

**SYGNUS** | CREDIT  
INVESTMENTS

# 2018 Annual Report

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UNLOCKING CAPITAL  
THROUGH PRIVATE CREDIT

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## VISION:

To be the leader in the Caribbean private credit market.

## MISSION:

To provide innovative, non-traditional financing solutions to medium-sized firms.

## Snapshot: Sygnus First Year Successes

**1.4** (US\$)  
Net Profit  
**million**

**1.2** (US\$)  
Total Investment  
Income  
**million**

**6.6** %  
Return on  
Average  
Equity

**15.7** (US\$)  
**million**  
Invested in strong Portfolio  
Companies across various  
key sectors

**10.9** %  
Weighted average  
yield on investments in  
Portfolio Companies

**37** (US\$)  
**million**  
Total Assets  
Largest listed private credit  
investor in the Caribbean

**20.2** (US\$)  
**million**  
Largest Caribbean private credit  
Initial Public Offering (IPO)

**First Dividend  
Payment**  
0.13358 US Cents announced  
for shareholders

 **Strong risk  
management**  
culture & processes

Zero non-performing  
**Private Credit  
Investments** 



# Directors’ Report

The directors of Sygnus Credit Investments Limited (“SCI” or the “Company”) are pleased to present their Annual Report with the audited financial statements for the year ended June 30, 2018.

Financial Highlights—Year Ended June 30, 2018:	USD
Total Income	1,838,656
Total Investment Income	1,194,330
Net Profit Attributable to Shareholders	1,423,747
Total Shareholders’ Equity	36,618,923

Details of these results are set out in the Management Discussion and Analysis and the Financial Statements, which are included as part of the report.

### Dividends

Post the end of the financial year, the Company declared an interim dividend of 0.13358 US cents per share to all shareholders on record as of September 18, 2018, and payable on October 19, 2018, subject to compliance with applicable laws. The ex-dividend date will be September 17, 2018.

### Appointment of Directors

The Company appointed directors on a phased basis in alignment with its growth. The first director appointed was Ike Johnson, followed by an additional three (3) directors appointed in July 2017, two (2) in November 2017 and one (1) in February 2018 to bring the composition to seven (7) directors.

### Meeting of Board of Directors

A total of three (3) board meetings took place during the financial year ended 30th June 2018. The maximum gap between any two board meetings was no more than 150 days. The names of members of the Board and their attendance at the board meetings are as outlined on page 19 of the report.

### Risk Management and Governance Committees

During the financial year, two sub-committees of the Board were established, namely the Audit & Governance Committee and the Enterprise Risk Committee. The Board of Directors of the Company has delegated the risk management of SCI to Sygnus Capital Management Ltd. (SCM) as the manager. More information on risk and governance are outlined on pages 15 through 20 of the report.

# Company Profile

Sygnus Credit Investments Limited is one of the largest specialty private credit investment (“PCI”) companies in the Caribbean, having successfully raised US\$36 million in equity capital during its first year in operation. This was achieved through a private sale of shares to institutional and high net worth investors in 2017 and an initial public offering in 2018. The Company’s ordinary shares are listed on the main US dollar market and main JA dollar market of the Jamaica Stock Exchange.

SCI is dedicated to providing non-traditional financing to medium-sized firms (“Portfolio Companies”) across the Caribbean region. These Portfolio Companies typically have revenues of between US\$5 million and US\$25 million. Non-traditional forms of credit are more customised and flexible than traditional financing. Consequently, the Company offers an alternative channel through which medium-sized firms can access capital to drive their expansion and growth.

The investment objective of SCI 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.

### Auditors

Our auditors, KPMG, who were appointed during the financial year, expressed a willingness to continue for the next financial year.

### Acknowledgement

The Directors would like to express their sincere appreciation to the shareholders and business partners of the Company for their continued support and partnership.

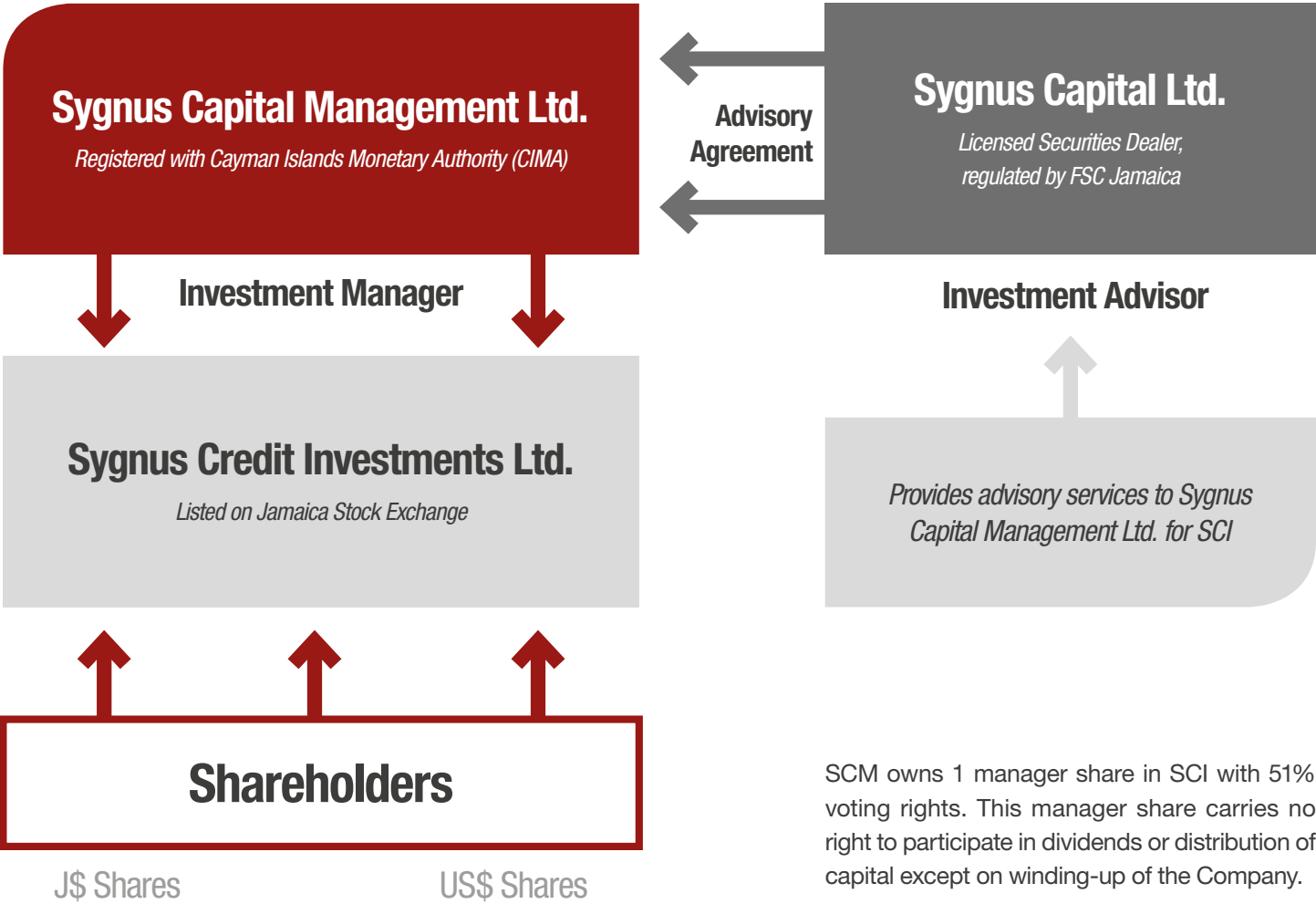


Clement “Wain” Iton, B.Sc, M.B.A  
Chairman, Sygnus Credit Investments Limited

On behalf of the Board of Directors.

# Corporate Structure

The assets and operations of the Company are managed by its Investment Manager, Sygnus Capital Management Limited (SCM), and advised by its Investment Advisor, Sygnus Capital Limited.



## Investment Decisions

The Investment Manager’s Board has delegated investment decisions to a Board sub-committee of experts, known as the Credit Risk and Investment Committee (CRIC). The CRIC has extensive regional and international experience and expertise spanning business strategy and risk management, corporate and investment banking, investment management and financial markets.

### The CRIC committee comprises:

#### Chairman: Milton Brady

Milton currently works as a senior advisor with Pan American Finance, where he uses his experience to provide advice and counsel to businesses and governments in the Caribbean region. Previous roles held by Milton include: Director and Global Head of Credit at SEB Merchant Banking (Sweden); President of SEB, New York (USA); Managing Director, Corporate and Investment Banking at CIBC FirstCaribbean (Barbados); Managing Director, CIBC FirstCaribbean (Jamaica); Chief Commercial Officer, LIME (formerly Cable & Wireless Caribbean); and Chief Risk Officer, NCB Group (Jamaica).

#### Simon Cawdery, CFA

Non-executive Director, HLX Management/IPAF Group, Cayman; Founder/Director Helix Group, Cayman; former Head of Investment Strategy/Senior Portfolio Manager at EFG Bank, Cayman; former Head of Discretionary Investments/Senior Portfolio Manager at Butterfield Bank, Cayman; former Credit Analyst at Barclays, UK.

#### Jason Morris, CFA

Chief Investment Officer and Head of Investment Management at Sygnus Capital Ltd.; former VP of Business Analytics, Portfolio Advisory & Product Development at Scotia Investments Jamaica; former Senior Investment Strategist & Portfolio Manager, and former Sovereign Risk Analyst at JMMB Group.

## Investment Recommendations

The Investment Advisor, through a committee of specialists from its Investment Advisory Committee (IAC), provides recommendations to the CRIC for decision-making. The IAC has extensive expertise in the Caribbean region structuring and arranging corporate credit transactions across a wide range of asset classes, including structured finance, securitization, mezzanine finance, project finance, acquisition financing, sale & lease back, and asset warehousing.

### The IAC committee comprises:

#### Chairman: Berisford Grey

Chief Executive Officer and Head of Investment Banking at Sygnus Capital; former Managing Director of Corporate & Investment Banking at CIBC FirstCaribbean, largest regional bank in the Caribbean; former SVP Origination and Capital Markets at Scotia Investments Jamaica where he established the capital markets as a strategic business unit. Beris also has significant experience in the European debt capital markets where he worked as an Associate Director in investment banking.

