illustration of payments from the lessor relating to leasehold improvements.

The Group does not expect the amendments to have a significant impact on its 2023 financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, the Group classifies a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, a right to defer settlement must have substance and exist at the reporting date. The Group classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the Group complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how the Group classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the Group's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that the reporting entity can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Group does not expect the amendment to have a significant impact on its 2024 financial statements.

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 9 *Financial Instruments*, IAS 39 *Financial Instruments*: *Recognition and Measurement*, IFRS 7 *Financial Instruments*: *Disclosures*, IFRS 4 *Insurance contracts* and IFRS 16 *Leases*, are effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

  The Group does not expect the amendments to have a significant impact on its 2022 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 Company.

(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.

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

(d) Use of estimates and judgement (continued)

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:

(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.

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

(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. 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.

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.

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(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.

(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.

4. Significant accounting policies (continued)

(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, dividends payable, loans and borrowings and due to related parties.

Financial assets

(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

- 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').

4. Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Solely payments of principal and interest (SPPI) (continued):

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.

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.

4. Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial assets (continued)

(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 cost 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.

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.

4. Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment of financial assets (continued)

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 its non-derivative financial liabilities as measured at amortised cost.

(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.

4. Significant accounting policies (continued)

(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.

(f) Investment in subsidiary

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

4. Significant accounting policies (continued)

(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) Fee income

Fee income is 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.

(j) Leases

Finance lease:

Lessor

At the inception or 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.

4. Significant accounting policies (continued)

(j) Leases

Finance lease (continued):

Lessor(continued)

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.

(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.

4. Significant accounting policies (continued)

(l) Taxation (continued)

(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.

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.

4. Significant accounting policies (continued)

(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).
- (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.

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended June 30, 2021
(Expressed in United States dollars)

5. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Cash and bank balances	576,862	1,505,997	576,409	1,505,340
Securities purchased under resale agreements [(see (i)]	452,529	1,500,000	452,529	1,500,000
	1,029,391	3,005,997	1,028,938	3,005,340

(i) This resale agreement matures on July 1, 2021. It is collateralised by a fixed rate secured note with a fair value of $630,000 (2020: $1,746,665) and earns interest at a rate of 0.50% (2020: 3.25%).

6. Securities purchased under resale agreements

	Group and Company	
	2021	2020
	$	$
Resale agreements	-	2,500,000
Less: allowance for impairment [see note 25(b)(v)]	-	(24)
	-	2,499,976

These instruments earned interest between 3.75% and 4.00% and matured during the year.

The fair value of the underlying collateral of the resale agreements in the prior period was $2,955,797.

7. Other receivables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Prepaid expenses	35,889	33,306	35,163	31,206
Client receivables [see (i)]	161,340	-	161,340	-
	197,229	33,306	196,503	31,206

(i) Client receivables include undrawn fees, commitment fees and profit share payments due under existing client contract arrangements.

(ii) The expected credit losses on the other receivable balances are immaterial.

8. Related party balances and transactions

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

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended June 30, 2021
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8. Related party balances and transactions (continued)

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

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Due from related parties:				
Subsidiary [see (i)]	-	-	154,475	118,700
Other related entities [see (ii)]	613,395	-	613,395	-
	613,395	-	767,870	118,700
Due to related parties:				
Other related entities [see (i)]	510,647	211,060	510,647	210,468
Interest receivable due from related parties	7,514	-	7,514	-
Interest payable due to related parties (note 15)	-	10,647	14,837	25,484
Loans due to related parties (note 17)	-	719,110	7,882,441	8,601,551
Accounts payable [note 13(i)]	-	28,750	-	28,750

(i) These 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.

(ii) This represents an unsecured 90-day loan amounting to J$90 million, issued to a related entity and bears interest at a rate of 9% per annum. This loan matures on August 11, 2021.

