



**SYGNUS**

CREDIT INVESTMENTS

**QUARTERLY  
REPORT**

**Pioneering Private Credit  
in the Caribbean**

AS AT **SEPTEMBER 2022**

# SYGNUS

CREDIT INVESTMENTS



**SYGNUS** | CREDIT INVESTMENTS

Pioneering Private Credit in the Caribbean

**Q1** | Earnings Call

AS AT SEPTEMBER 30<sup>TH</sup> 2022

MONDAY	NOVEMBER	14	2022	@11:00AM
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# Sygnus Credit Investments Limited

## Unaudited Results for the 3 Months Ended September 30, 2022

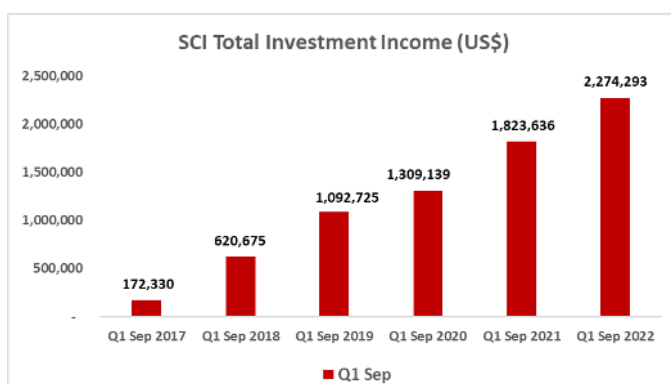
Castries, St Lucia | Monday, November 14<sup>th</sup>, 2022

Sygnus Credit Investments Limited (“SCI” or the “Group”) is pleased to report on the unaudited financial results for the three months ended September 30, 2022. The unaudited results are accompanied by a summary management discussion and analysis (“MD&A”), which is to be read in conjunction with the unaudited financial statements. The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Results of Operations

Sygnus Credit Investments Limited reported a first quarter record for core revenues, core earnings and net profits for the three months ended September 30, 2022 (“3 Months 2022” or “Q1 Sep 2022”). During the quarter, the Group’s credit rating was upgraded one notch to *CariBBB-* with a stable outlook on the regional rating scale and *jmBBB+* with a stable outlook on the Jamaican national scale. SCI has advanced the discussions with its international financing partners to secure large credit facilities that will allow for the creation of new revenue streams, while it embarks on unlocking the true potential of the private credit channel across the English, Dutch and Spanish-speaking Caribbean. The Group expanded its inventory and receivables financing business during the quarter with more than 75% of its originations across the English and Dutch-speaking Caribbean region falling into this category. Phase II of the integration of Acrecent Financial Corporation (“Acrecent” or “AFC”) into SCI following its 93.7% acquisition on February 28, 2022, continued towards completion within the next few months. Post the end of the quarter, Acrecent secured a US\$34.80 million investment from global impact investing firms BlueEarth Capital, Ceniarth, Calvert Impact Capital and Community Development Venture Capital Alliance. On September 02, 2022, SCI announced an interim dividend of US\$0.00262 per share or US\$1.55 million, which was subsequently paid on October 14, 2022.



The financial results for the first quarter were driven by a record portfolio of private credit investments, “investment income” from the underlying value of the investment in Acrecent Financial Corporation in Puerto Rico, continued disciplined investment origination and the structuring of investments with adequate downside protection to manage risk exposures. SCI’s private credit portfolio remains resilient and well positioned to navigate the ongoing volatility of a high inflation, high interest environment, with a robust, lowly leveraged balance sheet and a robust pipeline of investments.

	Q1 Sept 2022	Q1 Sept 2021	FYE June 2022
Summary Results of Operations	US\$	US\$	US\$
Interest Income	2,780,497	2,239,647	10,217,443
Interest Expense	(1,218,913)	(416,011)	(3,112,690)
Net Interest Income	1,561,584	1,823,636	7,104,753
Puerto Rico Credit Fund Investment Income	693,703	-	1,098,772
Participation and Commitment Fees	19,006	-	42,697
<b>Total Investment Income</b>	<b>2,274,293</b>	<b>1,823,636</b>	<b>8,246,222</b>
Total Operating Expenses	899,473	695,788	2,979,980
<b>Net Investment Income</b>	<b>1,374,820</b>	<b>1,127,848</b>	<b>5,266,242</b>
Fair Value Gain (Loss)	292,352	448,765	2,878,590
Net Foreign Exchange Gain (Loss)	55,019	(10,325)	(405,221)
Impairment Allowance on Financial Assets	(34,613)	(29,148)	(3,820,134)
<b>Profit before Taxation</b>	<b>1,687,578</b>	<b>1,537,140</b>	<b>3,919,477</b>
Taxation Charge	(60,634)	(30,223)	(96,373)
<b>Profit Attributable to Shareholders</b>	<b>1,626,944</b>	<b>1,506,917</b>	<b>3,823,104</b>
Earnings Per Share	0.28¢	0.25¢	0.65¢
Diluted Earnings Per Share	0.27¢	0.25¢	0.65¢
<b>Net Investment Income Per Share</b>	<b>0.23¢</b>	<b>0.19¢</b>	<b>0.89¢</b>

