ISP FINANCE SERVICES LTD.

# BUILDING A **STRONGER FOUNDATION** FOR GROWTH

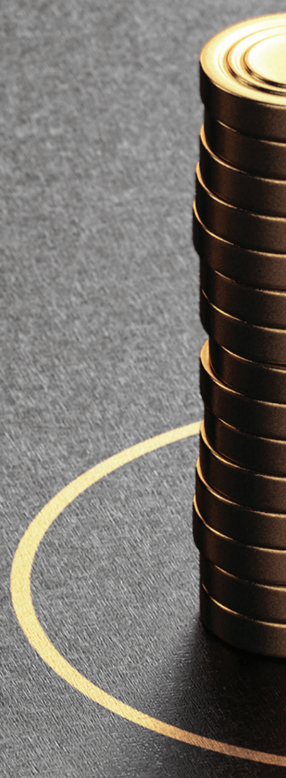
2023 ANNUAL REPORT

# VISION STATEMENT

To be a major player in the Micro Finance Sector serving the needs of small and micro business enterprises facilitating employment and job creation and providing short term unsecured loans to public and private sector employees.

# MISSION STATEMENT

ISP Finance Services is committed to delivering "service excellence" to our valued customers while ensuring a reasonable return to our shareholders, fulfilling our corporate social responsibility, and providing a progressive environment for our employees that encourages self-development.



# OUR CORE VALUES

- **INTEGRITY**
- **TRUST**
- **INNOVATION**
- **RELIABILITY**
- **EMPATHY**

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2023

ISP FINANCE SERVICES LIMITED

# CORPORATE DATA

**REGISTERED OFFICE AND BUSINESS LOCATION**
17 Phoenix Avenue,
Kingston 10
Telephone: 876 906-0012, 906-0103
Facsimile: 876 906

**AUDITORS:**
CrichtonMullings & Associates
Unit #25, 80 Lady Musgrave Road,
Kingston 10

**ATTORNEYS-AT-LAW**
Patterson Mair Hamilton
85 Hope Road,
Kingston 06

**BANKERS**
Bank of Nova Scotia Jamaica Limited
Half Way Tree Branch
Half Way Tree Road,
Kingston 10

National Commercial Bank,
Matilda's Corner Branch
Northside Plaza,
Kingston 06

**REGISTRAR**
Jamaica Central Securities
Depository Limited
40 Harbour Street, Kingston

# NOTICE OF ANNUAL GENERAL **MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General meeting of ISP Finance Services Limited will be held at the Courtyard Marriott Hotel, Kingston at 11.00am on Thursday, November 21, 2024 for the purpose of transacting the following business:

1. To receive the report of the Directors and the audited accounts for the Year Ended December 31, 2023

   To consider, and if thought fit, pass the following resolution:

   "THAT the report of the Directors and the Audited Accounts for the year ended December 31, 2023 be and are hereby adopted"

2. To authorize the Directors to appoint Auditors for 2024 and to fix their remuneration

3. To approve the remuneration of the Directors

   To consider, and if thought fit, pass the following resolution:

   "THAT the amount shown in the Audited Accounts for the year ended December 31, 2023 as fees for the Directors for their services as Directors be hereby approved"

4. To re-elect retiring Directors:

   The Directors retiring by rotation in accordance with Article 102 of the Articles of Association are Mr. Robert Chung and Mr. Brandon Smith. Being eligible for re-election, they have offered themselves to be re-elected.

   To consider, and if thought fit, pass the following resolutions:

   (i) "THAT Mr. Robert Chung be and is hereby re-elected as a Director of the Company"

   (ii) "THAT Mr. Brandon Smith be and is hereby re-elected as a Director of the Company"

5. To transact such other business as may be properly transacted at an Annual General Meeting

Dated this 11th Day of June 2024
**BY ORDER OF THE BOARD**

Diyal R. Fernando
Company Secretary

SCAN ME


77%
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Quarter 3
Quarter 4

ISP FINANCE SERVICES LIMITED

# DIRECTORS' **REPORT**

# DIRECTORS' REPORT

The Directors are pleased to submit their report along with the Audited Financial Statements of the Company for the year ended December 31, 2023.

## Financial Results

ISP Finance Services Limited had a successful year ending December 31, 2023 with the Company recording a net profit of $66.621m - a 16.4% percent increase over the Profit of J$57.235m achieved in 2022.