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

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Income:				
Interest income	79,140	-	79,140	-
Operating expenses:				
Management fees	1,456,937	1,005,985	1,456,937	1,005,985
Performance fees [see (i)]	349,514	-	349,514	-
Corporate service fees	265,663	75,910	265,663	75,910
Accounting fees	-	31,655	-	31,655
Directors' fees and related expenses	79,015	26,286	79,015	26,286
Professional fees	156,904	10,183	149,542	6,096
Interest expense	22,373	36,462	511,632	295,929
	2,330,406	1,186,481	2,812,303	1,441,861

(Expressed in United States dollars)

8. Related party balances and transactions (continued)

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

(i) Performance fees are computed at 15% of the return on average equity above a hurdle rate of 6%, based on the average return on equity of the current and prior two years.

9. Lease receivables

	Group and Company	
	2021	2020
	$	$
Net investment in the lease	2,519,107	2,416,167
Less: unearned finance income	(226,836)	(366,305)
Less: impairment allowance [see note 25(b)(v)]	(5,188)	(134)
	2,287,083	2,049,728
The lease payments are receivable as follows:		
Within one year	1,772,687	1,015,363
Two - five years	746,420	1,400,804
	2,519,107	2,416,167

10. Investments

	Group and Company	
	2021	2020
	$	$
Fair value through profit or loss		
Preference shares - profit participation and conversion options (i) [see also note 24(b)]	20,572,410	10,636,030
Amortised cost		
Commodity resale agreement (ii)	-	3,595,550
Short-term notes (iii)	24,520,219	16,174,936
Medium-term notes (iv)	35,666,357	21,323,417
	60,186,576	41,093,903
Sub-total	80,758,986	51,729,933
Less: impairment allowance [see note 25(b)(v)]	(248,591)	(183,911)
	80,510,395	51,546,022

(i) This represents five (5) convertible preference shares maturing within three to five years. These investments were carried out with companies in the betting and gaming, financial, 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.

(Expressed in United States dollars)

10. Investments (continued)

(i) (Continued)

(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 matured during the year.

(iii) This represents short-term notes maturing within one year from the reporting date.

(iv) This represents medium-term notes maturing within two to five years. These notes can be repaid on or after the contracted periods.

11. Deferred tax assets

Deferred income tax is calculated in full on temporary differences using a principal tax rate of 1% or 25%.

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

	Group	
	2021	2020
	$	$
Deferred income tax assets	-	22,214
Deferred income tax liabilities	-	(3,798)
Net deferred income tax assets	-	18,416

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

	Group		
	2021		
	Balance at July 1, 2020	Recognised in profit or loss [Note 22(a)]	Balance at June 30, 2021
	$	$	$
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	18,416	(18,416)	-

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11. Deferred tax assets (continued)

	Group 2020		
	Balance at July 1, 2019	Recognised in profit or loss [Note 22(a)]	Balance at June 30, 2020
	$	$	$
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	-	18,416	18,416

12. Investment in subsidiary

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

13. Accounts payable and accrued liabilities

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Accounts payable [see (i)]	39,936	83,696	39,936	83,696
Audit fees	72,000	58,500	72,000	58,500
Directors' fees and related expenses	24,375	7,875	24,375	7,875
Security deposits [see (ii)]	1,012,971	1,204,068	1,012,971	1,204,068
Other payables and accrued expenses	25,588	24,501	23,287	16,536
	1,174,870	1,378,640	1,172,569	1,370,675

(i) Included in this balance is an amount of $Nil (2020: $28,750) which represents arranger fees on short-term notes payable to a related entity [see note 8(a)].

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

14. Dividends

	Group and Company	
	2021	2020
	$	$
Final dividend in respect of 2020 @ 0.0025 cents per share	871,718	-
Interim dividend in respect of 2021 @ 0.0015 cents per share	868,741	-
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
	1,740,459	1,886,971

As at the reporting date, $247,582 (2020: $218,805) was unpaid.

(Expressed in United States dollars)

15. Interest payable

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
US$ bridge facility	-	30,689	-	30,689
Revolving line of credit	36,070	7,223	36,070	7,223
Loans from related parties [see note 8(a)]	-	10,647	14,837	25,484
Senior unsecured J$ and US$ notes	14,792	127,152	-	112,361
	50,862	175,711	50,907	175,757

16. Notes payable

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Senior unsecured J$ notes [see (i)]	6,744,133	7,037,903	6,744,133	7,037,903
Senior unsecured US$ notes [see (ii)]	7,925,892	7,831,573	-	-
	14,670,025	14,869,476	6,744,133	7,037,903

(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.

