



# FINANCE SERVICES LTD.

**UNAUDITED FINANCIAL STATEMENTS**

**4th QUARTER ENDED DECEMBER 31, 2020**



**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2020**

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**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2020**

**DIRECTORS' REPORT TO STOCKHOLDERS**

The Board of Directors of ISP Finance Services Limited (ISP) is pleased to present the Company's unaudited financial results for the 4<sup>th</sup> Quarter ended December 31, 2020.

The Company's operating income increased by 32.2% or \$24.8 million to \$99.6 million in the reporting period over the corresponding fourth quarter in 2019.

The Company's net profit for the 4<sup>th</sup> Quarter of 2020 was \$19.6 million, an increase of \$2.6 million over the same period last year or an increase of 15.3%. The increase in profits was attributable to operating efficiencies and increase productivity from new work-from-home systems. While the economy continues to be affected by the battle against the COVID-19 pandemic, we have been able to respond to our customers loan needs.

Earnings per share stood at \$0.187 at the end of the 4<sup>th</sup> Quarter of 2020 compared to \$0.163 at the end of the 4<sup>th</sup> Quarter of 2019 reflecting an improvement of 15.3%


The total assets of the Company grew by \$47.9 million to \$751.6 million which represents a 6.8% increase over the comparative period. The growth was attributable to the Company's loan portfolio which increased by 2.5% over the review period moving to \$659.5 million at December 31, 2020 from \$643.6 million at the end of December 31, 2019.

Operating expenses for the 4<sup>th</sup> Quarter ended December 31, 2020 amounted to \$79.9 million, an increase of 38.6% or \$22.2 million over the corresponding period in 2019 of \$57.7 million. The Company has maintained its cost of operations while meeting greater customer demands. While additional expenses were incurred in setting up a cloud operating platform, the investment has supported our business development and collections functions.

The Company would like to thank all our members of staff for their commitment, our customers for their loyalty and our shareholders for their continued show of confidence.



**Clifton Cameron**  
Chairman



**Dennis Smith**  
Chief Executive Officer




**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

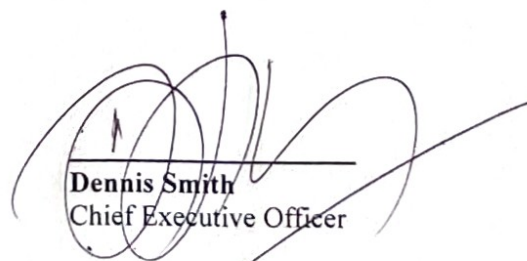
	Unaudited Three Months Ended December 31, 2020 S	Unaudited Three Months Ended December 31, 2019 S	Unaudited Twelve Months Ended December 31, 2020 S	Unaudited Twelve Months Ended December 31, 2019 S	Audited Twelve Months Ended December 31, 2019 S
<b>OPERATING INCOME</b>					
Interest income from loans	105,490,392	91,217,872	369,108,249	367,064,150	367,067,150
Interest income from banks and other receivables	14	96	203	270	129,852
Total interest income	105,490,406	91,217,968	369,108,452	367,064,420	367,197,002
Interest expenses	7,357,599	15,362,298	29,582,355	37,726,661	31,507,155
Net interest income	98,132,807	75,855,670	339,526,097	329,337,759	335,689,847
Commission expenses on loans	(1,667,841)	(950,820)	(6,292,140)	(2,716,750)	(2,716,750)
	96,464,966	74,904,850	333,233,957	326,621,009	332,973,097
Other operating income					
Foreign exchange gain (/loss)	-	(124,654)	(79,404)	(33,867)	46,428
Service fees		-	-	-	0
Other income	3,172,443	1,750	3,567,987	18,050	75,034
	3,172,443	(122,904)	3,488,584	(15,817)	121,462
	99,637,409	74,781,946	336,722,541	326,605,192	333,094,559
<b>OPERATING EXPENSES</b>					
Staff costs	20,536,646	19,403,513	100,234,158	122,054,788	122,054,788
Allowance for credit losses	29,400,000	8,775,640	60,231,467	46,360,007	87,635,187
Depreciation expense	1,294,288	1,330,861	5,313,556	5,216,331	5,216,331
Other operating expenses	28,724,585	28,196,372	100,508,738	95,352,917	95,065,406
	79,955,519	57,706,386	266,287,918	268,984,043	309,971,712
Profit before taxation	19,681,890	17,075,560	70,434,623	57,621,149	23,122,847
Taxation charge	-	-	-	-	180,081
Net profit	19,681,890	17,075,560	70,434,623	57,621,149	22,942,766
Other comprehensive income that may be reclassified to profit and loss					
Revaluation of property, plant and equipment	-	-	-	-	-
Total comprehensive income for the year	19,680,890	17,075,560	70,434,623	57,621,149	22,942,766
Earnings per share (S)	0.187	0.16	0.671	0.55	0.22