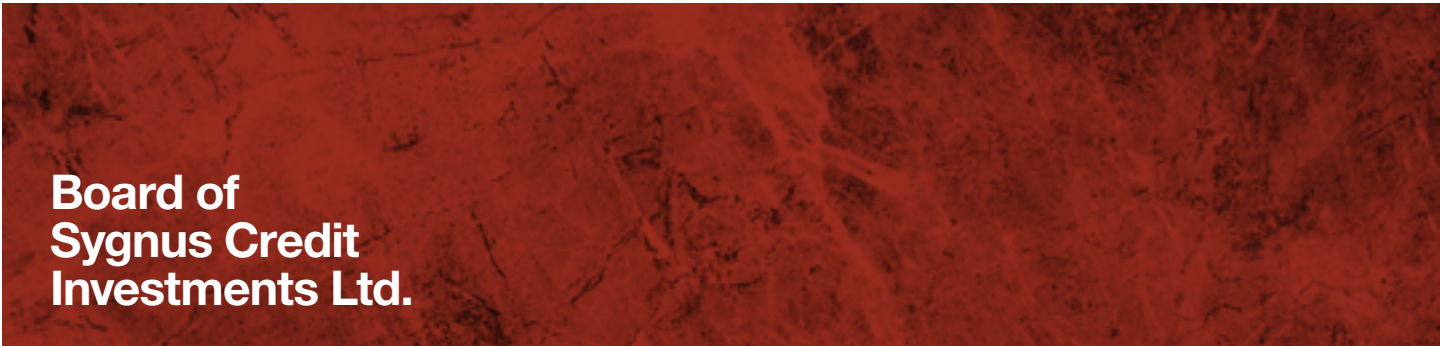
#### Gregory Samuels, CFA

Executive Director and Head of Corporate Advisory at Sygnus Capital; former Assistant VP of Treasury and Trading at Scotia Investments; former Associate Director, Client Solutions Group at CIBC FirstCaribbean where he provided structured products and derivative hedging solutions to clients. Former engineer with Royal Dutch Shell PLC.

#### Ike Johnson, PhD, CFA

Managing Director of Sygnus Capital Management; Chief Operating Officer and Head of M&A Advisory and Strategy at Sygnus Capital; former Assistant VP of Business Analytics and Product Development at Scotia Investments Jamaica; former Senior Strategy Management Officer and former Market Risk Analyst at JMMB Group.

# Board of Directors



## Board of Sygnus Credit Investments Ltd.

### CHAIRMAN

**Clement “Wain” Iton, B.Sc, M.B.A**  
Former Chief Executive Officer of the Trinidad and Tobago Securities and Exchange Commission (TTSEC); former Chief Executive Officer of the Trinidad and Tobago Stock Exchange (TTSE); former General Manager of the Jamaica Stock Exchange (JSE); former Project Manager and Corporate Planning Analyst at Grace Kennedy.

### DIRECTORS

**Ike Johnson, PhD, CFA**  
Managing Director of Sygnus Capital Management; Chief Operating Officer and Head of M&A Advisory and Strategy at Sygnus Capital Limited; former Assistant VP of Business Analytics and Product Development at Scotia Investments Jamaica; former Senior Strategy Management Officer and former Market Risk Analyst at JMMB Group.

**Nakita Edwards, CFA, FCCA, CPA**  
Nakita Edwards is a Tax, Accounting, Audit, Finance and Development Specialist experienced in working throughout the Caribbean with a variety of private sector companies, state corporations and statutory bodies in various industries. She is also a director and co-founder of DCIC Professional Services.

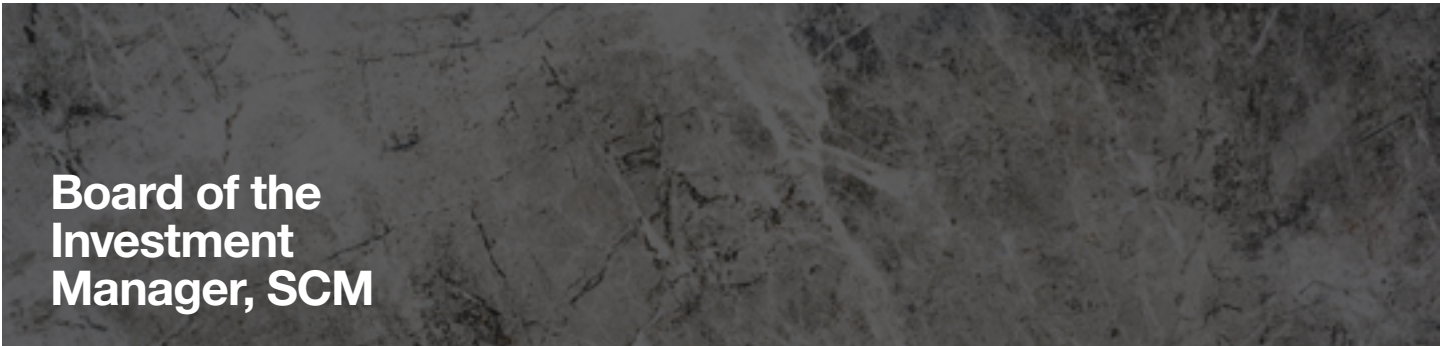
**Ian Williams, B.Sc., M.B.A**  
Ian Williams is currently the president and CEO of ZNW Management and Consultancy Limited. Ian works with companies that do not have a presence across the Caribbean market to help establish new relationships and sales in the region. Previously, Ian worked with CIBC FirstCaribbean International Bank (FCIB) for 15 years, primarily within Treasury. Prior to leaving FCIB, Ian was the director and head of Foreign Exchange Sales.

**Damian Chin, B.A., M.Sc.**  
Damian is currently the deputy director, Finance and Planning at Sandals Resorts International. Previously, he was a consultant at Paul Chen Young & Associates and a financial analyst at First Fidelity Bank in New Jersey.

**Peter Thompson, CFA, M.Sc.**  
Peter is a Senior Investment Manager, Pension and Client Portfolios at JMMB Group where he is responsible for the build out of the process and structures for the management and service delivery for client portfolios of JMMB. Previously he was the Manager, Group Product Portfolio and Business Development at JMMB Group.

**Hope Fisher, B.Sc**  
Hope Fisher is a civil servant with the Ministry of Labour & Social Security where she is currently the director of the Bond Portfolio at the National Insurance Fund (“NIF”). She has responsibility for monitoring the fixed income portfolio and developing the strategy to capitalise on investment opportunities.

# Board of Directors



## Board of the Investment Manager, SCM

### CHAIRMAN

**Walter H. Scott, Q.C.**  
Senior Partner and Managing Partner at Rattray Patterson Rattray; Crown Counsel; Office of Director of Public Prosecution; former Partner of Messrs. Grant, Stewart, Phillips & Co., Attorneys-at-law; founding Partner of Chancellor & Co, Attorneys-at-Law; member of the Jamaican Bar Association, Commonwealth Lawyers Association and Advocates Association of Jamaica; Chairman of Casino Gaming Commission; Director of University Hospital of the West Indies; former Chairman of Betting Gaming & Lotteries Commission; former Chairman of Private Security Regulations Authority; former Director of the Board of the Petroleum Corporation of Jamaica; specializes in commercial, civil and criminal (white collar) litigation, mining, libel, labour and gaming law.

### DIRECTORS

**Milton Brady, B.A., M.B.A.**  
Milton currently works as a senior advisor with Pan American Finance, where he uses his experience to provide advice and counsel to businesses and governments in the Caribbean region. Previous roles held by Milton include: Director and Global Head of Credit at SEB Merchant Banking (Sweden); President of SEB, New York (USA); Managing Director, Corporate and Investment Banking at CIBC FirstCaribbean (Barbados); Managing Director, CIBC FirstCaribbean (Jamaica); Chief Commercial Officer, LIME (formerly Cable & Wireless Caribbean); and Chief Risk Officer, NCB Group (Jamaica).

**Simon Cawdery, CFA**  
Non-executive Director, HLX Management/IPAF Group, Cayman; Founder/Director Helix Group, Cayman; former Head of Investment Strategy/ Senior Portfolio Manager at EFG Bank, Cayman; former Head of Discretionary Investments/Senior Portfolio Manager at Butterfield Bank, Cayman; former Credit Analyst at Barclays, UK.

**Jason Morris, CFA**  
Chief Investment Officer and Head of Investment Management at Sygnus Capital; former VP of Business Analytics, Portfolio Advisory & Product Development at Scotia Investments Jamaica; former Senior Investment Strategist & Portfolio Manager, and former Sovereign Risk Analyst at JMMB Group.

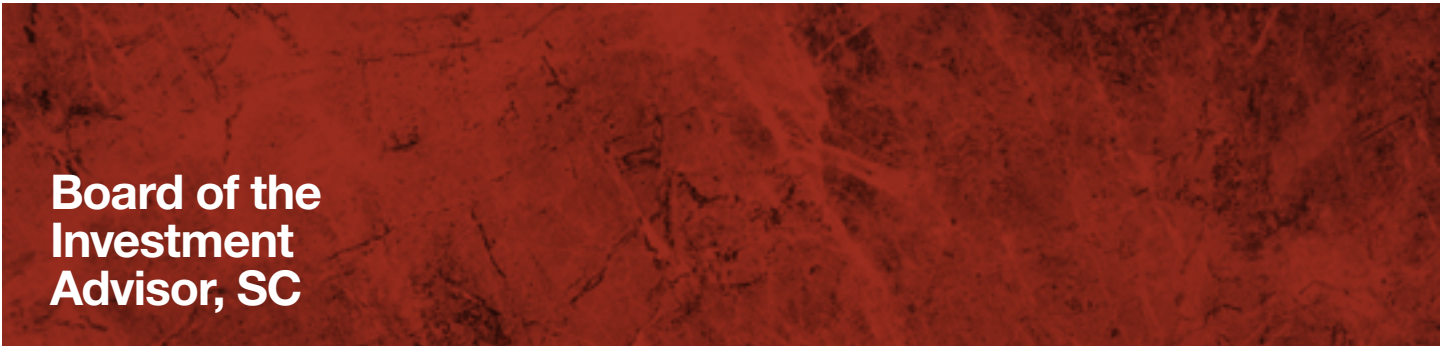
**Winston Connolly, LL.B (HONS), PGDL, BBA.**  
Managing Partner of Lainston International Management (Cayman); Former Member of Parliament of the Cayman Islands; former Equity Partner at HighWater Ltd.; past Chairman of the Cayman Islands Financial Services Council; past Secretary and Executive Board Member of Cayman Islands Bar Association

**Ike Johnson, PhD, CFA**  
(See Board of SCI)

**Clement “Wain” Iton, B.Sc, M.B.A**  
(See Board of SCI)



# Board of Directors



## CHAIRMAN

**Walter H. Scott, Q.C.**  
(See Board of SCM)

## DIRECTORS

**Gassan Azan, Jr.**  
Founder, Chairman and Chief Executive Officer of Bashco Trading Company Ltd. and MegaMart Wholesale Club; Chief Executive Officer of Sizzling Slots and SMWS Games Ltd.; awarded Prime Minister’s Medal of Appreciation in Jamaica; Justice of the Peace.