17. Loans and borrowings

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
US$ bridge facility [see (i)]	-	5,000,000	-	5,000,000
Revolving lines of credit [see (ii)]	4,478,037	880,910	4,478,037	880,910
Loans from related parties [see (iii), note 8(a)]	-	719,110	7,882,441	8,601,551
	4,478,037	6,600,020	12,360,478	14,482,461
Less: transaction costs				
Incurred during the year	(151,509)	(97,500)	(151,509)	(97,500)
Amortised for the year	151,509	11,042	151,509	11,042
	4,478,037	6,513,562	12,360,478	14,396,003

(i) This facility was repaid during the year.

(ii) This represents:

(a) an unsecured 1-year facility of up to J$575 million or US$3.9 million. Interest is payable quarterly at 6.50% (USD rate of 6%). The facility matures on February 28, 2022.

(Expressed in United States dollars)

17. Loans and borrowings (continued)

(ii) This represents (continued):

(b) an unsecured 1-year facility of up to J$418.8 million or US$2.9 million. Interest is payable at 8% (USD rate of 6%). The facility matures on September 16, 2021.

(iii) This represents:

(a) 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.

(b) An unsecured loan from a related entity of up to J$100 Million which matured during the year.

18. Share capital

Authorised capital:

(i) Unlimited ordinary shares

(ii) One (1) special rights redeemable share of US$1

	2021 $	2020 $
Issued and fully paid:		
590,975,463 (2020: 350,087,563) ordinary stock units and one (1) special share	63,298,869	36,196,607
Less: transaction costs of share issue	(2,415,337)	(1,088,934)
	60,883,532	35,107,673

On January 26, 2021 the Company raised capital through an Additional Public offering (APO) whereby it issued 240,887,900 shares and raised capital of $25,775,859, net of transaction costs. The split was between two classes of shares issued in Jamaica and United States Dollars, which are listed separately on the Jamaica Stock Exchange.

During the year, 1 special rights share and 6,481,100 ordinary stock units held by Sygnus Capital Management Limited was transferred to Sygnus Capital Group Limited. Both companies are related entities. The transfer of shareholdings was in keeping with the restructuring of Sygnus Capital Management Limited where a board decision was taken to wind down the operations of that entity. At the reporting date, Sygnus Capital Management Limited held 100,000 ordinary stock units in the Company which was in the process of being transferred to Sygnus Capital Group Limited.

The special share can be issued only to a member of the Sygnus Group. At the annual general meeting, and meetings of the holders of any class of shareholders of the Company, the holder of the Special Share carries 101% of the aggregate votes, vested in all ordinary shares issued by the Company. Dividend may be paid on the Special Share, as agreed between the Company and the holder of the Special Share in the Investment Management Agreement.

The remaining ordinary stock units are held by public and private investors.

(Expressed in United States dollars)

19. Net interest income

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Interest income, calculated using the effective interest method:				
Cash and cash equivalents	2,300	3,556	2,300	3,556
Resale agreements	114,397	32,923	114,397	32,923
Lease receivables	224,744	170,893	224,744	170,893
Intercompany loan	79,140	-	79,140	-
Investments	7,801,080	5,175,405	7,801,080	5,175,405
	8,221,661	5,382,777	8,221,661	5,382,777
Interest expense				
Notes payable	1,079,825	542,508	498,006	236,806
Loans and borrowings	717,634	348,251	1,206,893	607,718
	1,797,459	890,759	1,704,899	844,524
Net interest income	6,424,202	4,492,018	6,516,762	4,538,253

20. Fee income

Fee income includes participation fees, commitment fees and undrawn fees on Notes issued to clients.

21. Other expenses

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Accounting fees	-	36,308	-	36,308
Advertising	48,429	19,787	48,429	19,705
Audit fees and expenses	73,740	68,138	73,740	68,138
Bank charges	8,210	8,501	6,247	7,142
Commitment fees	11,541	47,349	11,541	47,349
Insurance	24,950	6,417	24,950	6,417
Directors' fees and related expenses	79,015	26,286	79,015	26,286
Listing fees	42,737	33,033	42,737	33,033
Irrecoverable tax	36,866	4,280	33,280	881
Professional fees	207,498	34,991	198,847	28,032
Software subscription	33,827	36,355	33,827	36,355
Registration fees	86,016	57,175	66,415	41,944
Other	1,988	9,428	1,956	8,704
	654,817	388,048	620,984	360,294

SYGNUS CREDIT INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended June 30, 2021
(Expressed in United States dollars)

22. Taxation

(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 $30,010 [2020: ($18,416)] at the end of the reporting period.