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

	Unaudited Twelve Months Ended December 31,2020 \$	Unaudited Twelve Months Ended December 31, 2019 \$	Audited Twelve Months December 31, 2019 \$
<b>ASSETS</b>			
Cash and cash equivalents	31,981,536	22,692,183	22,813,071
Loans net of provisions for credit losses	659,523,039	643,618,482	627,262,191
Other receivables	30,652,904	7,112,446	2,892,001
Deposit	1,047,949	496,600	496,600
Due from related party	17,700	5,017,700	5,011,159
Due from director	-	-	-
Deferred tax assets	-	-	-
Property, plant and equipment	28,417,384	24,723,435	24,723,435
<b>TOTAL ASSETS</b>	<b><u>751,640,512</u></b>	<b><u>703,660,846</u></b>	<b><u>683,198,457</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable and other liabilities	23,584,148	22,030,960	36,371,239
Secured corporate bond and promissory note	227,901,746	225,875,000	255,570,634
Investment Bond Victoria Mutual	39,063,000	30,000,000	
Bank loan- Current portion	-	-	
Notes payable	46,246,793	46,846,381	46,846,381
Deferred tax liabilities	1,075,849	895,768	1,075,849
	337,871,535	325,648,109	339,864,103
<b>EQUITY</b>			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	11,052,413	11,052,413	11,052,413
Accumulated surplus	206,813,436	171,057,196	136,378,813
	413,768,977	378,012,737	343,334,354
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>751,640,512</u></b>	<b><u>703,660,846</u></b>	<b><u>683,198,457</u></b>

  
**Clifton Cameron**  
 Chairman

  
**Dennis Smith**  
 Chief Executive Officer



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus \$	Total \$
Balance as at December 31, 2019	195,903,128	11,052,413	136,378,813	343,334,354
<b>Other comprehensive income</b>				
Net profit for the period	-	-	70,434,623	70,434,623
Total comprehensive income	-	-	70,434,623	70,434,623
<b>Balance as at December 31, 2020</b>	<b><u>195,903,128</u></b>	<b><u>11,052,413</u></b>	<b><u>206,813,436</u></b>	<b><u>413,768,977</u></b>
Balance as at December 31, 2018	195,903,128	11,052,413	113,436,047	320,391,588
<b>Other comprehensive income</b>				
Net profit for the period	-	-	57,621,149	57,621,149
Total comprehensive income	-	-	57,621,149	57,621,149
<b>Balance as at December 31, 2019</b>	<b><u>195,903,128</u></b>	<b><u>11,052,413</u></b>	<b><u>171,057,196</u></b>	<b><u>378,012,737</u></b>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

	Unaudited Twelve Months Ended December 31, 2020 \$	Unaudited Twelve Months Ended December 31, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before interest and taxation	100,016,979	95,347,810	54,449,921
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	5,313,556	5,216,331	5,216,331
Loss on sale of fixed assets			
Unrealized foreign exchange gain	79,403	33,867	(46,428)
Bond amortization	2,337,951	6,490,047	6,199,535
Deferred taxation	-	-	180,081
	<u>107,747,889</u>	<u>107,088,055</u>	<u>65,999,440</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(60,293,391)	(86,661,160)	(66,050,557)
Deposit	(551,349)	(101,600)	(101,600)
Due from related party	4,993,459	-	6,541
Due from director		1,032,379	1,032,379
Increase /(decrease) in operating liabilities:			
Accounts payables and other payables	(13,023,994)	3,516,047	18,798,892
Cash provided by/(used in) operating activities	38,872,614	24,873,721	19,685,095
Interest paid	(29,160,056)	(36,784,095)	(31,507,155)
Taxation paid	-	-	-
Net cash used in operating activities	<u>9,712,558</u>	<u>(11,910,374)</u>	<u>(11,822,060)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	(9,007,504)	(4,429,548)	(4,429,548)
Proceeds from the sale of property, plant and equipment	-	-	-
Net cash used in investing activities	<u>(9,007,504)</u>	<u>(4,429,548)</u>	<u>(4,429,548)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Bond			(232,013,854)
Proceeds from the secured promissory note	9,063,000	30,000,000	30,000,000
Proceeds from issue of bonds			232,000,000
Repayment of notes payable	(599,588)	(7,451,800)	(7,451,800)
Net cash used in financing activities	<u>8,463,412</u>	<u>22,548,200</u>	<u>22,534,346</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS -</b>	<b>9,168,466</b>	<b>6,208,280</b>	<b>6,282,738</b>
<b>CASH AND CASH EQUIVALENTS -Beginning of the year</b>	<b>22,813,071</b>	<b>16,483,905</b>	<b>16,483,905</b>
Exchange and gains on foreign cash balance			46,428
<b>CASH AND CASH EQUIVALENTS - End of the quarter</b>	<b><u>31,981,537</u></b>	<b><u>22,692,185</u></b>	<b><u>22,813,071</u></b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents	<u>31,981,537</u>	<u>22,692,185</u>	<u>22,813,071</u>