**Berisford Grey**  
Chief Executive Officer and Head of Investment Banking at Sygnus Capital; Former Managing Director of Corporate & Investment Banking at CIBC FCIB, largest regional bank in the Caribbean; Former SVP Origination and Capital Markets at Scotia Investments Jamaica where he established the capital markets as a strategic business unit within Scotia Investments.

**Debra Spence**  
Vice President, Insurance Sales & Service at Scotiabank; Certified Business Coach with ActionCOACH Jamaica; former VP of Small and Medium Enterprises at Scotiabank Jamaica; former Centre Director, Scotia Private Client Group Jamaica; former Wealth Director/Retail Sales Director at CIBC FirstCaribbean (Jamaica); former VP, Wealth Management and Distribution at NCB Capital Markets Ltd.\*

*\*Debra resigned from the Board on May 24, 2018.*

**Jason Morris, CFA**  
(See Board of SCM)

**Milton Brady, B.A., M.B.A.**  
(See Board of SCM)

**Ike Johnson, PhD, CFA**  
(See Board of SCI)

# Chairman’s Report

**We are pleased to submit the Annual Report for Sygnus Credit Investments Ltd. for the year ended June 30, 2018. The Company reported a net profit of US\$1.4m and total investment income of US\$1.2m, representing its core earnings. Earnings per share was 0.9 US cents while return on equity was 6.6%.**

As a very young firm, SCI’s positive first-year reflect success in the execution against its goal to be a leader in the regional private credit market, by targeting the niche medium-sized sector.

### Key Highlights

The performance of the Company’s core earnings has allowed SCI to announce its first interim dividend of 0.13358 US cents per share to shareholders payable on October 19, 2018.

Regarding shareholders, the Company’s initial public offering on the main market of the Jamaica Stock Exchange during the June quarter was a resounding success, raising US\$20.2m. We thank the more than two thousand shareholders who subscribed.

Prior to the IPO, SCI raised US\$16.0m in the private sale of shares in mid 2017 from institutional and high net worth investors. The majority of this funding came from pension funds, which is a rare feat for a startup company. The magnitude of this is not lost on us, and we are truly humbled by the expression of confidence reposed in the Company. Our mission, therefore, is to position SCI to deliver long-term value creation for all stakeholders.

Throughout the year, one of SCI’s key achievements was its ability to fund over US\$15m in investments to medium-sized firms at various stages of growth and expansion. These investments are performing at 100% while generating a 10.9% yield. As a medium-risk investor, SCI has carefully selected and partnered with Portfolio Companies that meet its risk appetite, and can deliver appropriate risk-adjusted returns for shareholders on a consistent basis. Credit risk and overall risk management is thus a key part of SCI’s DNA, which is monitored via a robust risk and governance process at different levels.

### Looking Forward

SCI, with US\$20m in excess capital at financial year-end, is well positioned to provide leadership in the private credit space while pursuing robust revenue growth for the benefit of shareholders.

We wish to thank all the Directors of the Company, the Investment Manager, Investment Advisor and their teams for their hard work and leadership in the pursuit of SCI’s strategic objectives. Most importantly, thank you to our shareholders and our various Portfolio Companies as we look towards a future of strong growth together.

**Clement “Wain” Iton, B.Sc, M.B.A**  
*Chairman, Sygnus Credit Investments Limited*



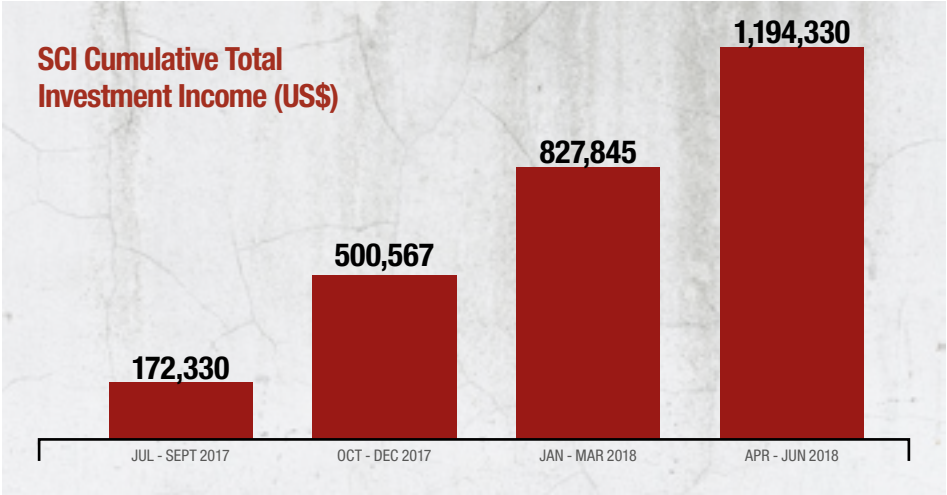
# Management Discussion and Analysis

### Result of Operations

Sygnus Credit Investments Limited is pleased to report a net profit of US\$1,423,747 for the financial year ended June 30, 2018. This amounts to 0.9 US cents in basic earnings per share. Total comprehensive income was US\$1,511,250, comprising the net profit of US\$1,423,747 and US\$87,503 in unrealised gains.

The Company’s core activities are measured by net investment income, which was US\$829,416 or 0.5 US cents per share. This was driven by US\$1,194,330 in total investment income less US\$364,914 in operating expenses.

The main driver of total investment income was US\$1,167,816 in interest income from investments (98%), while US\$182,368 in management fees (50%), US\$48,435 in audit fees and expenses (13%) and US\$32,572 in professional fees (9%) were the main drivers of operating expenses.



Summary Results of Operations		US\$
Total Investment Income		1,194,330
Total Operating Expenses		364,914
Net Investment Income		829,416
Fair Value Gains		644,326
Less Net Foreign Exchange Loss		49,995
Net Income before Tax		1,423,747
Taxation Charge		0
Net Profit Attributable to Stockholders		1,423,747
Other Comprehensive Income:		
Unrealized Gains		87,503
Total Comprehensive Income		1,511,250
Earnings Per Share		0.9¢
Net Investment Income per Share		0.5¢
Return on Equity		6.6%
Efficiency Ratio		42.7%

Non-core activities amounted to US\$694,321; comprising US\$644,326 in fair value gains less US\$49,995 in foreign exchange losses. Fair value gains were driven by investments in two Portfolio Companies with profit sharing upside in addition to regular investment income. Net investment income plus non-core activities make up the reported net profits.

Total investment income plus fair value gains resulted in total income of US\$1,838,656, while operating expenses plus net foreign exchange losses resulted in total expenses of US\$414,909.

SCI generated a 6.6% return on average equity of US\$21,483,611. The Company’s core activities generated an efficiency ratio of 42.7% measured by operating expenses to total investment income.

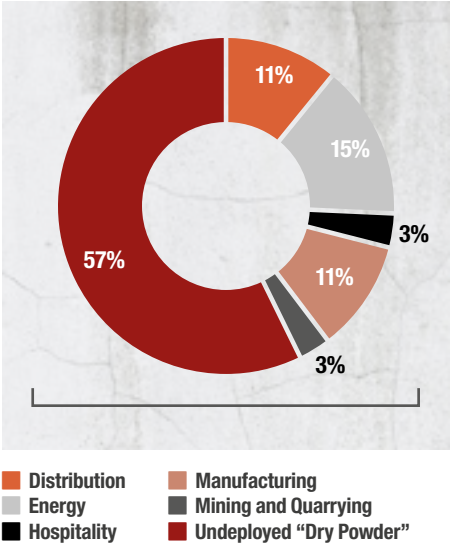
### Investment Activity

During the year, SCI funded investments of US\$15,653,990 in eight (8) Portfolio Companies and successfully exited one (1) Portfolio Company for a value of US\$682,895. The remaining seven (7) Portfolio Companies had a fair value of US\$15,702,924 and was diversified across five (5) industries.

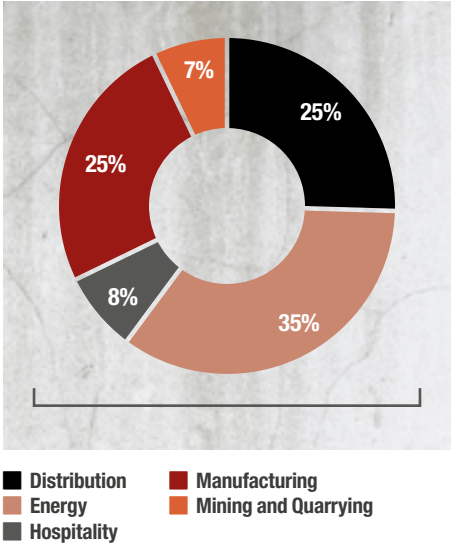
Summary of Investment Activity		US\$
Fair Value of Investment in Portfolio Companies		15,702,924
Undeployed Cash ("Dry Powder")		21,039,317
Total Number of Portfolio Company Investments		7
Average Velocity of Net Investments per quarter		3,767,247
Average Investment per Portfolio Company		2,152,713
Weighted Average Term of Investments (in years)		3.4
Weighted Average Yield on Portfolio Companies		10.9%

SCI had undeployed cash or “Dry Powder” of US\$21,039,317 to invest in additional Portfolio Companies, mainly consisting of capital raised in an IPO during the June 2018 quarter. Excluding Dry Powder, SCI’s investments were mainly allocated in the Energy (35%), Distribution (25%) and Manufacturing (25%) sectors. Including Dry Powder, the top three sectors accounted for 36% of SCI’s investment portfolio.

Investment Allocation With “Dry Powder” as at June 30, 2018



Investment Allocations Excluding “Dry Powder” as at June 30, 2018



The Company had an estimated net investment rate of US\$3,767,247 per quarter with an average investment of US\$2,152,713 per Portfolio Company. The weighted average tenor of investment in Portfolio Companies was 3.4 years with a weighted average yield of 10.9%. All Portfolio Company investments were performing as expected and there were no credit losses or delinquent investments.

### Summary of Portfolio Companies

SCI currently invests in some market-leading Portfolio Companies with strong track records within their respective industries. The Company uses a wide array of innovative investment instruments to execute its investments, including preference shares with profit sharing, commodity repurchase agreements, and customised medium-term notes.

As an additional buffer to protect its investments, SCI’s investment advisor has board observation rights or board seats for its two profit-sharing investments, which represent additional upside potential. Thus, the profit sharing investments are taking medium risk by sharing in the profits while creating value for the Portfolio Companies using a flexible financing solution.