## Directors

The Directors of the Company as at December 31, 2023 were:

| | |
|---|---|
| Robert Chung | Chairman |
| Dennis Smith | Director & Chief Executive Officer |
| Brandon Smith | Director & HR Manager |
| David A. Lee | Independent Director |
| Damian Duncan | Independent Director |
| Diyal R. Fernando | Director, CFO & Company Secretary |
| Wayne Wray | JSE Mentor |

## Auditors

CrichtonMullings & Associates of Unit #25, 80 Lady Musgrave Road, Kingston 10 will continue in the office as Auditors in accordance with the provisions of Section 154(2) of the Companies Act.

Dated this 11th Day of June 2024
**BY ORDER OF THE BOARD**

________________________
Diyal R. Fernando
**Company Secretary**

ISP FINANCE SERVICES LIMITED

# BOARD OF **DIRECTORS**

# BOARD OF DIRECTORS

**ROBERT CHUNG**
CHAIRMAN

Mr. Chung was appointed as a non-executive Director to the Board on September 10, 2012 and was appointed Chairman of the Company in September 2023 with the retirement of Mr. Clifton Cameron.

He is an entrepreneur with over twenty years of experience in the retail and property development sectors. He is a Civil Engineer and holds a Bachelor of Science degree from Columbia University and a Master of Science degree from the University of California, Berkeley. He currently manages the family owned businesses based in Port Maria and spearheaded the family's venture into property development given his background in civil engineering. He is a major shareholder of the Company.

**DENNIS SMITH**
CHIEF EXECUTIVE OFFICER

Mr. Dennis Smith is the Co-Founder, Chief Executive Officer and majority shareholder of ISP Finance Services Limited. Since the Company was incorporated on January 03, 2007, he assumed the responsibility for developing and implementing the overall strategic direction of the Company necessary to sustain the strong and robust growth path of the Company. Mr. Smith began his professional career in the Accounting Department of British American Insurance Company in the late 1960's and went on to hold several other accounting positions in the service sector before pursuing more entrepreneurial endeavors. In 1980 Mr. Smith joined forces with former Chariman Mr. Clifton Cameron to form a chemical company, Swift Chemicals Limited. In ten short years, Swift Chemicals became the leading chemical company in the Caribbean region.

Dennis in 1995, together with his late wife, Mrs. Primrose Smith started Supreme Brands Limited, importing and distributing raw material for the baking and frying industry. He went on in 2003 to be appointed Regional Director of Capital Partners Limited, an American based financial brokerage services company, with responsibility for Jamaica and Trinidad and Tobago.

**DIYAL R. FERNANDO**
COMPANY SECRETARY / CFO

Mr. Fernando is a non-executive Director, and the Company Secretary of ISP Finance Services Limited. He was appointed to the Board on September 10, 2012.

He is a Fellow of the Chartered Institute of Management Accountants (CIMA) UK, and has worked in Jamaica for over 25 years holding various senior management positions in the ICD Group of Companies between 1990 and 2005. His experience with the ICD Group spanned the Manufacturing, Retail and Distribution, Construction and Property Management sectors. In 2005, he joined Rose Hall Developments Limited and spearheaded the installation of the company's Waste Water Management Project in addition to managing the company's Real Estate and Infrastructure Development portfolio's in his capacity as Finance Director. In 2009, he formed Dynamic Management Strategies Limited offering business development and advisory services targeted at MSME's, ISP Finance Services Limited being one of the company's first clients.

He served as a Business Development Consultant in 2011 with the Private Sector Organization of Jamaica (PSOJ) for its Fambiz Project and his company is one of the Business Development Organizations (BDOs) offering consulting support services under the Development Bank of Jamaica's (DBJ) Voucher for Technical Assistance (VTA) program. He is a Director of the Newport Medical Group and COOL Vacations Limited, and serves on the Finance Committee of the Jamaica Cricket Association (JCA) and the Audit and Risk Committees of the Betting, Gaming and Lotteries Commission (BGLC) and the Jamaica Racing Commission (JRC).

**BRANDON SMITH**
HR MANAGER / DIRECTOR

Mr. Brandon Smith is an Executive Director and the Human Resource Officer of the Company. He was appointed to the Board of Directors in September 2021. He supports the Chief Executive Officer in managing the day to day operations of the Company and is also responsible for the IT support function of the Company.