# ISP FINANCE SERVICES LIMITED

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### TWELVE MONTHS ENDED DECEMBER 31, 2020

#### 1. IDENTIFICATION

ISP Finance Services Limited (the "Company") is incorporated in Jamaica under the Jamaican Companies Act (the Act).

On March 30, 2016, ISP Finance Services Limited became a public listed entity on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income taxes for the first five (5) years and fifty percent (50%) remission for the following 5 years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

The Company is domiciled in Jamaica, with its registered office at 17 Phoenix Avenue, Kingston 10.

The principal activity of the Company is the granting of commercial loans and personal short term loans.

#### 2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2019 which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act. There have been no changes in accounting policies since the most recent audited accounts as at December 31, 2019.

The financial Statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, unless otherwise indicated.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, except for motor cars which are carried at fair value, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Valuations are performed frequently enough to ensure that the fair value of revalued motor cars does not significantly differ from its carrying amount. The increase of the carrying amount of a motor car as a result of revaluation is credited directly to equity (under the heading "revaluation surplus"). A revaluation decrease should be charged directly against any related revaluation surplus, with any excess being recognized as an expense in the statement of comprehensive income.





**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**a) Property, plant and equipment (Cont'd)**

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred. With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets.

The rates of depreciation in use are:

Leasehold Improvements	20%
Furniture and Equipment	10%
Computer Software and Equipment	20%
Motor Cars	20%
Motor Bikes	20%

**b) Loans and other receivables**

**Loans**

Loans are carried at original contract amounts less provisions made for doubtful amounts and impairment, based on a review of all outstanding amounts at the year end.

**Other receivables**

Other receivables are carried at amortized cost less provisions for doubtful amounts and impairment losses.

**Allowance for impairment losses on loan receivables**

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainly inherent in such estimates.

Under the ECL model, the Company analyses its loan receivables in a matrix by days past due and determined for each age bracket an average rate of ECL. Subsequently, a further analysis is considered on the actual credit loss experienced over the last twelve (12) months and future delinquency is assessed, which is then applied to the balance of the loan receivables.

Bad debts are written off when identified.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**c) Income**

Interest income is recognized on the accrual basis, by reference to the principal outstanding and the interest rate applicable. Interest income is calculated on the simple interest basis.

**4. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES**

Loans consist primarily of unsecured notes due from the Company's clients

	Unaudited Twelve Months Ended December 31, 2020 S	Unaudited Twelve Months Ended December 31, 2019 S	Audited Twelve Months Ended December 31, 2019 S
Loans	827,284,267	761,880,391	786,612,714
Less:			
Provision for credit losses	<u>(167,761,228)</u>	<u>(118,261,909)</u>	<u>(159,350,523)</u>
	<u>659,523,039</u>	<u>643,618,481</u>	<u>627,262,191</u>

**5. SHARE CAPITAL**

	Unaudited Twelve Months Ended December 31, 2020 Number ( '000)	Unaudited Twelve Months Ended December 31, 2019 Number ( '000)	Audited Twelve Months Ended December 31, 2019 Number ( '000)
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
	Unaudited Twelve Months Ended December 31, 2020 S	Unaudited Twelve Months Ended December 31, 2019 S	Audited Twelve Months Ended December 31, 2019 S
Issued and fully paid:			
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000	5,000,000
51,017,500 Ordinary shares at \$2 per share	102,035,000	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share	97,965,000	97,965,000	97,965,000
Less: Share issue costs	<u>(9,096,872)</u>	<u>(9,096,872)</u>	<u>(9,096,872)</u>
	<u>195,903,128</u>	<u>195,903,128</u>	<u>195,903,128</u>



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

**5. SHARE CAPITAL ( CONT'D)**

- (a) On February 11, 2016, by an ordinary resolution, the authorized share capital of the Company was increased from 5,000,000 to 105,000,000 ordinary shares to rank pari passu in all respects with the existing shares of the Company.