Portfolio of Company Investments				
Portfolio Company Description	Country	Industry	Maturity	Private Credit Instrument
Bottling and Beverage Production	Jamaica	Manufacturing	3-5 Years	Preference Share with profit sharing
Food and Entertainment Services	Jamaica	Hospitality	3-5 Years	Finance Lease
Luxury Resort Services	Jamaica	Hospitality	3-5 Years	Customized Medium Term Note
Production of Aggregates	Jamaica	Mining & Quarrying	1-3 Years	Customized Medium Term Note
Oil and Gas Distribution	Jamaica	Energy	3-5 Years	Preference Share with profit sharing
Retail Petroleum Products	Jamaica	Energy	3-5 Years	Customized Medium Term Note
Consumer Products Distribution	Jamaica	Distribution	<1 Year	Commodity Repurchase Agreement
3.4 Years				
Portfolio Company Investments Exited				
Portfolio Company Description	Country	Industry	Maturity	Private Credit Instrument
Primary Commodity Distributor	Jamaica	Distribution	Exited	Commodity Repurchase Agreement
< 1 Year				

### Management Expense Ratio

SCI's investment manager, Sygnus Capital Management Limited, is paid a management fee of 1.9% per annum of total assets under management (AUM). In addition, SCM is paid a performance fee of 15% above a hurdle rate of 6% average return on equity (ROE).

No management fees were charged during the first six months of the financial year. As a result, management fees were US\$182,368 representing only 0.85% of the average US\$21,507,560 AUM for the year. Regarding performance fees, SCI generated an ROE of 6.6%, but no performance fees were charged. Overall, the management expense ratio, defined as total expenses (US\$414,909) as a percentage of AUM (US\$36,520,298), was 1.1%. This was substantially lower than expected.

### Balance Sheet

SCI had US\$37,004,578 in total assets, mainly comprising US\$15,702,924 in Portfolio Companies and US\$21,039,318 in Dry Powder. The Company had liabilities amounting to US\$385,655, mainly consisting of US\$201,779 in accounts payable and accrued liabilities with US\$183,876 due to related companies.

### Shareholders' Equity

Total shareholders' equity was US\$36,618,923 at the end of the first year of operations. The total number of shares issued was 350,087,563, with a book value per share of 10.46 US cents.

### Capital Raised

As a startup in 2017, the company raised US\$15,975,526 in a private sale of 159,269,523 shares to pension funds and high net worth investors. Subsequent to investing out the majority of this capital, the Company raised an additional US\$20,221,080 via an IPO on June 07, 2018 by issuing 190,818,040 shares. The IPO was the largest public issue of shares by a private credit investment company in the Caribbean. The proceeds of the IPO are being used to invest in additional Portfolio Companies across the Caribbean.

### Dividend Coverage

SCI's dividend policy is to pay out up to 85% of net income as dividends to shareholders. The payment of dividends is primarily driven by SCI's net investment income, which reflects its core investment activities and represents stable long term earnings.

The announced dividend payment of US\$0.13358 cents per share or US\$467,652 was 56.4% of the firm's stable long-term earnings or net investment income of US\$829,416. Volatility in non-core activities may impact the level of dividends paid from time to time.

### Operating Environment

During the financial year, SCI mainly deployed capital in Portfolio Companies operating in Jamaica. The primary reason driving this decision was that Jamaica's economic backdrop is among the best in the Caribbean. For example, debt/GDP trending below 100% for the first time in more than a decade; one of few Caribbean countries with a fiscal surplus of ~0.6% of GDP; inflation hovering near half a century lows below 4%; and a moderate current account deficit below 5% GDP.

In addition, credit defaults remain low aided by record low interest rates. Jamaica also tops the list for the Caribbean in the World Bank's *Ease of Doing Business* report. The country has also executed substantial economic policy reforms over the past half a decade, and is now in the process of implementing an independent fiscal council and an independent central bank. These reforms can transform the Jamaican economy over the medium-term and thus create a better environment for Portfolio Companies.

At different points during the financial year, the Jamaican currency experienced significant volatility, as it transitioned towards an inflation-targeting regime. This volatility is expected to dampen over the medium-term, but may continue over the short-term as the market adjusts to this new regime.

### Strategic Direction

The regional private credit industry is in its early stage of development with an estimated US\$100 million to US\$200 million in dedicated capital, representing less than 1% of the non-government credit market. Thus, there is a substantial opportunity for growth and development of the regional private credit industry.

SCI will focus on three strategic priorities over the next three years to build its leadership in the regional private credit industry:

- (1) be a leading source of flexible and innovative capital for medium-sized firms and co-investing partners;
- (2) strive for geographic diversification by investing in other Caribbean markets; and
- (3) limit the risk of non-performing investments among Portfolio Companies to less than 5%.

As a private credit investor in a young market, SCI focuses on originating a very broad set of medium-sized opportunities with the goal of investing in the best credits where the Company can find compelling risk-adjusted returns. To achieve this, SCI will maintain its current strategic approach.

SCI's Strategic Approach
✓ Invest in leading, non-cyclical Caribbean firms with attractive growth prospects and high free cash flows
✓ Use Investment Advisor's direct origination for greater influence on investment structures
✓ Seek board seats/ board observation rights for investments structured with equity upside
✓ Proactively manage risk and use a robust process to preserve capital and create value

SCI has significant Dry Powder to deploy in new investments in the coming financial year, and thus, is well-positioned to take advantage of its pipeline of opportunities across the Caribbean region to be a leader in the private credit space.

## “Innovative Financing Using Private Credit”

In looking outward, SCI has an unwavering focus on providing medium-sized firms with innovative financing solutions using private credit instruments. The Company also seeks to provide access to non-traditional financing for underserved areas to complement traditional debt and equity financing. Finally, SCI will also, where feasible, seek avenues to deepen relationships with businesses across the Caribbean region by partnering with other forms of private capital to co-invest in opportunities that will deepen the nascent private credit market.

### RISK MANAGEMENT

#### Risk Management Policy

The Company's goal in risk management is to ensure that it understands, measures, and monitors the various risks that arise, and that it adheres strictly to the policies and procedures that are established to address these potential risks.

The Company has developed and implemented a risk management policy that identifies major risks that threaten the existence of the Company. Risk mitigation processes and measures are also formulated and clearly outlined in the policies and procedures. The risk management policy of the Company also adopts best practice measures to address any perceived or real conflict of interest that may arise in the operations and management of the business.

The Board of Directors of the Company is ultimately responsible for the risk management policies of SCI.

### Credit and Risk Management Committee:

The Company has delegated the management of credit risk to the Credit Risk and Investment Committee, a sub-committee of the Board of the Investment Manager. The CRIC is responsible for the overall risk management of the Company and is responsible for all credit and investment decisions relating to the Company's investment portfolio.

This committee consists of three members, two of whom are independent of the Company, including the Chairman who was 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.

### Investment Advisory Committee

The Company's investment advisor, Sygnus Capital Limited, is responsible for analyzing and recommending all investment and credit proposals to the CRIC and supporting the Investment Manager with the monitoring of the investment portfolio.

The investment advisor executes these functions through an Investment Advisory Committee.

This committee consists of three members who were appointed by the Investment Advisor’s Board of Directors. The CEO of the Investment Advisor was appointed as the Chairman of the IAC.

As a private credit investment company, SCI faces a number of different risks associated with its investments, including credit risk, market risk, operational risk and liquidity risk.

**1. Credit Risk:**

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The Company’s credit risk is concentrated, primarily in private credit investments, cash at bank balances, securities purchased under resale agreements and other receivables.

To mitigate Credit Risk, the Company has several lines of defense:

- (a) **Independent Decision Making Process:** The first line of defense is the separation of investment decisions from deal origination. Investment decisions can only be made by the CRIC, which reviews each private credit transaction on its own merit. The IAC, which recommends investments, has no decision-making authority.
- (b) **Screening, Approval and Documentation:** SCI only invests in Portfolio Companies, which the CRIC believes to be financially sound investments. Each investment goes through a screening, approval and documentation process to determine if it meets SCI’s investment criteria.
- (c) **Post-Investment Monitoring:** after each investment is made, they are monitored to determine if there are any changes in the financial performance or credit profile of each Portfolio Company. Part of this monitoring process may include board observation rights or board seats for certain types of investments. The investment advisor executes these activities.
- (d) **Concentration Limits:** SCI limits its investment exposure per sector/industry and per individual Portfolio Company or group of Portfolio Companies to mitigate credit risk. The Company also limits the size of each individual transaction to reduce concentration risks.
- (e) **Delinquency and Recoveries Management:** SCI has no delinquent investments. However, through its investment manager, SCI has policies and procedures on delinquency and recoveries management, some of which will be outsourced to third parties.

**2. 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 rate 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 IAC and the CRIC.

The elements of market risk that affect the Company 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 Company incurs foreign currency risk on transactions that are denominated in currency other than the United States dollar. The main currency giving rise to this risk is the Jamaican dollar (J\$).

To mitigate foreign currency risk, the Company:

- (i) utilises a value-at-risk tool to monitor the impact of FX on its portfolio on an ongoing basis;
- (ii) builds in a depreciation buffer into its non-USD investments with an annual return target threshold. This buffer may take the form of higher interest income or additional upside that would be realized on successfully exiting the investment; and
- (iii) limits the amount of non-USD investment in Portfolio Companies.

**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 Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

To mitigate interest rate risk, the Company:

- (i) monitors interest rates daily. Even though there is no formally pre-determined gap limit, 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;
- (ii) invests primarily in instruments whose value is carried at amortized cost, thus minimizing the impact of any movement in market interest rates on its portfolio; and
- (iii) maintains an appropriate mix of variable and fixed rate instruments.

**3. Operational Risk:**

Operational risk is the risk arising from the execution of SCI’s business functions, particularly the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events such as:

- (a) **Internal Fraud** - misappropriation of assets, tax evasion, intentional mismarking of positions, and bribery;
- (b) **External Fraud** - theft of information, hacking damage, third-party theft and forgery;
- (c) **Business Practice** - market manipulation, antitrust, fiduciary breaches, account churning;
- (d) **Business Disruption & Systems Failures** - utility disruptions, software failures, hardware failures; and
- (e) **Execution, Delivery, & Process Management** - data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets.

The Company’s Cybersecurity risks mainly emanate from systems and networks used by its investment manager and investment advisor. These networks and systems are continuously monitored and protected against security breaches by robust information technology systems and practices.

Operational Risk is mitigated by delegation of authority and operational procedures at different levels via the investment manager, the investment advisor and other third party advisors.