SCI’s core revenues, or total investment income, grew by 24.7% or US\$450.7 thousand to a Q1 record US\$2.27 million. This compares with US\$1.82 million for the three months ended September 30, 2021 (“3 Months 2021” or “Q1 Sep 2021”). This performance was driven primarily by a record private credit portfolio with higher yielding assets generating higher interest income and US\$693.7 thousand from the investment in AFC, referred to as Puerto Rico Credit Fund (“PRCF”) investment income. This amount is formally carried on the income statement as part of fair value gains since the financials of AFC does not meet the accounting standards to be consolidated all the way up to SCI. SCI’s higher interest income was offset by higher interest expense, resulting in lower net interest income relative to last year. This outcome reflected two things: first, a much

higher use of debt relative to last year albeit at a cheaper cost (interest rate on current debt lower than last year and are “locked-in”) to fund the acquisition of AFC; and second, since AFC was not consolidated, there is no corresponding interest income offsetting the interest expense associated with the AFC asset. Thus, the PRCF investment income compensates for this apparent “gapping” in net interest income.

## Sygnus Credit Investments Limited

### Unaudited Results for the 3 Months Ended September 30, 2022

Core earnings, or net investment income, grew by 21.9% or US\$247.0 thousand to a Q1 record US\$1.37 million for 3 Months 2022 vs US\$1.13 million for 3 Months 2021, as total investment income outpaced operating expenses.

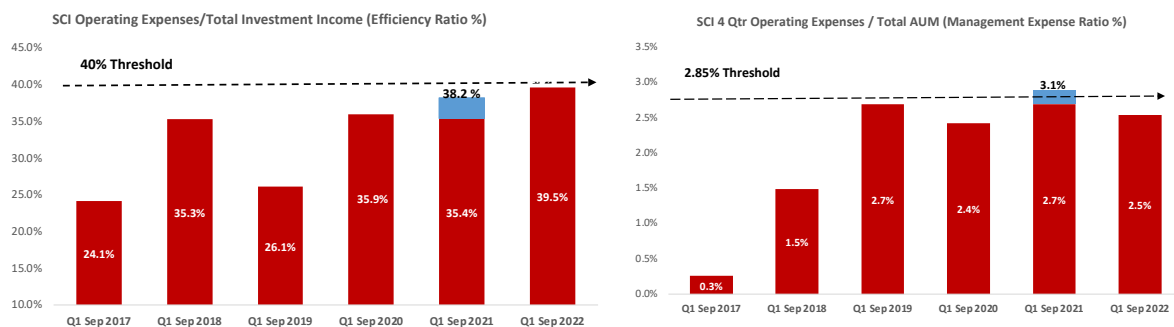
Net profit attributable to shareholders increased by 8.0% or US\$120.0 thousand to a Q1 record US\$1.63 million for 3 Months 2022, vs US\$1.51 million for 3 Months 2021.

Earnings per share (EPS) was 0.28 US cents for Q1 Sep 2022 vs 0.25 US cents for Q1 Sep 2021. Diluted earnings per share was 0.27 US cents vs 0.25 US cents last year. Net investment income per share (NIIPS) was 0.23 US cents for Q1 Sep 2022 vs 0.19 US cents for Q1 Sep 2021.

#### Total Operating Expenses

Total operating expenses increased by 29.3% or US\$203.7 thousand to US\$899.5 thousand for 3 Months 2022 vs US\$695.8 thousand last year. This result was driven primarily by higher management fees and higher corporate services fees related to larger assets under management. Management fees and corporate services fees were a combined 72.0% of operating expenses for 3 Months 2022 relative to 74.7% in 3 Months 2021. There were no performance fees charged for this period relative to US\$50.9 thousand in Q1 Sep 2021.

Excluding management fees and corporate services fees, operating expenses were US\$252.3 thousand for Q1 Sep 2022, up US\$76.5 thousand or 43.5% when compared to US\$175.7 thousand in Q1 Sep 2021. This result was driven primarily by higher professional fees which increased by US\$65.3 thousand or 159.1%, some of which were related to non-recurring items.



#### Efficiency and Management Expense Ratios

SCI's core activities generated an efficiency ratio of 39.5% for Q1 Sep 2022 which was within the threshold level of 40.0%, vs 38.2% for Q1 Sep 2021. The prior year's result was impacted by performance fees, which increased the ratio from 35.4% to 38.2%. The efficiency ratio is measured by total operating expenses to total investment income. The Group's management expense ratio (MER) was 2.5%, which was within the target threshold level of 2.85%, vs 3.1% for last year. Last year's MER was impacted by performance fees, and amounted to 2.7% when adjusted for those fees.

#### Fair Value Gains or Losses

Fair value gains on profit sharing private credit investments for the 3 Months 2022 was US\$292.4 thousand, a decline of 34.9% or US\$156.4 thousand vs US\$448.8 thousand for 3 Months 2021. This decline was primarily driven by adverse movements in interest rates and one maturing Portfolio Company investment. Interest rate movements may cause material fluctuations in fair value gains or losses from period to period. SCI had US\$23.11 million in fair value private credit investments vs US\$23.53 million in the prior year and US\$25.9 million at the end of the 2022 financial year (FYE Jun 2022). In addition, SCI had US\$24.9 million in the PRCF vs nil last year and US\$24.2 million at FYE Jun 2022.