On February 11, 2016, 51,017,500 ordinary shares at \$2 per share were issued to the Chief Executive Officer which was satisfied by offsetting against the \$102,035,000 debt owed to him by the Company, through a related entity.

- (b) On March 22, 2016, the Company raised additional capital of \$97,965,000 from its initial public offering of 48,982,500 shares for its enlistment on the Jamaica Stock Exchange Junior Market. Transaction costs of \$9,096,872 were incurred for the initial public offering. All ordinary shares carry the same voting rights.

**6. SECURED CORPORATE BOND**

During the year ended December 31, 2019, the Company issued a secured bond. The bond attracts an interest rate of 9.50% per annum. Interest is paid on a quarterly basis. The bond matures on September 20, 2022. The bond is secured by the fixed and floating assets of the Company.

**7. TAXATION**

On March 30, 2016, the Company's shares were listed on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income tax for the first five (5) years and fifty percent (50%) remission for the following 5 years, providing that the Company adheres to the rules and regulation of the Jamaica Stock Exchange Junior Market.

The interim financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

**8. EARNINGS PER SHARE**

Earnings per share is computed as the net profit for the year divided by the weighted average number of ordinary shares in issue for the period as at the reporting date.

		<b>Unaudited Three Months Ended December 31, 2020</b>	<b>Unaudited Three Months Ended December 31, 2019</b>	<b>Unaudited Twelve Months Ended December 31, 2020</b>	<b>Unaudited Twelve Months Ended December 31, 2019</b>	<b>Audited Twelve Months Ended December 31, 2019</b>
Net profit	\$	<u>19,681,890</u>	<u>17,075,560</u>	<u>70,434,623</u>	<u>57,621,149</u>	<u>22,942,766</u>
Weighted average number of shares	No	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>
Earnings per share	\$	<u>0.187</u>	<u>0.163</u>	<u>0.671</u>	<u>0.55</u>	<u>0.220</u>

**9. PROFIT BEFORE INTEREST AND TAXATION**

	<b>Unaudited Twelve Months Ended December 31, 2020 \$</b>	<b>Unaudited Twelve Months Ended December 31, 2019 \$</b>	<b>Audited Twelve Months Ended December 31, 2019 \$</b>
Net profit for the period	70,434,623	57,621,149	22,942,766
Current year taxation charge	-	-	0
Profit before interest	<u>70,434,623</u>	<u>57,621,149</u>	<u>22,942,766</u>
Interest expense	29,582,355	37,726,661	31,507,155
Profit before interest and taxation	<u>100,016,979</u>	<u>95,347,810</u>	<u>54,449,921</u>



**ISP FINANCE SERVICES LIMITED**  
**TWELVE MONTHS ENDED DECEMBER 31, 2020**

**SCHEDULE OF TOP TEN (10) STOCKHOLDERS**

<u>SHAREHOLDER</u>	<u>UNITS</u>
1 Sunfisher Corporation	45,832,500
2 Gencorp Limited	43,517,500
3 Gencorp Limited	7,000,000
4 Dennis George Smith	3,500,000
5 Primrose Ann Smith - Deceased	1,500,000
6 Rezworth Burchenson – Joint Holder – Valerie Burchenson	612,529
7 Bridgeton Management Services Limited	355,520
8 Virgen Advertising Limited	255,116
9 Carissa Gordon – Joint Holder Marston Gordon	204,250
10 Lindoll Limited	160,862

**SCHEDULE OF SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES**

<u>Directors</u>	<u>Shareholding</u>
Dennis Smith	3,500,000
Diyal R. Fernando	34,350
Rosemary Thwaites	5,000
 <u>Senior Managers</u>	
Seymour Smith	75,000
 <u>Connected Parties</u>	
Gencorp Limited	50,517,500
Sunfisher Corporation	45,832,500