**4. Liquidity Risk:**

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

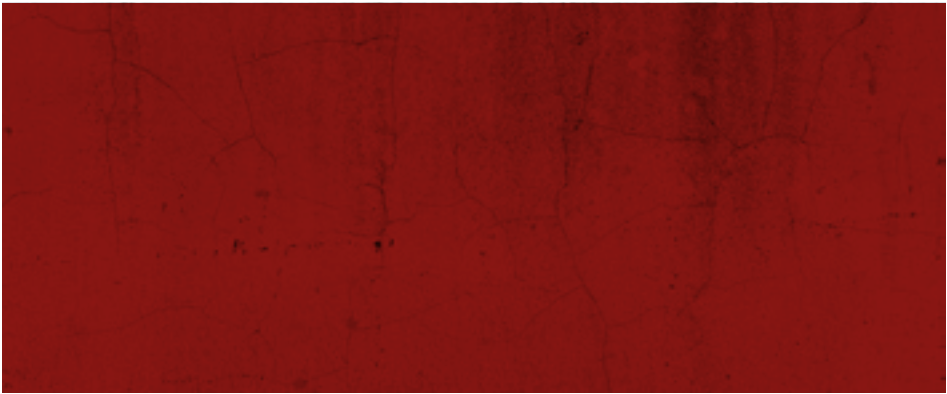
In addition, the Company faces liquidity risk in the form of funding risk. This is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with its investments. Maturities of assets and liabilities, and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates

The Company mitigates liquidity risk by:

- (a) not being subject to any externally imposed liquidity requirements; and
- (b) maintaining an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.



# Corporate Governance



## THE BOARD OF DIRECTORS

The Board has adopted a formal Mandate that details its functions and responsibilities. The Mandate is updated biennially and was last reviewed and approved by the Board in 2017. The Articles of Association of SCI provides for a Board of Directors of not more than nine (9) persons.

## BOARD RESPONSIBILITY

Whilst the Investment Manager and the Investment Advisor undertake the day-to-day operations of the Company, the Board of Directors remains ultimately accountable to the Company’s stakeholders for its performance and adherence to applicable laws and good corporate governance practices. The Board of Directors of SCI established a tradition of best practice in corporate governance as a foundation for long-term success and has committed to internationally accepted standards and practices, including compliance with sound accounting practices. SCI recognises the need to continuously upgrade its standards of corporate governance through a review process, and therefore, intends to adopt new standards as they evolve.

**The Board of Directors has delegated the below responsibilities, amongst others, to the Investment Manager, but maintains oversight through various committees, contractual arrangements and board meetings:**

- 1. the strategic direction of SCI, which involves setting its business objectives and the plans for achieving them;
- 2. execution of the approved business objectives through adequate management and resources;
- 3. monitoring the performance of the Company’s investment portfolio with a view to achieving the strategic objectives and ensuring compliance with all applicable legal and regulatory regimes; and
- 4. due and proper accounting to all stakeholders of SCI including, in particular, the stockholders.

The directors are expected to exercise sound and independent judgment that is in the best interest of the Company and the interests of various stakeholders. The directors may rely on the expertise of the Investment Manager, external professional advisors and the auditors.

## COMPOSITION OF THE BOARD

At the date of this Statement, the Board consisted of seven (7) directors, comprising:

- Seven (7) non-executives, of which three (3) were independent members and three (3) represented anchor shareholders. The anchor shareholders nominate directors representing anchor shareholders.
- One (1) non-executive director who is an executive director of the investment advisor, an affiliated company.

## COMMITTEES OF THE BOARD

The Board has delegated certain responsibilities to its Audit & Governance Committee and its Enterprise Risk Committee.

### Audit & Governance Committee

The primary purpose of this Committee is to assist the Board in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board, the Enterprise Risk Committee, the Company’s management and the Company’s external auditors. The Committee will play a key role in corporate governance and internal controls of SCI. The Committee is also responsible for assisting the Board of Directors and management in its compliance with regulatory requirements.

**The Committee consists of three (3) independent non-executive directors, namely:**

- Nakita Edwards (Chair);
- Clement “Wain” Iton; and
- Ian Williams.

### Enterprise Risk Committee

This Committee is accountable to the Board and shall assist 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 shall also assist 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 will work closely with the Audit & Governance Committee.

**The members of the Enterprise Risk Committee are:**

- Damian Chin (Chair);
- Hope Fisher; and
- Peter Thompson.

## APPOINTMENT, RE-ELECTION AND TERM OF BOARD MEMBERS

Each director receives a letter of appointment setting out the key terms and conditions of the office. The process of election and re-election of directors is carried out in accordance with the Company’s Articles of Incorporation, which require that at

the first Annual General Meeting (AGM) of the Company all the directors (except the Managing Director) shall retire, and for each subsequent AGM, one-third of the directors are required to retire from office and are eligible to stand for re-election and election respectively.

The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring director shall be eligible for re-election.

To balance the benefits of experience with the need for new perspectives, the Board has in place term limits that seek to achieve ongoing renewal. All non-executive directors will be appointed for an initial period of up to three (3) years, subject to annual re-election by shareholders. After the initial three (3) years, a director’s term may be renewed for a further period of up to three (3) years. The shareholders may, however, choose to re-elect an independent director who has already served for six (6) years.

The Company may by resolution remove any director before the expiration of his period of office notwithstanding anything in these regulations or any agreement between the Company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the Company.

## MEMBERS’ ATTENDANCE AT MEETINGS

Directors are expected to prepare adequately for, attend and actively participate in Board meetings and meetings of Board Committees. There were three (3) Board meetings held during the year, two (2) Audit Committee Meetings and one (1) ERC Meeting. The Company’s first Annual General Meeting was also held on May 1, 2018.

	TYPES OF MEETINGS			
	Annual General Meeting	Board Meeting	Audit and Governance Meeting	Enterprise Risk Committee
Number of Meetings	1	3	2	1
Clement “Wain” Iton, Chairman	1	3	2	-
Nakita Edwards	1	3	2	-
Ian Williams	1	3	2	-
Damian Chin *	1	2	-	1
Peter Thompson*	1	2	-	1
Hope Fisher **	1	2	-	1
Ike Johnson	1	3	-	1

### Notes:

\* Appointed November 1, 2017

\*\* Appointed February 16, 2018

CONFLICT OF INTEREST

Where the personal or business relationships or interests of any board member is in conflict with those of SCI, the director is required to disclose in writing, or by requesting to have it entered in the minutes of the meeting, the nature and extent of any interest he may have in a material contract or material transaction with SCI. The director would also excuse his participation from that portion of the meeting when the matter is discussed. The procedures for dealing with conflicts of interest are outlined in the Code of Conduct for Directors.

DIRECTOR COMPENSATION

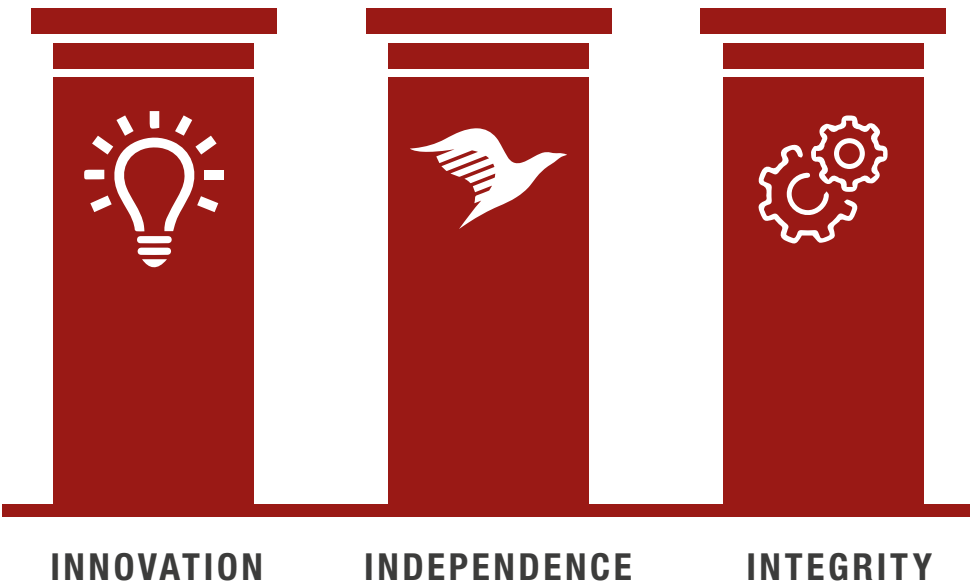
Three independent members of the Company’s Board of seven Directors are compensated for their services, including the Chairman of the Board. For the financial year, a total of US\$29,225 was incurred for Directors’ fees and related expenses.

SHAREHOLDER ENGAGEMENT

SCI is a new company charting a path in the development of the private credit industry across the region. Thus, the Company is committed to providing a high level of engagement with shareholders via regular and transparent communication to facilitate a better understanding of its business performance. In addition to its annual general meeting, SCI provided shareholder updates on business highlights and SCI’s financial performance via a number of different channels including:

- (1) SCI’s Investor Centre webpage located at: [sygnusgroup.com/sci](http://sygnusgroup.com/sci)
- (2) The Investment Manager’s LinkedIn page located at: [sygnusgroup](http://sygnusgroup)
- (3) The Jamaica Stock Exchange website
- (4) Direct emails to shareholders whose emails are on file. Shareholders who wish to receive email communication from SCI may send their email addresses to [sci@sygnusgroup.com](mailto:sci@sygnusgroup.com) with the heading “Add to Shareholder Mailing List” and your JCSD account number in the body of the email.
- (5) General communication via the press.

The 3i’s Principle  
Ensures your interests  
come first.



In taking a leadership role in the development of the regional private credit market, SCI is driven by three core principles:

- INNOVATION**  
Constantly develop new ideas to provide medium-sized firms with financing solutions that exceed their expectations;
- INDEPENDENCE**  
Remain free of influences that are not aligned with putting the interests of Portfolio Companies and stakeholders first.
- INTEGRITY**  
Be honest, reliable and ethical in all interactions with Portfolio Companies, stakeholders and the wider community.

Corporate Data

BOARD OF DIRECTORS

Clement “Wain” Iton, B.Sc., M.B.A	Chairman
Nakita Edwards, CFA, FCCA, CPA	Non-executive Director
Ian Williams, B.Sc., M.B.A	Non-executive Director
Peter Thompson, CFA, M.Sc.	Non-executive Director
Damian Chin, B.A., M.Sc.	Non-executive Director
Hope Fisher, B.Sc.	Non-executive Director
Ike Johnson, PhD, CFA	Non-executive Director

SECRETARY  
MCSI Inc.