# BOARD OF **DIRECTORS** Cont'd

**DAMIAN DUNCAN**
INDEPENDENT DIRECTOR

Mr. Damian Duncan was appointed to the Board of Directors on May 15, 2023 and is also a Partner/Director at Sage Global Finance LLC, a Barbados-based Financial Advisory and Private Equity Firm focused on investing in high growth opportunities across the Region. Originally, from Trinidad & Tobago, Damian is a 2006 graduate of Harvard Business School with an MBA focused on International Finance, and a 2001, Summa Cum Laude graduate of South Carolina State University with a Bachelor of Science degree in Management and Mathematics. Earlier in his professional life, he held several Senior Positions in the Finance Industry in the USA, having spent almost a decade on Wall St., most recently as a Senior Vice President in the Asset Optimization Group at Bank of America Merrill Lynch.

He also served as Investment Banking Analyst at Lehman Brothers Inc., specializing in mergers and acquisitions, and has worked as a strategic investor in asset classes ranging from middle market private equity and commercial real estate to insurance and asset-based lending. Moving to Jamaica in 2015, he joined the NCB Financial Group Limited as Assistant General Manager, Mergers & Acquisitions, responsible for identifying and evaluating M&A opportunities domestically and across the region, as well as efficient capital allocation and deployment for transactions. Damian has significant experience within the Financial Services Industry and will contribute significantly to the growth and development of ISP Finance Services Limited.

**DAVID A. LEE**
INDEPENDENT DIRECTOR

Mr. David Lee is a seasoned serial Entrepreneur with diverse experience in multiple sectors of industry in Jamaica. He was appointed to the Board of ISP Finance Services Limited on May 15, 2023 while currently serving on the Board of the Jamaica Mortgage Bank since December 2020. David is the Executive Director and founding member of Dryva Mobility Limited, a company that offers logistics and transportation services to local and international travelers.

David has an extensive background of commercial experience, having held various positions with Mayberry Investments Limited, JP Tropical Foods Limited, GK Capital Management Limited (a Member of the GraceKennedy Group of Companies), Mundo Finance Limited (a Member of the NCB Financial Group) His most recent corporate engagement was with Amber Connect Limited, where he held the position of Chief Commercial Officer responsible for commercial strategy and revenue growth.

David graduated from the City University of New York with a Bachelor of Business Administration (BBA) Majoring in Entrepreneurial and Small Business Management with a Minor in Investment Finance and has completed Masters Courses in Real Estate Finance at NYU.

**WAYNE WRAY**
JSE MENTOR

The company's Mentor is Wayne Wray. Mr. Wray is a Business and Financial Consultant. His portfolio of experience and expertise spans several industries, including executive leadership and management positions in the fields of Finance and Banking.

Licensed by the Financial Services Commission as an investment advisor, Mr. Wray is the principal director of Wiltshire Consulting & Advisory Limited, a business advisory firm with local and international clientele.

As a Justice of the Peace, he is committed to nation building, and serves as a Mentor and Director on the Boards of several publicly-listed and privately-held companies as well as community development organisations.

"

Good leaders organize and align people around what the team needs to do. Great leaders motivate and inspire people with why they're doing it. That's purpose. And that's the key to achieving something truly transformational.

– Marillyn Hewson

"

# CHAIRMAN'S MESSAGE TO SHAREHOLDERS

The financial year ending December 31, 2023 was one of the company's best performing years since listing on the Jamaica JSE Junior Market on March 30, 2016. While our earlier years were characterized by relatively stable growth annually, the Company faced significant challenges with the onset of the Covid-19 Pandemic in Jamaica in 2020.

The most significant change in the Micro-Finance industry in Jamaica has been the introduction of regulatory oversight and licensing requirements for operators in the industry. The Microcredit Act ("The Act") was passed in January 2021, and required that all Micro-Finance Companies become registered and licensed with the Bank of Jamaica ("BOJ") via a lengthy and extensive application process. We are proud to announce that we received our License in July 2023.

We have made significant investments in technology allowing our staff to work from home while maintaining constant communication with with our customers through social media platforms and frequent engagement via an active and successful tele sales team. We have realigned our strategic direction, paying close attention to changing market and economic conditions while continuing to keep abreast of regulatory changes and its impact on business performance and strategy.