#### Net Foreign Exchange Gains or Losses

SCI recorded a net foreign exchange gain of US\$55.0 thousand for 3 Months 2022 relative to a net foreign exchange loss of US\$10.3 thousand last year. The movement in foreign exchange gains and losses is a general reflection of realized gains or losses on FX transactions (buying or selling) and unrealized gains or losses from the Group's net exposure to Jamaican dollar assets, which fluctuate based on movements in the JMD/USD exchange rate. SCI's JMD liabilities exceeded its JMD assets by 4.5% for Q1 Sep 2022. SCI does not have a foreign currency trading business.

## Sygnus Credit Investments Limited

### Unaudited Results for the 3 Months Ended September 30, 2022

#### Change in Impairment Allowance on Financial Assets (IAFA)

The change in impairment allowance on financial assets for 3 Months 2022 was an increase of US\$34.6 thousand vs an increase of US\$29.1 thousand for 3 Months 2021. This increase was driven primarily by SCI's larger portfolio size. In FYE Jun 2022 **SCI took the full charge-off on one Portfolio Company investment pending a court hearing in the Cayman Islands for a winding up petition in September 2022 barring the successful refinancing of all its debts. The Court formally granted the winding up to proceed in October 2022 after the Portfolio Company was unsuccessful in its attempts to raise the required capital to refinance its debts. SCI continues to pursue all available channels to recover any residual amounts from the winding up, if any.**

#### Total Revenues and Total Expenses

Total revenues were comprised of core revenues, or total investment income (interest income, Puerto Rico Credit Fund investment income plus participation and commitment fees), plus the non-core revenue items of fair value gains on private credit investments, net foreign exchange gains and gain on sale of investments. Total revenues were a Q1 record US\$2.57 million for 3 Months 2022 and vs US\$2.27 million for 3 Months 2021.

Similarly, SCI's total expenses were comprised of core operating expenses, plus the non-core items of net foreign exchange loss, fair value loss and change in impairment allowance on financial assets. Total expenses were US\$879.1 thousand for 3 Months 2022 and vs US\$735.3 thousand for 3 Months 2021. Non-core revenues and non-core expenses may fluctuate significantly from time to time based on market conditions.

#### **Dividends**

During the quarter, an interim dividend of US\$0.00262 per share was declared by the Board of Directors on September 2, 2022 and paid on October 14, 2022. The dividend amounted to US\$1.55 million, the same as last year.

#### **Private Credit Investment (PCI) Activity**

At the end of Q1 Sep 2022, SCI's investment in Portfolio Companies grew by 46.3% to a record US\$129.85 million vs US\$88.8 million for Q1 Sep 2021. Included in this figure is the fair value investment of US\$24.90 million in the Puerto Rico Credit Fund or PRCF, which is not consolidated all the way up to SCI based on the assessment of control. Portfolio Company investments included finance lease receivables carried on the balance sheet. The Group's investment in Portfolio Companies, excluding the PRCF, grew by 18.2% to a record US\$104.95 million vs US\$88.76 million last year. The number of Portfolio Company investments excluding the PRCF remained flat at 33 versus last year, as smaller investment exits were replaced by larger new investments. Relative to FYE Jun 2022, 3 new Portfolio Companies were added.

Summary of Investment Activity	Q1 Sept 2022	Q1 Sept 2021	FYE Jun 2022
	US\$	US\$	US\$
Fair Value of Investment in Portfolio Companies	129,854,934	88,755,170	122,509,031
Excluding PRCF	104,952,958	88,755,170	98,349,856
New Investments Commitments During Period	6,400,554	6,886,263	49,221,591
Dry Powder to be Deployed*	5,899,197	1,055,802	8,470,884
Number of Portfolio Company Investments (#)	33	33	30
Average Investment per Portfolio Company	3,180,393	2,689,551	3,278,329
Weighted Average Term of Portfolio Company Investments(Years)	1.7	2.0	1.8
Weighted Average Fair Value Yield on Portfolio Companies	14.0%	12.9%	13.3%
Non-Performing Portfolio Company Investments (NPI)	2	3	2
Non-performing Investments Ratio	1.6%	6.3%	2.3%**
All the calculated metrics exclude investment in Puerto Rico Fund (PRCF) of US\$24.90M on the balance sheet			
PRCF represents SCI's 93.7% ownership in the Puerto Rico Credit Fund			
*Does not include undrawn credit lines			
** FYE Jun 2022 does not include US\$3.85M charge-off for 1 investment in the Cayman Islands			

#### Portfolio Company Investment Commitments and Investment Origination

SCI financed new investment commitments valued at US\$6.40 million during Q1 Sep 2022 vs US\$6.89 million for Q1 Sep 2021. This was primarily driven by deployment under its expanded regional inventory and receivables financing program, under which it originated US\$15.00 million during the quarter, from which the first tranche of US\$5.00 million was drawn down. Subsequent to the end of the quarter SCI originated another two facilities under this type of financing program, from which drawdowns were made. In general, these facilities have a syndication component which generates upfront revenues, thus creating new streams of revenue at a higher rate of return to complement net interest income for SCI on a go forward basis. In Puerto Rico, AFC deployed US\$11.74 million across 18 transactions during the quarter. Overall, the private credit business

## Sygnus Credit Investments Limited

### Unaudited Results for the 3 Months Ended September 30, 2022

continues to see robust and increasing demand for flexible debt capital as interest rates continue to rise, amid a full return to pre-Covid-19 economic activity across multiple Caribbean territories.