20 Micoud Street  
Castries  
St. Lucia

REGISTERED OFFICE  
20 Micoud Street  
Castries  
St. Lucia

ATTORNEYS-AT-LAW  
Patterson Mair Hamilton  
Temple Court  
85 Hope Road  
Kingston 6  
Jamaica

EXTERNAL AUDITORS  
KPMG  
204 Johnsons Centre  
No. 2 Bella Rosa Road  
Gros-Islet  
Saint Lucia

REGISTRAR  
Jamaica Central Securities  
Depository Limited  
40 Harbour Street  
Kingston  
Jamaica

BANKERS  
CIBC FirstCaribbean International  
Bank (Jamaica) Ltd.  
NEW KINGSTON BRANCH  
23-27 Knutsford Blvd  
Kingston 5

CIBC FirstCaribbean International  
Bank (Barbados) Ltd.  
BRIDGE STREET BRANCH  
P.O. Box 335, 336, 350  
Bridge Street Castries

CONTACT US  
Website: [www.sygnusgroup.com](http://www.sygnusgroup.com)  
Email: [sci@sygnusgroup.com](mailto:sci@sygnusgroup.com)  
Telephone Number: 876-634-5000

MAILING ADDRESS:  
Sygnus Credit Investments Ltd.  
20 Micoud Street  
Castries, St Lucia



# Shareholder Information

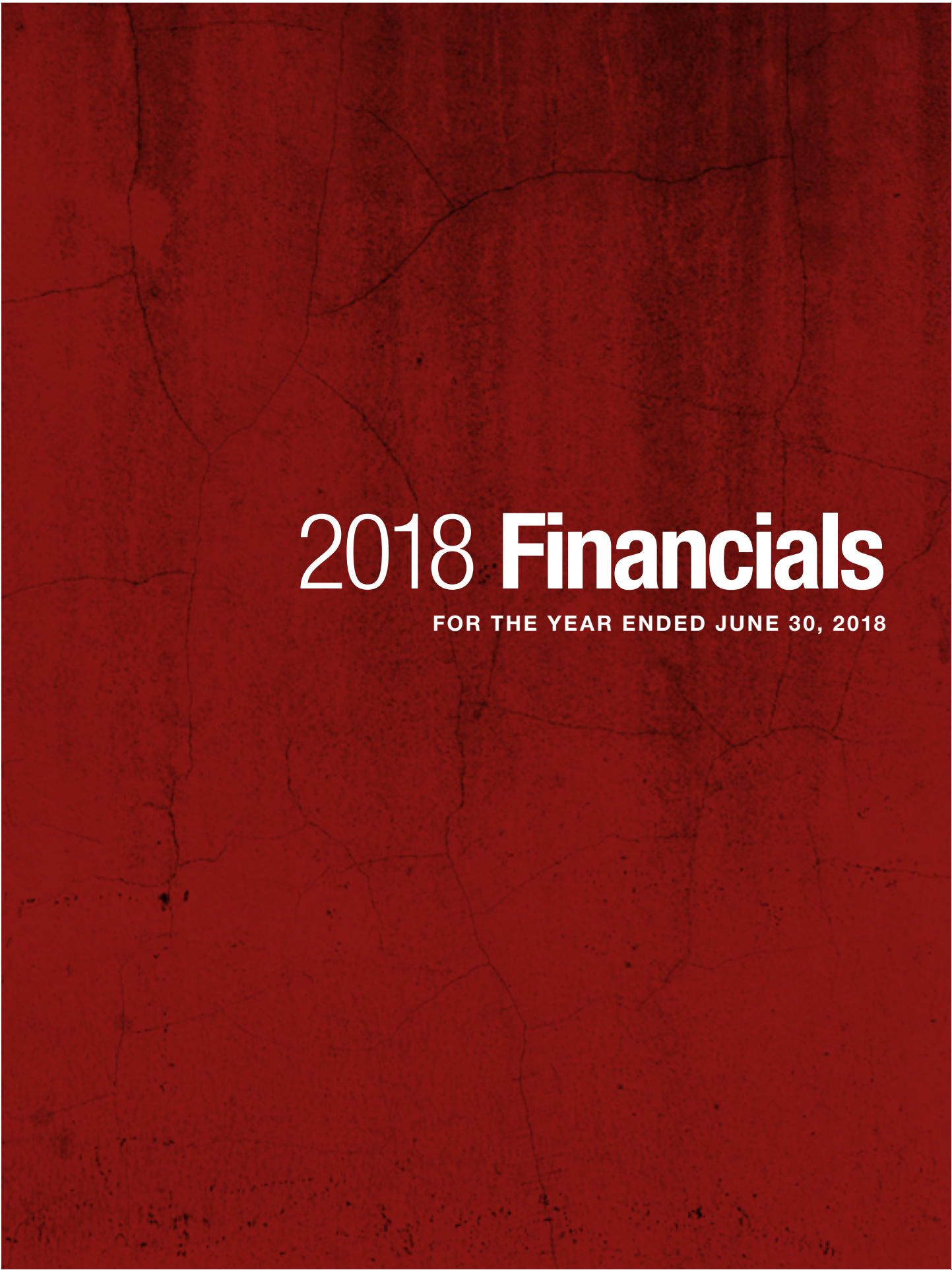
## Top 10 Shareholders

Shareholder	Shareholdings	%
ATL Group Pension Fund Trustees Nominee Ltd.	27,500,000	7.9%
JCSD Trustee Services Ltd. - Sigma	21,450,400	6.1%
MF&G Trust & Finance Ltd.	20,139,000	5.8%
National Insurance Fund	20,000,000	5.7%
Equity Fund (JMD), JMMB T1	19,460,000	5.6%
Heart Trust/ NTA Pension Scheme	8,189,300	2.3%
Mandala Inc.	7,765,000	2.2%
Gassan Azan	7,285,700	2.1%
Zhong, Yiyao	7,000,000	2.0%
Jamaica Money Market Brokers Ltd. FM10	6,933,400	2.0%
Subtotal	145,722,800	41.6%
Total Number of Shares	350,087,563	100.0%

## Shareholdings of Directors, Senior Management & Connected Parties

Director	Shareholdings	Connected Party
Clement “Wain” Iton	95,200	-
Nakita Edwards	Nil	-
Ian Williams	1,000,000	Ladesa Williams
Hope Fisher	Nil	-
Damian Chin	Nil	-
Peter Thompson	Nil	-
Dr. Ike Johnson	95,300	-
Dr. Ike Johnson	5,400,000	Sygnus Capital Management Ltd.
Senior Management	Shareholdings	Connected Party
Sygnus Capital Management Ltd.	5,400,000	Dr. Ike Johnson
McNamara Corporate Services Ltd.	Nil	-

**Note:** Sygnus Capital Management Ltd. has 1 manager share with 51% voting rights.





**KPMG**  
204 Johnsons Centre  
No. 2 Bella Rosa Road  
Gros-Islet  
Saint Lucia  
Telephone: (758) 453 2298  
Email: [ecinfo@kpmg.lc](mailto:ecinfo@kpmg.lc)

INDEPENDENT AUDITORS’ REPORT

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Sygnus Credit Investments Limited (“the Company”), set out on pages 31 to 59, which comprise the statement of financial position as at June 30, 2018, the 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 Company as at June 30, 2018, and its financial performance and its 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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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.

KPMG, a Barbados and Eastern Caribbean partnership, registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**1. Valuation and classification of investments**

The key audit matter	How the matter was addressed in our audit
<p>The valuation and classification of the Company’s investments has been identified as a key audit matter given that the valuation includes significant assumptions and judgments about the performance of the underlying portfolio companies, over the tenure of the investments.</p> <p>Furthermore, the valuation methodology relies on unobservable inputs which have a significant impact on the resulting value of the investments.</p> <p>These judgements and assumptions could result in estimated fair values that are materially different from actual transaction values.</p> <p><i>[see notes 9 and 18 to the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"><li>Assessing and testing the design and operating effectiveness of the Company’s controls over the determination and computation of fair values.</li><li>Challenging the reasonableness of prices/fair values by comparing to independent third party information.</li><li>Involving our own valuation specialists to assess the reasonableness of the valuation methodologies employed and the fair value conclusions. We considered the provisions of IFRS 13 <i>Fair Value Measurement</i> and reviewed the sources of data and underlying assumptions utilised to value the underlying investments</li><li>Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values.</li><li>Evaluating the appropriateness of classification of investment components in accordance with IFRS.</li></ul>





INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

Key Audit Matters (continued)

2. Issue of ordinary shares to the public

The key audit matter	How the matter was addressed in our audit
<p>The Company was listed on the Jamaica Stock Exchange on June 18, 2018, after 54.51% of its shares were issued to the public at J\$13.72 for the JMD class shares and US\$0.11 for the USD class shares.</p> <p>Existing shareholders purchased JMD class shares for J\$13.10 and USD class shares for US\$0.105.</p> <p>The accounting for this transaction is considered a key audit matter as judgement is required in determining the qualifying costs which relate solely to the issue of the shares, which are accounted for directly within equity.</p> <p><i>[see note 12 to the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"><li>• Examining the analysis of the relevant costs incurred in the transaction and assessing their qualification as direct costs based on the requirements of IAS 32 <i>Financial Instruments: Presentation</i>.</li><li>• Verifying a sample of the qualifying costs to supporting invoices and other relevant documentation.</li><li>• Assessing the adequacy of the disclosures in respect of the share issue and the related transaction costs.</li></ul>

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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

Other Information (continued)

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.

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 Company'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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

*Auditors' Responsibilities for the Audit of the Financial Statements  
(continued)*

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 29-30, forms part of our auditors' report.

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

Chartered Accountants  
Saint Lucia

August 29, 2018



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

**Appendix to the Independent Auditors' report**

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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.





## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SYGNUS CREDIT INVESTMENTS LIMITED

**Appendix to the Independent Auditors' report (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

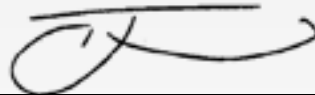
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

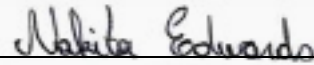
**Sygnus Credit Investments Limited**  
**Statement of Financial Position**

JUNE 30, 2018 / (Expressed in United States dollars)

	<u>Notes</u>	<u>2018</u>
<b>ASSETS</b>		
Cash at bank	5	400,259
Securities purchased under resale agreements	6	19,883,276
Interest receivable		229,494
Other receivables	7	788,625
Finance lease receivable	8	498,960
Investments	9	<u>15,203,964</u>
<b>Total Assets</b>		<u><b>\$37,004,578</b></u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	10	201,779
Due to related companies	11	<u>183,876</u>
<b>Total Liabilities</b>		<u><b>385,655</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	12	35,107,673
Fair value reserve	13	87,503
Retained earnings		<u>1,423,747</u>
<b>Total Shareholders' Equity</b>		<u><b>36,618,923</b></u>
<b>Total Liabilities and Shareholders' Equity</b>		<u><b>\$37,004,578</b></u>

The financial statements on pages 31 to 59 were approved by the Board of Directors on August 29, 2018 and signed on its behalf by:

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

  
\_\_\_\_\_  
Ms. Nakita Edwards Director

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, 2018 / (Expressed in United States dollars)

	<u>Notes</u>	<u>2018</u>
<b>Income</b>		
Interest income	14	1,170,917
Fair value gains		644,326
Participation fees	15	<u>23,413</u>
		<u>1,838,656</u>
<b>Expenses</b>		
Accounting fees		20,833
Advertising and promotion		5,343
Audit fees and expenses		48,435
Bank charges		3,098
Registration fees		15,581
Directors' fees and related expenses		29,225
Irrecoverable withholding tax		25,317
Other expenses		2,142
Management fees		182,368
Net foreign exchange loss		49,995
Professional fees		<u>32,572</u>
		<u>414,909</u>
<b>Profit for the year</b>		1,423,747
<b>Other comprehensive income</b>		
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
Unrealised gains on available-for-sale investments, being total other comprehensive income	13	<u>87,503</u>
<b>Total comprehensive income for the year</b>		<u>\$1,511,250</u>
Earnings per stock unit	17	<u>0.9¢</u>

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

## Sygnus Credit Investments Limited

### Statement of Changes in Equity

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

	<u>Share capital (note 12)</u>	<u>Fair value reserve (note 13)</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Total comprehensive income</b>				
Profit for the year	-	-	1,423,747	1,423,747
Total other comprehensive income				
Unrealised gains on available- for-sale investments	<u>-</u>	<u>87,503</u>	<u>-</u>	<u>87,503</u>
Total comprehensive income for the year	<u>-</u>	<u>87,503</u>	<u>1,423,747</u>	<u>1,511,250</u>
<b>Transaction with owners</b>				
Issue of ordinary shares	<u>35,107,673</u>	<u>-</u>	<u>-</u>	<u>35,107,673</u>
Balances at June 30, 2018	<u>\$35,107,673</u>	<u>87,503</u>	<u>1,423,747</u>	<u>36,618,923</u>

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



# Sygnus Credit Investments Limited

## Statement of Cash Flows

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

	Notes	2018
<b>Cash flows from operating activities</b>		
Profit for the year		1,423,747
Adjustments for:		
Interest income	14	( 1,170,917)
Fair value gains		( 644,326)
		( 391,496)
Increase in operating assets:		
Other receivables		( 788,625)
Increase in operating liabilities:		
Accounts payable and accrued liabilities		201,779
Due to related companies		183,876
Net cash used in operating activities		( 794,466)
<b>Cash flows from investing activities</b>		
Purchase of investments		(15,155,030)
Encashment of investments		682,895
Finance lease receivable		( 498,960)
Purchase of securities purchased under resale agreements		(31,388,356)
Encashment of securities purchased under resale agreements		11,505,080
Interest income received		941,423
Net cash used in investing activities		(33,912,948)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	12	36,196,607
Transaction costs associated with shares issued	12	( 1,088,934)
Net cash provided by financing activities		35,107,673
<b>Cash at bank at the end of year</b>		<u>\$ 400,259</u>

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

# Sygnus Credit Investments Limited

## Notes to the Financial Statements

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

1. The Company

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 registered office at McNamara Corporate Services Inc., 20 Micoud Street, Castries, Saint Lucia.

The Company started operations on July 1, 2017. Consequently, these financial statements are for the year ended June 30, 2018.

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

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

The Company has no employees.

The Company elected, under section 109 of the International Business Companies Act, to be liable to income tax at a tax rate of 1% per annum (see note 16).

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").

Certain new and amended standards came into effect during the financial period under review. The adoption of the new and amended standards did not have any significant impact on the Company's financial statements.

Certain new and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. The Company has assessed them and determined that the following are relevant:

# Sygnus Credit Investments Limited

## Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

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

#### (a) Statement of compliance (continued)

- (i) The Company is required to adopt IFRS 9, *Financial Instruments*, from July 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for other receivables, investments and securities purchased under resale agreements. However, the Company is still in the process of its assessment and the final impact is not yet known.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The Company believes that there is the possibility that impairment losses may increase for assets within the scope of IFRS 9 impairment model. However, the Company is still in the process of determining the likely financial impact on its financial statements.

# Sygnus Credit Investments Limited

## Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

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

#### (a) Statement of compliance (continued)

- (i) The Company is required to adopt IFRS 9, *Financial Instruments* (continued)

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Company’s assessment included an analysis to identify data gaps against current processes and the Company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior period with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as at July 1, 2018.
- The Company will determine the business model which a financial asset is held on the facts and circumstances that exist at the date of initial application.

- (ii) IFRS 15, *Revenue From Contracts With Customers*, will be adopted effective July 1, 2018. IFRS 15 replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue-Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity’s performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has conducted a preliminary assessment in order to determine the qualitative and quantitative impacts of the implementation of the standard. The Company does not expect a material impact due to the transition to IFRS 15. However, management has not yet completed its assessment and the financial impact has not yet been determined.



# Sygnus Credit Investments Limited

## Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

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

#### (a) Statement of compliance (continued)

- (iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, will be adopted effective July 1, 2018. IFRIC 22 addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Company is assessing the impact that this interpretation will have on its 2019 financial statements.

- (iv) IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities.

The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice, as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Company is assessing the impact that this new standard will have on its 2020 financial statements.

# Sygnus Credit Investments Limited

## Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

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

#### (a) Statement of compliance (continued)

- (v) Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

##### (i) Prepayment features with negative compensation

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

##### (ii) Modifications to financial liabilities

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Company is assessing the impact that the amended standard will have on its 2020 financial statements.

#### (b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for available-for-sale financial assets, 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 date of the financial statements and the reported amounts of income, expenses, gains and losses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

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

##### (d) Use of estimates and judgement (continued)

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. Accounting estimates and judgements in applying accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, is as follows:

Fair value of financial assets:

As described in note 18, management uses its judgement in selecting appropriate valuation techniques to determine fair values of financial assets classified as available-for-sale.

Consequently, the use of different assumptions and inputs could yield materially different results in the fair value of the Company's investments.

#### 4. Significant accounting policies

##### (a) Cash at bank

Cash at bank is measured at cost.

##### (b) 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.

##### (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. For the purpose of the financial statements, financial assets have been determined to include cash at bank, securities purchased under resale agreements, investments, other receivables and finance lease receivable. Financial liabilities include accounts payable and accrued liabilities and due to related companies.

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 4. Significant accounting policies (continued)

##### (c) Financial instruments (continued)

###### (i) Classification:

Management determines the classification of investments at the time of acquisition and takes account of the purpose for which the investments were acquired. Investments are classified as available-for-sale and held-to-maturity.

Loans and receivables are those created or acquired by the Company, with fixed or determinable payments and are not quoted in an active market. Loans and receivables comprise cash at bank balances and securities purchased under resale agreements.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the company has the positive intent and ability to hold to maturity.

Available-for-sale securities are financial assets that are so designated by the Company.

Non-derivative financial liabilities are classified as other financial liability.

###### (ii) Recognition:

The Company initially recognise securities purchased under resale agreements and debt securities on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual terms of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

###### (iii) Derecognition:

The Company 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 Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

###### (iv) Offsetting

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



## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 4. Significant accounting policies (continued)

##### (c) **Financial instruments (continued)**

###### (v) **Measurement:**

Financial assets classified as available-for-sale are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at fair value. Unrealised gains and losses arising from changes in fair value, except for impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and presented in fair value reserve in equity (see note 13). Where fair value cannot be reliably determined, they are measured at cost. Where these securities are disposed of or impaired, the related accumulated unrealised gains or losses are reclassified to profit or loss.

On initial recognition, held-to-maturity investments are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses.

Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

###### (vi) **Identification and measurement of impairment:**

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Objective evidence that financial assets are impaired include default or delinquency by a borrower, the disappearance of an active market for a security, adverse changes in the payment status of the borrowers or issuers, indications that a debtor or issuer will enter into bankruptcy or observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 4. Significant accounting policies (continued)

##### (c) **Financial instruments (continued)**

###### (vi) **Identification and measurement of impairment (continued):**

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment incurred but not yet identified.

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (measured at amortised cost) with similar risks.

In assessing collective impairment, the company uses historical information of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses on assets measured at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve to profit or loss. The cumulative loss reclassified is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

###### (vii) **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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 4. Significant accounting policies (continued)

##### (c) **Financial instruments (continued)**

###### (vii) Fair value measurement (continued):

When available, the Company 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 Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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 Company 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 Company 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 Company 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.

##### (d) **Revenue recognition**

###### (i) Interest income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 4. Significant accounting policies (continued)

##### (d) **Revenue recognition (continued)**

###### (ii) Commission

Commission income is recognised on the accrual basis when the related services have been provided.

##### (e) **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.

##### (f) **Other receivables**

Other receivables are measured at amortised cost less impairment losses.

##### (g) **Leases**

Finance lease:

###### *Lessor*

On initial recognition, the lease receivable is measured as the present value of the lease rentals receivable. Initial direct costs are included in the initial measurement of the finance lease receivable which reduces the amount of income recognised over the lease term.

Interest earned on finance leases is recognized in profit or loss over the term of the lease on the straight-line basis.

##### (h) **Embedded derivatives**

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- The host contract is not itself carried at fair value through profit or loss;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.



Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

4. Significant accounting policies (continued)

(i) Taxation

The Company is subject to tax at 1% of its taxable income in Saint Lucia. Taxation on the profit or loss for the period comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in profit or loss.

(i) Current taxation

Current tax charges are based on the taxable profit for the period, which differs from the profit before tax reported because they exclude items that are taxable or deductible in other periods, and items that are never taxable or deductible. The current tax is calculated at tax rates that have been enacted at the reporting date.

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods.

Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(j) Accounts payable and accrued liabilities and due to related companies

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

(k) 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.

(l) 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 Company).

- (A) A person or a close member of that person’s family is related to the Company if that person:
- (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company.

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

4. Significant accounting policies (continued)

(l) Related parties (continued)

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

- (i) The entity and the Company 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 Company or an entity related to the Company.
- (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 Company or to the parent of the Company.

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

5. Cash at bank

Cash at bank comprises savings accounts and a non-interest bearing operating account at commercial banks in Jamaica and St. Lucia.

6. Securities purchased under resale agreements

	2018
Denominated in United States dollars (a)	9,068,443
Denominated in Jamaica dollars (b)	10,814,833
	<u>\$19,883,276</u>

- (a) These instruments earn interest between 2% and 4.4% and mature within 12 months from the reporting date.
- (b) These instruments earn interest between 1.5% and 2.75% and mature within 12 months from the reporting date.

At June 30, 2018, the fair value of the underlying collateral of the resale agreements was \$20,845,492.