In 2023, our net loan portfolio passed the J$1.0 Billion mark for the first time reaching J$1.025 Million, a 34% increase over the J$760.624m recorded at the end of December 2022. Our net interest income increased by 12.2% from $395.4m in 2022 to $458.7m in 2023. We continue to manage operating expenses tightly while delivering outstanding customer service to our clients.

We have expanded our loan products to meet our clients' needs in relation to household expenditure, education and health. Looking ahead, we plan to introduce new products that we believe will enhance shareholder value. ISP remains committed to exploring opportunities for growth whether through acquisitions or mergers. To this end, we have engaged an Investment banker to structure potential opportunities.

On behalf of the Board of Directors, we extend our gratitude to all our members of staff for their commitment and dedication, our customers for their loyalty and our shareholders for their continued confidence. The outlook is positive for ISP and the team looks forward to creating even greater customer satisfaction and shareholder value.

# MANAGEMENT TEAM

**JENIFFER SMITH**
CREDIT MANAGER

Mrs. Smith is a professional banker with over forty years of experience in banking operations having commenced her career with Citibank N.A. in Jamaica where she trained in all aspects of banking operations including loans processing, letters of credit, trade facilities and treasury.

She was Manager of the Operations Unit responsible for Loans and Leases, Money Market Operations, International Fund Transfers, and International Trade from 1973 to 1984. She subsequently held the positions of Assistant General Manager of Citizens Bank and Vice President of Operations and Administration at George & Branday. In April 2004, she was promoted to the position of Vice President of Operations & Administration at First Global Bank a position from which she retired in May 2009. She brings with her a wealth of experience in banking operations at a senior level and is responsible for Loans evaluations and approvals.

**SEYMOUR SMITH**
CHIEF ACCOUNTANT

Mr. Smith joined the Company in December 2007 as its Accountant. He is responsible for the accounting functions, bank reconciliations, payroll and monitoring of loan account disbursements. He is also responsible for auditing the Company's loan disbursements and collections.

Prior to joining ISP Finance Services Limited, he has had an extensive career in auditing with over sixteen years of experience having worked with James & Allen and Company and Mair Russell, Chartered Accountants. He obtained invaluable experience while auditing companies from a variety of industries ranging from hardware and retail to the betting and gaming industry including the hospitality sector.

He currently serves as a Director of Drax Hall Estates and Club Caribbean Resorts Limited.

# MANAGEMENT DISCUSSION & ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL ECONOMIC ENVIRONMENT

In 2023, the global economic environment was characterized by several key trends:

- **Recovery from COVID-19 Pandemic:** Recovery from lockdowns continued in earnest in 2023 and fewer restrictions on economic activity to varying degrees across the world in many instances aided by broad based vaccination efforts.

- **Supply Chain Challenges:** Rapid reopening of global markets created pressure on supply chains across industries with disruptions leading to shortages of goods and higher prices.

- **Inflation Concerns:** Inflationary pressures remained a significant concern in several major economies. This was driven by aforementioned supply chain disruptions, increased aggregate demand as economies reopened, and higher energy prices.

- **Geopolitical Tensions:** Trade disputes and regional conflicts, specifically the situation in Ukraine, continued to influence economic conditions globally.

- **Technological Advancements:** Advances in technology, particularly in areas like artificial intelligence, renewable energy, and digital transformation, continued to reshape industries and economies.

The global economic environment has continued to recover from the COVID-19 Pandemic but sentiment remains tepid and global investors remain cautious. Businesses and governments alike continue to be challenged as they embark on long-term growth planning with decisions being influenced by a highly complex mix of ongoing challenges from COVID-19, inflation, geopolitical issues, and technological advancements.

## JAMAICAN ECONOMIC ENVIRONMENT

The Jamaican market was not immune from these challenges and many of them are indeed imported into the island via goods and services. The Bank of Jamaica has played its part in addressing inflation locally with the Policy Rate rising from 5.50% in mid-2022 to 7.00% at the end of 2023.