#### Weighted Average Investment Tenor and Investment Yield

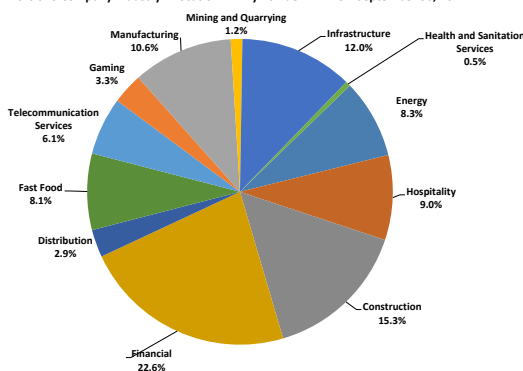
At the end of Q1 Sep 2022, the weighted average tenor of Portfolio Company investments declined to 1.7 years relative to 2.0 years last year. This reduction was attributable mainly to the new investments made during the period which had shorter maturities. The weighted average fair value yield on Portfolio Companies increased to 14.0% vs 12.9% last year. SCI's investment yield is expected to continue benefiting from the current rising interest rate environment especially given the short tenor of its investment portfolio, with 47.3% maturing in under 1 year.

#### Non-performing Investments (NPI) Ratio

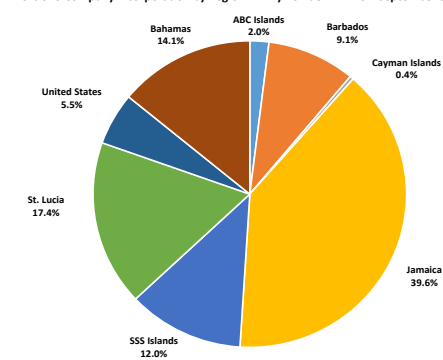
SCI's non-performing investment ratio for Q1 Sep 2022 was 1.6% of its total private credit investment portfolio vs 6.3% for Q1 Sep 2021. Last year's NPI included the Portfolio Company in the Cayman Islands which was subsequently charged-off at the FYE Jun 2022. The NPI target threshold limit was 5.0%.

**Note:** SCI has US\$1.0 million in exposure to a Portfolio Company that was declared bankrupt during the FYE Jun 2021, which is included as part of the US\$2.29 million in non-performing investments that generated the 1.6% NPI. However, SCI's investment, though unsecured from the standpoint of the Portfolio Company, was structured with an external guarantee supported by a charge over real estate assets. Notwithstanding its external collateral, SCI continues to pursue its claim against the Portfolio Company resulting from the sale of its underlying assets.

Portfolio Company Industry Allocation Ex-Dry Powder Ex-PRCF: September 30, 2022



Portfolio Company Incorporation by Region Ex-Dry Powder Ex-PRCF: September 30, 2022



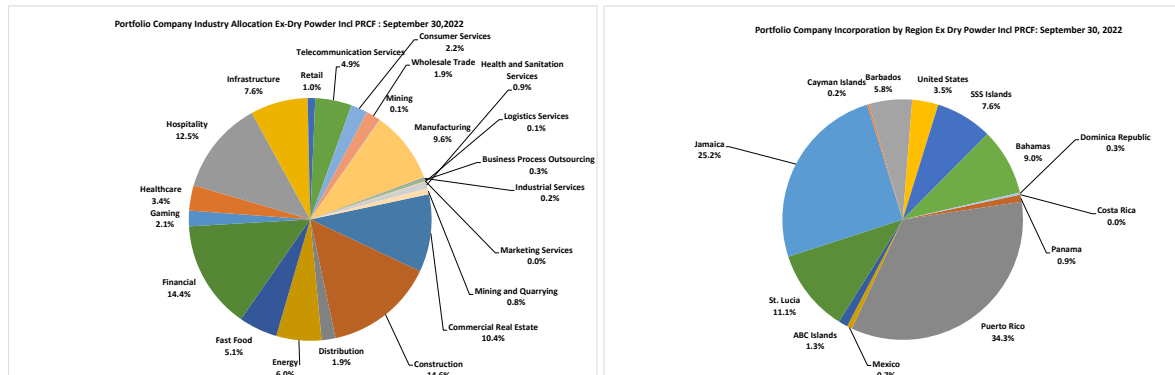
#### Allocation by Industry and Region

Excluding PRCF, SCI was diversified across a record 12 industries and 8 territories including the United States, which represents a holding company for a Caribbean asset. The largest industries were Financial (22.6%), Construction (15.3%) and infrastructure (12.0%). SCI made its first ever investment in the health and sanitation industry, which represented capital deployed to a Jamaican middle-market company. The largest regions were represented by Jamaica (39.6%), St Lucia (17.4%) and the Bahamas (14.1%). Since inception, SCI has deployed more than US\$121.0 million to firms incorporated in Jamaica, which is just over half of all the capital deployed to date.