	Group	
	2021	2020
	$	$
Current year tax	6,046	-
Prior year under provision	5,548	-
Deferred tax arising from temporary differences (note 11)	18,416	(18,416)
	30,010	(18,416)

	Company	
	2021	2020
	$	$
Current year tax	6,046	-
Prior year under provision	5,548	-
	11,594	-

(b) The effective tax rate for the Group was 0.59% (2020: 0.94%) and 0.22% (2020: Nil%) for the Company. The actual taxation charge/(credit) differs from the "expected" tax charge for the year as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Profit before taxation	5,058,327	1,954,377	5,183,744	2,028,039
Computed "expected" tax charge of 1%	51,837	20,280	51,837	20,280
Computed "expected" tax credit of 25%	(31,354)	(18,416)	-	-
	20,483	1,864	51,837	20,280
Tax effect of treating items differently for financial statements and tax reporting purposes:				
Net foreign exchange	(285)	10,397	(41)	10,397
Interest income from CARICOM member states	(172,591)	(39,947)	(50,276)	(39,947)
Fair value gains from investments in CARICOM member states	(14,168)	(746)	(14,168)	(746)
Prior year under provision	5,548	-	5,548	-
Disallowed income and expenses and other items	191,023	1,016	18,694	1,016
Unused tax losses	-	9,000	-	9,000
Actual tax charge/(credit) recognised	30,010	(18,416)	11,594	-

22. Taxation (continued)

(c) At June 30, 2021, tax losses, subject to the agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to $Nil (2020: $75,000). 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 were immaterial.

23. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit attributable to stockholders of $5,028,317 (2020: $1,972,793) by the weighted average number of ordinary stock units in issue totalling 453,042,391 (2020: 350,087,563).

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

24. Fair value of financial instruments

The amounts included in the financial statements for cash and cash equivalents, securities purchased under resale agreements, investments at amortised cost, 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 4(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.

(Expressed in United States dollars)

24. 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	• Adjusted profit of the issuer(s) based on probability of achievement • Risk-adjusted discount rates	• Probability of achievement of 45% • Fixed income discount rate of 5.04% to 8.66% and equity discount rate of 13.06% to 23.81%	The estimated fair value would increase/(decrease) if: • 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:

	Group and Company	
	2021	2020
	$	$
Opening balance	10,636,030	7,507,015
Purchases	8,700,000	4,335,907
Sales	-	(838,120)
Gains/(losses):		
Fair value gains in profit or loss	1,416,793	74,640
Loss on sale	-	(56,926)
Foreign exchange adjustments	(180,413)	(386,486)
	20,572,410	10,636,030

25. 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

25. Financial risk management (continued)

(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.

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 Investment and Risk Management Committee ("IRMC"), a sub-committee of the Board of the Investment Manager, Sygnus Capital 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.

25. Financial risk management (continued)

(a) Overview (continued)

(iii) Enterprise Risk Management Committee

In addition to the IRMC, 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.

(iv) Investment Advisory Committee

The Investment Manager, through an Investment Advisory Committee (the "IAC"), is responsible for analysing and recommending all investment and credit proposals to the Investment and Risk Management Committee.

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;

25. Financial risk management (continued)

(a) Overview (continued)

(v) Impact of COVID-19 (continued)

- Proactive risk management process to monitor and manage Covid-19 risks using a four-phase process as follows (continued):

  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; and

  4. Phase IV involved monitoring the impact of the pandemic on existing clients. The Group offered forbearance plans to clients who met certain requirements.

- 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.

  Management continues to expect 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 continues 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 IRMC 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.

(Expressed in United States dollars)

25. Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued):

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.