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 7. Other receivables

	<u>2018</u>
Prepaid expense	32,843
Amounts due from IPO lead arranger	<u>755,782</u>
	<u>\$788,625</u>

#### 8. Finance lease receivable

	<u>2018</u>
Minimum lease payments receivable	626,547
Less: Unearned income	<u>(127,587)</u>
	<u>\$498,960</u>
The lease payments are receivable as follows:	
Within one year	164,454
Two – four years	<u>462,093</u>
	<u>\$626,547</u>

The finance lease receivable is collectible over 48 months effective June 1, 2018.

#### 9. Investments

	<u>2018</u>
<b>Fair value through profit or loss</b>	
Preference shares - profit participation and conversion options (a)	<u>644,326</u>
<b>Available-for-sale</b>	
Preference shares - host contract (a)	<u>6,612,885</u>
<b>Held-to-maturity</b>	
Commodity resale agreement (b)	4,000,000
Medium-term notes (c)	<u>3,946,753</u>
	<u>7,946,753</u>
<b>Total</b>	<u>\$15,203,964</u>

- (a) This represents two (2) convertible preference shares maturing within three to five years. These investments were carried out with companies in the manufacturing and energy industries. The terms and conditions of each preference share is as follows:

## Sygnus Credit Investments Limited

### Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

#### 9. Investments (continued)

##### (a) (continued)

- i. The Company 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.
- ii. The Company is entitled to receive a percentage of reported net profits of the Issuer.
- iii. The Issuer has a redemption option whereby the preference shares can be redeemed prior to the maturity date by paying a premium to the Company.

- (b) The commodity resale agreement will mature within one year from the reporting date.

- (c) This represents three (3) medium-term notes maturing within three to five years. These notes can be repaid on or after the contracted periods.

#### 10. Accounts payable and accrued liabilities

	<u>2018</u>
Audit fees	26,500
Other payables	11,647
Directors' fees and related expenses	10,746
Security deposit*	103,355
Accrued expenses	<u>49,531</u>
	<u>\$201,779</u>

\* This amount was withheld by the company as part of an investment transaction in the event of a default in payments.

#### 11. Related party balances and transactions

##### (a) Identity of related parties:

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

- (b) The statement of financial position includes the following balances with related parties in the ordinary course of business as follows:

	<u>2018</u>
Due to related companies:	
Sygnus Capital Limited	54,295
Sygnus Capital Management Limited	<u>129,581</u>
	<u>\$183,876</u>

These balances are unsecured, interest free and repayable on demand.



# Sygnus Credit Investments Limited

## Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

### 11. Related party balances and transactions (continued)

(c) The statement of profit or loss and other comprehensive income includes expenses incurred in transactions with related parties in the ordinary course of business as follows:	
	<u>2018</u>
Management fees	182,368
Directors' fees and related expenses	<u>29,225</u>
	<u>\$211,593</u>

### 12. Share capital

2018

Authorised capital:

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

Issued and fully paid:

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

Sygnus Capital Management Limited, a related company, holds 1 special rights share and 5.4 million ordinary stock units in the Company. The purpose of the Special Share is to ensure that the structure of the investment is not subverted by investors who may acquire substantial interest in the Company. The Special Share carries no right to participate in dividends or distribution of capital except on winding-up of the Company. At a general meeting, the holder of the Special Share carries 101% of the aggregate votes, vested in all ordinary shares issued by the Company. The remaining ordinary stock units are held by public and private investors.

Prior to Initial Public Offering (IPO), the Company effected a private placement of ordinary shares denominated in Jamaica Dollars and United States Dollars. In addition the Company also issued shares in bilateral transactions. Together, the Company issued 159,269,523 shares and raised capital of \$15,975,526. On June 7, 2018, the Company raised additional capital through an Initial Public Offering (IPO), whereby it issued 190,818,040 shares and raised capital of \$20,221,080. The split was between two classes of shares issued in Jamaica and US dollars. Both classes of shares were listed separately on the Jamaica Stock Exchange.

No dividends were paid during the year.

### 13. Fair value reserve

This represents unrealised gains on available-for-sale investments.

# Sygnus Credit Investments Limited

## Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

### 14. Interest income

	<u>2018</u>
Resale agreements	186,735
Investments	974,343
Finance lease	6,738
Bank balances	<u>3,101</u>
	<u>\$1,170,917</u>

### 15. Participation fee

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

### 16. Taxation

Income earned by the Company for the year is exempt from income tax as these transactions were conducted with member states of CARICOM.

- (a) The provision for income tax at 1% of the results for the year, adjusted for tax purposes, is at Nil at end of the reporting period.
- (b) The actual taxation charge differs from the “expected” tax charge for the year as follows:

	<u>2018</u>
	\$
Profit before taxation	<u>1,423,747</u>
Computed “expected” tax charge of 1%	14,237
Tax effect of treating items differently for financial statements and tax reporting purposes -	
Net foreign exchange losses	500
Interest income from CARICOM member states	( 11,709)
Fair value gains from investments in CARICOM member states	( 6,443)
Tax losses	<u>3,415</u>
Actual tax charge recognised	<u>-</u>

- (c) Deferred tax asset of approximately \$3,415 in respect of taxation losses has not been recognised in the financial statements, due to the Company being in its start-up phase and the uncertainty that profits will be generated within the foreseeable future against which the asset can be realised.

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

17. 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.

	2018
Profit attributable to stockholders	\$ <u>1,423,747</u>
Weighted average number of ordinary stock units in issue	<u>166,593,971</u>
Basic earnings per stock unit	<u>0.9¢</u>

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

18. Fair value of financial instruments

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

IFRS 7 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 Company’s investments measured at fair value are classified at Level 3 in the fair value hierarchy. There were no transfers between levels during the year.

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

18. Fair value of financial instruments (continued)

- (a) The valuation techniques used in measuring fair value in Level 3 hierarchy is detailed below, as well as the significant unobservable inputs used.

Valuation techniques	Fair value at June 30, 2018	Significant unobservable inputs	Range of estimates (weighted – average) for unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Preference shares - Discounted cash flow method	\$731,829	<ul style="list-style-type: none"><li>• Adjusted profit of the issuer(s) based on probability of achievement</li><li>• Risk-adjusted discount rates</li></ul>	<ul style="list-style-type: none"><li>• Probability of achievement range of 33% - 53%</li><li>• Fixed income discount rate of 7.4% - 9.4% and Equity discount rate of 18.6% - 26.6%</li></ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"><li>• Adjusted profit was higher/(lower)</li><li>• The cost of debt was (higher)/lower</li><li>• Interest rates changed</li></ul>

- (b) The following shows a reconciliation of the fair value measurements:

	2018
Purchases	6,538,399
Total gains or losses:	
In profit or loss	644,326
In other comprehensive income	87,503
Foreign exchange loss	( <u>13,017</u> )
Balance as of June 30, 2018	<u>\$7,257,211</u>

19. Financial risk management

The Company 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



Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

19. Financial risk management (continued)

The Board of Directors, together with management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board's risk management mandate is carried out through the following committees:

1. Audit & Governance Committee

The Company has established an Audit & 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 Committee and the Company's external auditors.

The Committee will play 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.

2. Credit and Risk Management Committee

The Company has delegated the management of credit risk to the Credit Risk and Investment Committee ("CRIC"), a sub-committee of the Board of the Investment Manager, Sygnus Capital Management Limited. The committee is responsible for the overall risk management function of the Company and is responsible for all credit and investment decisions relating to the Company'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.

In addition to CRIC, the Company has also established an Enterprise Risk Committee. This Committee is accountable to the Board and 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 & Governance Committee.

3. Investment Advisory Committee

The Company's Investment Advisor, Sygnus Capital Limited, a related company, has established an Investment Advisory Committee ("IAC"), which is responsible for analyzing and recommending all investment and credit proposals to the Credit Risk and Investment Committee and monitoring the performance of the Company's investment portfolio. This committee consists of three members who were appointed by the Investment Advisor's Board of Directors. The CEO of the Investment Advisor was appointed as the Chairman of the IAC.

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

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

(i) Credit risk

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The Company manages this risk by establishing policies for granting credit and entering into financial contracts. The Company's credit risk is concentrated, primarily, in cash at bank balances, securities purchased under resale agreements, investments, other receivables and finance lease receivable.

Exposure to credit risk:

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

- (i) Cash at bank balances are held with financial institutions and collateral is not required for such accounts, as management regards the institutions as strong.
- (ii) The Company manages credit risk related to other receivables by limiting exposure to specific counterparties and by monitoring settlements.
- (iii) Securities purchased under resale agreements, finance lease receivable 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.

An analysis of the concentration of credit risk from its investments and resale agreements are as follows:

Industries	2018
Distribution	4,000,000
Hospitality	1,198,960
Manufacturing	3,936,642
Mining and Quarrying	1,120,903
Energy	5,446,419
Financial	19,883,276
	<u>\$35,586,200</u>

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

(ii) Liquidity risk

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

In addition, the Company faces liquidity risk in the form of funding risk. This is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with its investments. 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 Company and its exposure to changes in interest rates and exchange rates.

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

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

Financial liabilities, are due to be settled within three months of the reporting date at their measurement values.

(iii) 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 rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as foreign exchange and interest rates. The market risk arising from investment activities is reviewed and assessed by the Investment Advisory Committee and the Credit and Risk Investment Committee. Investment transactions are monitored by the Board of Directors.

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

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

(iii) Market risk (continued)

(a) Foreign currency risk

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

	J\$	US\$ equivalent
Foreign currency assets:		
Cash and bank balances	18,840,122	145,641
Long-term notes	929,244,014	7,183,395
Securities purchased under resale agreements	1,399,006,748	10,814,833
	2,347,090,884	18,143,869

Exchange rate for the US dollar to the Jamaica dollar was US\$1 to J\$129.36.

Sensitivity analysis

A 4% weakening of the Jamaica dollar against the United States dollar would have decreased equity and profit by US\$697,271, assuming all other variables remained constant. A 2% strengthening of the Jamaica dollar against the United States dollar would have increased equity and profit by US\$370,692.

(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 Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company manages this risk by monitoring interest rates daily. Even though there is no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close a gap, if it becomes necessary.

Management of interest rate risk

Interest rate risk exposure is measured using sensitivity analysis. Interest rate risk is managed by maintaining an appropriate mix of variable and fixed rate instruments.



Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

19. Financial risk management (continued)

3. Investment Advisory Committee (continued)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Management of interest rate risk (continued)

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

	Carrying value 2018 \$
Variable rate instruments:	
Assets	74,084
Fixed rate instruments:	
Assets	35,586,200

Interest rate sensitivity analysis

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

	2018 \$
Effect on profit	
Increase 100 basis points	741
Effect on profit	
Decrease 100 basis points	( 741)

Sygnus Credit Investments Limited  
Notes to the Financial Statements (cont'd)

YEAR ENDED JUNE 30, 2018 / (Expressed in United States dollars)

20. 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 was no other externally imposed capital requirement.

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

[illegible]