When "consolidating" the underlying PRCF investment portfolio, Portfolio Companies were diversified across 21 industries and 13 territories. The number of industries increased significantly from the previous reporting period as the services industry included multiple sub-industries which have been broken out in keeping with international best practices. Construction (14.6%), Financial (14.4%) and Hospitality (12.5%) had the largest industry allocations, while Puerto Rico (34.3%), Jamaica (25.2%) and St. Lucia (11.1%) accounted for the largest territory allocations. Note that investments from Costa Rica, Panama, Dominican Republic and Mexico represented legacy assets that were "ring-fenced" during the AFC acquisition and were being closed out.

## Sygnus Credit Investments Limited

### Unaudited Results for the 3 Months Ended September 30, 2022



### Liquidity and Capital Resources

Dry powder on the Group's balance sheet was US\$5.90 million, comprising of short-term instruments and cash. The Group also had undrawn revolving credit lines of approximately US\$3.44 million. After receiving an upgraded credit rating, SCI has supplanted its US\$14.70 million equivalent convertible preference share capital raise, which had an all-in double digit average cost of capital, by utilizing US\$4.90M of the preference share offer and replacing the remainder with US\$10.00 million equivalent in cheaper cost medium-term debt, which will save approximately 300BP in overall total costs. The medium-term debt is expected to close and be drawn down in November 2022. SCI has advanced the discussions with its international financing partners to raise substantial credit facilities. These financing partners are continuing their due diligence process and working through various potential financing structures.

### Impact Investing

In Puerto Rico, post the end of Q1 Sep 2022, AFC secured US\$34.80 million in investments from global impact firms BlueEarth Capital, Ceniarth, Calvert Impact Capital Limited and Community Development Venture Capital Alliance. Through this new partnership, AFC will continue to deploy capital to hundreds of middle-market firms in underserved sectors which are essential for the social and economic development of Puerto Rico, such as health care, affordable housing, construction, hospitality and renewable energy, among others. In essence, this partnership facilitates the deployment of capital that generates an impact that is not only measurable, but which also produces sustainable financial returns.

### Balance Sheet Summary

As at Q1 Sep 2022, SCI had a record US\$142.43 million in total assets, an increase of US\$48.54 million or 51.7% over last year. This was mainly comprised of US\$129.85 million in total private credit investments including US\$24.90 million in the

Summary Balance Sheet Information	Q1 Sept 2022 US\$	Q1 Sept 2021 US\$	FYE June 2022 US\$
Cash and Cash Equivalents	5,899,197	1,055,802	8,470,884
<b>Un-deployed Cash / Dry Powder</b>	<b>5,899,197</b>	<b>1,055,802</b>	<b>8,470,884</b>
Investments in Private Credit Fund	24,901,976	-	24,159,175
Investments Measured at FV through P&L	23,114,175	23,529,658	25,856,260
Investments Measured at Amortised Cost	80,462,886	63,066,514	70,892,544
Finance Lease Measured at Amortised Cost	1,375,897	2,158,998	1,601,052
<b>Investment in Portfolio Companies</b>	<b>104,952,958</b>	<b>88,755,170</b>	<b>98,349,856</b>
<b>Total Investments in Portfolio Companies</b>	<b>129,854,934</b>	<b>88,755,170</b>	<b>122,509,031</b>
	<b>135,754,131</b>	<b>89,810,972</b>	<b>130,979,915</b>
Other Assets:			
Investment Income Receivable	4,622,316	3,575,090	3,675,584
Other Receivables	438,197	501,355	525,090
Due From Related Parties	1,612,232	-	1,612,232
Deferred Tax Asset	1,146	-	1,146
<b>Total Assets</b>	<b>142,428,022</b>	<b>93,887,417</b>	<b>136,793,967</b>
<b>Share Capital</b>	<b>60,883,532</b>	<b>60,883,532</b>	<b>60,883,532</b>
<b>Retained Earnings</b>	<b>6,657,525</b>	<b>5,811,105</b>	<b>6,578,937</b>
<b>Total Shareholders' Equity</b>	<b>67,541,057</b>	<b>66,694,637</b>	<b>67,462,469</b>

Puerto Rico Credit Fund, US\$23.11 million in investments measured at fair value through profit and loss, US\$80.46 million in investments measured at amortised cost and US\$1.38 million in finance lease measured at amortised cost. Total shareholders' equity increased by US\$846.4 thousand or 1.3% to US\$67.54 million. SCI's adjusted debt to equity was .87x (adjusted for preference shares of US\$4.89 million) well below management's current target threshold of 1.25x and substantially below the limit of 2.00x, while adjusted debt to total assets was 0.44x which was below the target threshold level of 0.50x. Both these ratios were reflective of a lowly leveraged balance sheet in keeping with global best practices for private credit investment companies. The

## **Sygnus Credit Investments Limited**

### **Unaudited Results for the 3 Months Ended September 30, 2022**

balance sheet was further enhanced by an asset coverage ratio of 2.19x, which was above the minimum target threshold level of 1.50x, again in keeping with global standards for private credit investment firms.