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 receivable and resale agreements at their carrying amounts as categorised by industry sectors. No resale agreements were held at the reporting date. These facilities are well diversified across industry sectors, and are primarily extended to customers within Jamaica and other Caribbean territories:

	Group and Company			
	Investments	Lease receivables	Total 2021	Total 2020
	$	$	$	$
Betting and gaming	3,568,926	-	3,568,926	-
Construction	5,693,184	-	5,693,184	4,570,147
Distribution	1,711,847	1,181,405	2,893,252	5,830,784
Energy	3,185,417	-	3,185,417	3,501,377
Fast food	8,116,687	-	8,116,687	-
Financial	17,332,527	-	17,332,527	5,700,000
Health and lifestyle	-	-	-	3,000,000
Hospitality	12,765,387	1,110,866	13,876,253	7,744,614
Infrastructure	11,549,825	-	11,549,825	10,609,409
Manufacturing	11,457,877	-	11,457,877	9,834,653
Mining and quarrying	2,277,309	-	2,277,309	2,488,811
Telecommunications	3,100,000	-	3,100,000	3,000,000
	80,758,986	2,292,271	83,051,257	56,279,795
Less: Impairment allowance [see note 25(b)(vi)]	(248,591)	(5,188)	(253,779)	(184,069)
	80,510,395	2,287,083	82,797,478	56,095,726

25. 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

Stage 1	**Stage 2**	**Stage 3**
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.

25. 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 across Caribbean territories, supranational organisations and selected private-sector forecasters.

(Expressed in United States dollars)

25. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued):

(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	
5	Below average	Portfolio company is performing below average	Early Warning
6	Underperforming	Portfolio company is underperforming	Enhanced Monitoring
7	Non-performing	Portfolio company is non-performing	Restructured/ Default

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.

(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			
	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	$	$	$
Credit grade:				
Standard monitoring	50,798,894	-	-	50,798,894
Early warning	3,200,000	-	-	3,200,000
Enhanced monitoring	-	3,849,684	-	3,849,684
Restructured/default	-	-	2,337,998	2,337,998
	53,998,894	3,849,684	2,337,998	60,186,576
Impairment allowance - investments (note 10)	(211,620)	(2,202)	(34,769)	(248,591)
	53,787,274	3,847,482	2,303,229	59,937,985

(Expressed in United States dollars)

25. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued):

(v) *Credit quality analysis (continued)*

	Group and Company 2020			
	Stage 1 $	**Stage 2** $	**Stage 3** $	**Total** $
Credit grade:				
Standard monitoring	40,928,779	-	-	40,928,779
Enhanced monitoring	-	1,237,150	-	1,237,150
Restructured/default	-	-	1,427,974	1,427,974
	40,928,779	1,237,150	1,427,974	43,593,903
Impairment allowance - investments (note 10)	(165,265)	(18,646)	-	(183,911)
Impairment allowance - resale agreements (note 6)	(24)	-	-	(24)
	40,763,490	1,218,504	1,427,974	43,409,968

Other financial assets at amortised cost

	Group and Company	
	2021 Stage 1 $ 12-Month ECL	2020 Stage 1 $ 12-Month ECL
Credit grade:		
Standard monitoring	2,292,271	2,049,862
Impairment allowance (see note 9)	(5,188)	(134)
	2,287,083	2,049,728

(Expressed in United States dollars)

25. 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

	Group and Company 2021			
	Stage 1 12-Month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$	$	$	$
Balance at July 1, 2020	165,289	18,646	-	183,935
Transfer from stage 1 to stage 2	(72,327)	72,327	-	-
Amounts derecognised during the year	(14,940)	-	-	(14,940)
New amounts recognised during the year	93,108	-	-	93,108
Net remeasurement of impairment allowance	40,490	(88,771)	34,769	(13,512)
Impairment allowance at June 30, 2021	211,620	2,202	34,769	248,591

	Group and Company 2020			
	Stage 1 12-Month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$	$	$	$
Balance at July 1, 2019	80,481	-	-	80,481
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	73,525	13,670	(23,761)	63,434
Impairment allowance at June 30, 2020	165,289	18,646	-	183,935

(Expressed in United States dollars)

25. 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 (continued)

Other financial assets at amortised cost

	Group and Company	
	2021	2020
	Stage 1	**Stage 1**
	$	$
Balance at July 1	134	1,995
Net remeasurement of impairment allowance	5,054	(1,861)
Balance at June 30	5,188	134
Total impairment allowance as at June 30	253,779	184,069

Total impairment loss recognised during the current year amounted to $69,710 (2020: $101,593).