#### **Covid-19 Impact and Risk Management**

The Caribbean region continues to feel the effects of the global COVID-19 pandemic, with varying degrees of impact on the economies in which SCI's Portfolio Companies operate. However, most Caribbean territories in which SCI is invested has shown significant economic recovery from the unprecedented depths of the pandemic induced lockdowns with increasing airlift, cruise ships calling on regional ports, and complete removal of emergency restrictions on movement. The risks of the COVID-19 pandemic have now been replaced with the uncertainty of higher inflation and risks to economic growth of rising interest rates, as central banks across the world and indeed the Caribbean region, race to prevent the second-round effects of inflation. As observed throughout the past two decades, and multiple financial crisis, the private credit asset class, with its low leverage relative to other traditional financing firms, has thrived most during uncertain economic environments, as the demand for flexible capital by middle-market companies increases substantially during these periods.

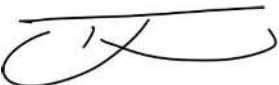
While the assessment of the overall impact of COVID-19 and the emerging threat of higher inflation and higher interest rates is ongoing, SCI continues to rely on the deep knowledge, experienced team and proven investment philosophy that has been developed by its Investment Manager.

SCI remains unwavering in its commitment to achieve three key priorities, namely:

- proactively managing the risk of its private credit portfolio, that is, minimizing “realized” credit losses and charge-offs, versus “expected credit losses”, as the latter will fluctuate based on market conditions, but the former is permanent loss of shareholder value.
- maintaining a strong balance sheet with a high asset coverage ratio and moderate leverage
- deepening current partnerships and building new relationships across the Caribbean and with international financing partners, to scale the growth and expansion of its Caribbean private credit platform.

SYGNUS CREDIT INVESTMENTS LIMITED  
Consolidated Statement of Financial Position  
September 30, 2022  
*(Expressed in United States Dollars)*

	Unaudited 30-Sep-22 \$	Unaudited 30-Sep-21 \$	Audited 30-Jun-22 \$
<b>ASSETS</b>			
Cash and cash equivalents	5,899,197	1,055,802	8,470,884
Interest receivable	4,622,316	3,575,090	3,675,584
Other receivables	438,197	501,355	525,090
Due from related parties	1,612,232	-	1,612,232
Lease receivables	1,375,897	2,158,998	1,601,052
Investments	128,479,037	86,596,172	120,907,979
Deferred tax assets	1,146	-	1,146
	<b>142,428,022</b>	<b>93,887,417</b>	<b>136,793,967</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,849,250	1,502,048	3,958,088
Due to related parties	510,232	423,367	241,973
Dividends payable	1,916,584	1,801,087	388,885
Interest payable	229,897	95,398	231,492
Taxation payable	134,585	22,816	73,951
Deferred tax liability	-	9,755	-
Notes payable	60,381,318	19,640,748	60,285,928
Preference shares	4,890,737	-	1,147,609
Loans and borrowings	2,974,362	3,697,561	3,003,572
	<b>74,886,965</b>	<b>27,192,780</b>	<b>69,331,498</b>
<b>EQUITY</b>			
Share capital	60,883,532	60,883,532	60,883,532
Retained earnings	6,657,525	5,811,105	6,578,937
	<b>67,541,057</b>	<b>66,694,637</b>	<b>67,462,469</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>142,428,022</b>	<b>93,887,417</b>	<b>136,793,967</b>

  
\_\_\_\_\_  
Dr. Ike Johnson

Director

  
\_\_\_\_\_  
Horace Messado

Director

SYGNUS CREDIT INVESTMENTS LIMITED  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
Three Months ended September 30, 2022  
*(Expressed in United States Dollars)*

	Unaudited Three months ended 30-Sep-22 \$	Unaudited Three months ended 30-Sep-21 \$	Audited Year Ended 30-Jun-22 \$
<b>Income</b>			
Interest income calculated using the effective interest method	2,780,497	2,239,647	10,217,443
Interest expense	(1,218,913)	(416,011)	(3,112,690)
	<u>1,561,584</u>	<u>1,823,636</u>	<u>7,104,753</u>
Fair value gains on investments	986,055	448,765	4,069,942
Fair value adjustment on contingent consideration payable	-	-	(92,580)
Other income	19,006	-	42,697
	<u><b>2,566,645</b></u>	<u><b>2,272,401</b></u>	<u><b>11,124,812</b></u>
<b>Expenses</b>			
Management fees	548,756	442,875	1,933,561
Performance fees	-	50,939	50,939
Corporate service fees	98,462	77,177	336,363
Net foreign exchange (gain)/loss	(55,019)	10,325	405,221
Impairment allowance on financial assets	34,613	29,148	3,820,134
Other expenses	252,255	124,797	659,117
	<u><b>879,067</b></u>	<u><b>735,261</b></u>	<u><b>7,205,335</b></u>
<b>Profit before taxation</b>	<b>1,687,578</b>	<b>1,537,140</b>	<b>3,919,477</b>
Taxation	(60,634)	(30,223)	(96,373)
	<u><b>1,626,944</b></u>	<u><b>1,506,917</b></u>	<u><b>3,823,104</b></u>
<b>Profit for the period, being total comprehensive income</b>			
	<u><b>1,626,944</b></u>	<u><b>1,506,917</b></u>	<u><b>3,823,104</b></u>
<b>Basic earnings per stock unit (cents)</b>	<u><b>0.28</b></u>	<u><b>0.25</b></u>	<u><b>0.65</b></u>
<b>Diluted earnings per stock unit (cents)</b>	<u><b>0.27</b></u>	<u><b>-</b></u>	<u><b>0.65</b></u>

SYGNUS CREDIT INVESTMENTS LIMITED  
Consolidated Statement of Changes in Equity  
Three Months ended September 30, 2022  
*(Expressed in United States Dollars)*

	Share capital \$	Retained earnings \$	Total \$
<b>Balance as at 30 June 2021</b>	60,883,532	5,852,544	66,736,076
Profit, being total comprehensive income for the period	-	1,506,917	1,506,917
<b>Transaction with owners</b>			
Dividends declared	-	(1,548,356)	(1,548,356)
<b>Balance as at 30 September 2021</b>	<u>60,883,532</u>	<u>5,811,105</u>	<u>66,694,637</u>
<b>Balance as at 30 June 2022</b>	60,883,532	6,578,937	67,462,469
Profit, being total comprehensive income for the period	-	1,626,944	1,626,944
<b>Transaction with owners</b>			
Dividends declared	-	(1,548,356)	(1,548,356)
<b>Balance as at 30 September 2022</b>	<u>60,883,532</u>	<u>6,657,525</u>	<u>67,541,057</u>

SYGNUS CREDIT INVESTMENTS LIMITED  
Consolidated Statement of Cash Flows  
Three Months ended September 30, 2022  
*(Expressed in United States Dollars)*

	Unaudited Three months ended 30-Sep-22 \$	Unaudited Three months ended 30-Sep-21 \$	Audited Year ended 30-Jun-22 \$
<b>Cash flows from operating activities</b>			
Profit for the period	1,626,944	1,506,917	3,823,104
Adjustments for:			
Interest income	(2,780,497)	(2,239,647)	(10,217,443)
Interest expense	1,218,913	416,011	3,112,690
Impairment allowance on financial assets	34,613	29,148	3,820,134
Taxation	60,634	30,223	96,373
Amortisation of transaction costs on issued notes	125,257	27,487	546,006
Fair value gains	(986,055)	(448,765)	(3,977,362)
	(700,191)	(678,626)	(2,796,498)
Changes in operating assets and liabilities:			
Other receivables	86,893	(304,126)	(327,861)
Due from related parties	-	613,395	(998,837)
Accounts payable and other accrued liabilities	(108,837)	397,240	2,690,638
Due to related parties	268,259	(87,280)	(268,674)
	(453,876)	(59,397)	(1,701,232)
Taxation paid	-	-	(25,916)
Net cash used in operating activities	(453,876)	(59,397)	(1,727,148)
<b>Cash flows from investing activities</b>			
Purchase of investments	(9,876,851)	(6,886,263)	(63,089,089)
Encashment of investments	3,257,234	1,220,102	23,437,610
Lease receivables	225,155	128,085	686,031
Purchase of securities purchased under resale agreements	-	-	(800,000)
Encashment of securities purchased under resale agreements	-	-	800,000
Interest income received	1,833,765	1,897,511	9,278,516
Net cash used in investing activities	(4,560,697)	(3,640,565)	(29,686,932)
<b>Cash flows from financing activities</b>			
Dividends paid	(20,657)	5,149	(2,955,408)
Preference shares	3,743,128	-	1,147,609
Notes payable	(29,867)	4,873,175	45,069,897
Loans and borrowings	(29,210)	(780,476)	(1,474,465)
Interest paid	(1,220,508)	(371,475)	(2,932,060)
Net cash provided by financing activities	2,442,886	3,726,373	38,855,573
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,571,687)	26,411	7,441,493
<b>Cash and cash equivalents at beginning of period</b>	8,470,884	1,029,391	1,029,391
<b>Cash and cash equivalents at end of period</b>	<b>5,899,197</b>	<b>1,055,802</b>	<b>8,470,884</b>

## 1. Identification

Sygnus Credit Investments Limited (the “Company”) was incorporated in Saint Lucia on January 13, 2017 under the International Business Companies Act as an International Business Company (“IBC”). The Company is domiciled in Saint Lucia with its registered office at McNamara Corporate Services Inc., 20 Micoud Street, Castries, Saint Lucia.

The Company is the largest publicly listed specialty private credit investment company in the Caribbean, dedicated to providing alternative financing to middle-market businesses (“Portfolio Companies”) across the Caribbean region. Non-traditional forms of credit are more customized and flexible than traditional financing. Consequently, the Company offers an alternative channel through which middle-market firms can access capital to drive their expansion.

The investment objective of the Company is to generate attractive risk-adjusted returns with an emphasis on principal protection, by generating current income, and to a lesser extent capital appreciation, through investments primarily in Portfolio Companies using private credit instruments.

The Company invests primarily in private credit instruments including bilateral notes and bonds, preference shares, asset-backed debt, mezzanine debt, convertible debt and other forms of structured private credit instruments. These forms of financing are typically more aligned with the growth and expansion plans of Portfolio Companies.

The investment assets of the Company are managed by its Investment Manager, Sygnus Capital Limited (“SCL”), a related company incorporated in Jamaica. SCL is a licensed securities dealer, regulated by the Financial Services Commission in Jamaica.