(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, 2021
(Expressed in United States dollars)

25. 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 Investment and Risk Management Committee of the Investment Manager. Investment transactions are monitored by the Investment Manager.

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:

	Group			
	2021		2020	
	J$	US$ equivalent	J$	US$ equivalent
Foreign currency assets:				
Cash and cash equivalents	44,075,011	300,393	14,270,074	102,617
Interest receivable	114,135,077	777,888	58,088,544	417,720
Other receivables	10,640	73	292,050	2,100
Due from related parties	90,000,000	613,395	-	-
Investments	1,248,349,339	8,508,125	1,588,559,498	11,423,468
	1,496,570,067	10,199,874	1,661,210,166	11,945,905
Foreign currency liabilities:				
Accounts payable and accrued liabilities	10,850,766	73,953	-	-
Due to related parties	-	-	446,387	3,210
Dividends payable	8,275,388	56,401	-	-
Interest payable	5,025,539	34,252	18,110,073	130,231
Notes payable	989,528,652	6,744,133	978,696,223	7,037,903
Loans and borrowings	541,125,000	3,688,037	222,509,000	1,600,020
	1,554,805,345	10,596,776	1,219,761,683	8,771,364
Net exposure	(58,235,278)	(396,902)	441,448,483	3,174,541

(Expressed in United States dollars)

25. Financial risk management (continued)

(d) Market risk (continued)

(a) Foreign currency risk (continued)

	Company			
	2021		2020	
	J$	US$ equivalent	J$	US$ equivalent
Foreign currency assets:				
Cash and cash equivalents	44,075,011	300,393	14,270,074	102,617
Interest receivable	114,135,077	777,888	58,088,544	417,720
Other receivables	10,640	73	-	-
Due from related parties	98,028,320	668,112	2,634,173	18,943
Investments	1,248,349,339	8,508,125	1,588,559,498	11,423,468
	1,504,598,387	10,254,591	1,663,552,289	11,962,748
Foreign currency liabilities:				
Accounts payable and accrued liabilities	10,850,766	73,953	-	-
Due to related parties	-	-	364,139	2,619
Dividends payable	8,275,388	56,401	-	-
Interest payable	5,025,539	34,252	18,110,073	130,231
Notes payable	989,528,652	6,744,133	978,696,223	7,037,903
Loans and borrowings	541,125,000	3,688,037	222,500,000	1,600,020
	1,554,805,345	10,596,776	1,219,670,435	8,770,773
Net exposure	(50,206,958)	(342,185)	443,881,854	3,191,975

Exchange rate for the US dollar to the Jamaica dollar was US$1 to J$146.72 (2020: J$139.06)

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 2020.

	Group			
	2021		2020	
	% change in currency rate	Effect on profit $	% change in currency rate	Effect on profit $
JMD	- 6%	22,466	- 6%	(179,692)
JMD	+ 2%	(8,100)	+ 2%	64,787

(Expressed in United States dollars)

25. Financial risk management (continued)

(d) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity to foreign exchange movements (continued)

	Company			
	2021		2020	
	% change in currency rate	Effect on profit $	% change in currency rate	Effect on profit $
JMD	- 6%	19,369	- 6%	(180,679)
JMD	+ 2%	(6,983)	+ 2%	65,143

(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.

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

	Group and Company	
	2021 $	2020 $
Variable rate instruments	462,147	252,218
Fixed rate instruments	82,797,478	56,095,726

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.

(Expressed in United States dollars)

25. Financial risk management (continued)

(d) Market risk (continued)

(b) Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

A 100 (2020: 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 (2020: 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:

	Group and Company	
	2021	2020
	$	$
Effect on profit		
Increase 100 (2020: 100) basis points	4,621	2,522
Effect on profit		
Decrease 100 (2020: 100) basis points	(4,621)	(2,522)

The analysis is done on the same basis as 2020 and assumes that all other variables remain constant.

26. 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.