The Company has the following subsidiaries, which together with the Company are collectively referred to as “the Group” in these condensed financial statements:

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Principal Activities</u>	<u>Percentage Ownership</u>
Sygnus Credit Investments Jamaica Limited	Jamaica	Finance raising	100%
SCI PR Holdings Limited	Saint Lucia	Holding company	100%
SCI PR Inc.	Puerto Rico	Holding company	100%

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

### **(a) Statement of compliance**

These condensed consolidated interim financial statements for the three months ended September 30, 2022 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, and should be read in conjunction with the Group's annual consolidated financial statements for the period ended June 30, 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since its last audited financial statements. The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended June 30, 2022 which were prepared in accordance with International Financial Reporting Standards (IFRS).

#### New standards effective in the current year

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

### **(b) Basis of preparation**

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

## **3. Significant accounting policies**

### **(a) Basis of consolidation**

The interim consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity. Balances and transactions between companies within the Group, and any unrealized gains and losses arising from those transactions, are eliminated.

### **(b) Securities purchased under resale agreements**

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

### 3. Significant accounting policies (continued)

#### (c) Financial instruments

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

##### (i) Classification and measurement

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

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

##### (ii) Impairment

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

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

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

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

#### 4. Net foreign exchange gains and losses

The Group incurs foreign currency risk on transactions that are denominated in currencies other than the United States dollar. The currency giving rise to this risk is the Jamaica dollar and for the three months ended September 30, 2022 an overall net foreign exchange gain was incurred by the Group.

The average foreign exchange rate moved from J\$150.5441 to US\$1 as at the financial year ended June 30, 2022 to J\$152.0191 to US\$1 as at September 30, 2022.

#### 5. Dividends

On September 2, 2022 the Board of Directors approved the payment of an interim dividend of US\$0.00262 per share amounting to \$1,548,356 which was paid on October 14, 2022 to shareholders on record as at September 30, 2022. For the comparative quarter ended September 30, 2021 the dividend per share recorded was \$1,548,356 (US\$0.00262 per share).

#### 6. Earnings per share

Earnings per stock unit is calculated by dividing the profit attributable to stockholders, by the weighted average number of ordinary stock units in issue. Diluted earnings per stock unit reflects the impact of convertible preference shares. The Group did not have any instrument that had a dilutive effect on its basic earnings per share in the prior year.

	2022		2021
	Basic	Diluted	Basic
Net profit attributable to stockholders of the parent (\$)	1,626,944	1,626,944	1,506,917
Weighted average number of ordinary stock units in issue ('000)	590,975	600,165	590,975
Earnings per stock unit (¢)	<u>0.28</u>	<u>0.27</u>	<u>0.25</u>

#### 7. Notes payable

This balance represents unsecured J\$ and US\$ fixed rate debt issued in tranches and bearing interest rates ranging from 5.00% to 6.50% per annum, payable on a quarterly basis. The notes currently mature between December 2022 and October 2026.

#### 8. Loans and borrowings

This represents net borrowings which include bank credit lines.

**9. Related party transactions**

Investment management services are provided to the Group under a separate Investment Management Agreement, for which management and performance fees of \$548,756 (2021: \$442,875) and \$NIL (2021: \$50,939) respectively, were expensed over the period.

Corporate and accounting services are also provided to the Group under a governing Corporate Services Agreement. An amount totaling \$98,462 (2021: \$77,177) has been expensed in respect of services that have been provided under this agreement.

**10. Impact assessment of Coronavirus (COVID-19)**

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

**Sygnus Credit Investments Limited**  
**Unaudited Results for the 3 Months Ended September 30, 2022**

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LTD	27,271,991.	4.6%
2	SJIML A/C 3119	25,425,700.	4.3%
3	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY	24,268,691.	4.1%
4	NATIONAL INSURANCE FUND	20,000,000.	3.4%
5	JMMB Fund Managers Ltd T1 - Equities Fund	19,460,000.	3.3%
6	Wildelle Limited	18,199,900.	3.1%
7	MF&G Trust & Finance Ltd	17,715,318.	3.0%
8	Sagicor Pooled Equity Fund	12,729,600.	2.2%
9	Sagicor JPS Employees Pension Plan	11,418,700.	1.9%
10	Heart Trust/NTA Pension Scheme	10,801,500.	1.8%
	<b>Subtotal</b>	<b>187,291,400.</b>	<b>31.7%</b>
	<b>Total</b>	<b>590,975,463.</b>	<b>100.0%</b>

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
1	Ian Williams	998,835	Ladesa Williams	0.17%
			Zane Williams	
2	Hope Fisher	0	N/A	0.00%
3	Damian Chin	0	N/A	0.00%
4	Peter Thompson	0	N/A	0.00%
5	Dr Ike J. Johnson	95,300	N/A	0.02%
6	Linval Freeman	200,000	Donna Freeman	0.03%
			Kristifer Freeman	
			Kimberly Freeman	
7	Horace Messado	633,884	Lisa-Gaye Camille Messado	0.11%
	<b>Subtotal</b>	<b>1,928,019</b>		<b>0.33%</b>
Shareholdings of Connected Parties				
1	Sygnus Capital Group Limited	6,581,100	Dr Ike J Johnson	1.11%
	<b>Total</b>	<b>590,975,463</b>		<b>100.0%</b>