It goes without saying that the Micro-Finance industry is very sensitive to changes in interest rates, and this, along with many other economic factors impacting both the industry's ability to access credit, as well as the credit worthiness of customers, has all led to a challenging and every changing economic environment for the industry. Perhaps the biggest change to the business in the Micro-Finance industry in Jamaica over the past few years, has been the regulatory oversight and licensing requirements for operators in the industry. The Microcredit Act ("The Act") was passed in January 2021, and required that all Micro-Finance Companies become registered and licensed with the Bank of Jamaica ("BOJ") via a lengthy and extensive application process. The Act names the BOJ as Regulatory Authority, with responsibility for:

1. General administration of the Act and;

2. Supervision of microcredit institutions. It also names the Consumer Affairs Commission as the body with responsibility for:

a. Making and issuing a code of conduct for licensees on consumer related matters, and;

b. The investigation of any complaint brought to it by a consumer of a microcredit service.

The BOJ has reported that over 100 entities have applied for a license with 33 licenses being awarded thus far. The immediate impact to the business has been a consolidation of the available customer base as customers have had to move to licensed institutions. Indeed, this has led to more direct competition between licensed entities, which has put some pressure on pricing and spreads. Given that ISP had decided years ago to disburse directly to bank accounts and to require bank statements and other relevant KYC from customers, the Company was able to effectively manage the governance and disclosure requirement of the Act with minimal impact to response times and customer service.

With the onset of Covid 19, the Company internally embarked on a series of work-from-home measures utilizing technology resources, both to communicate with the staff and customers. This enabled the Company to seek more efficient means of loan assessment & evaluation, communication and collection, while providing increased flexibility to both team-members and customers. Additionally, the Company increased its collaboration with independent contractors; small business owners, service providers and other centres of influence; who essentially served as referral agents. These persons became the de facto sales force for the Company as a major source of incoming loan referrals. The phenomenon augured well with the strategy of not having branches in every Parish, but using technology and business relationships to drive loan growth. Many of the remote work and electronic communication measures remain in place to this day even though the pandemic effects have receded.

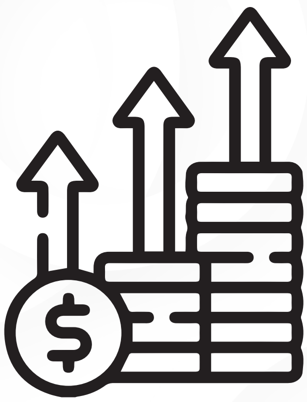
Finally, another major change in the industry has been the increasingly wide-spread utilization of Credit Bureau reporting. This development is contributing to better credit and risk management across the industry and will ultimately create opportunity to better manage credit risk and optimize analysis using AI and other first-world technologies.

## FINANCIAL PERFORMANCE

The Total assets of the Company grew from $1,123.0 Million in 2023 to $1,055.3 Million which represents a 6.4% increase over the previous financial year, with the Company's gross loan portfolio growing by 31.4% over the review period, moving from $851.822 Million at December 31, 2022 to $1,119.444 Million at the year ended December 31, 2023. The Company has embarked on a strategy to target new markets using an aggressive pricing strategy to grow loan volumes.

**6.4%**

**TOTAL ASSETS**



**31.4%**

**GROSS LOAN PORTFOLIO**

During the reporting period ISP raised an additional $230 Million through the issuance of a three (3) year Secured Note in the local private debt market in support of our new business opportunities.

Interest income recorded $507.510 Million for the in 2023 versus $431.279 million in 2022. Pre-tax profits in 2023 recorded $75.852m or an increase of 16.7% which was influenced largely by the increase in Net Interest income of J$63.3m however offset by an increase in the allowance for credits losses of J$35.8m and other operating Expenses of J$15.0m. The Company continues to assess and strengthened its organizational and staff resources to satisfy the anticipated customer service demands. Earnings per share stood at $0.63c in 2023 compared to $0.55c in the 2022 financial year.

**16.7%**

**PRE-TAX PROFITS**

## SERVICE COMMITMENT

The Company remains committed to delivering "service excellence" to our valued customers while ensuring a competitive return to our shareholder, fulfilling our corporate social responsibility, and providing a progressive environment that encourages self-development for our employees. This is consistent with the company's goal of being "The Most Admired Alternative Financing Partner in Jamaica and the broader Caribbean region"

We have been able to achieve customer satisfaction through excellent, result-oriented service offerings. We also offer targeted promotions to specified demographics and we offer customer appreciation activities to enhance our client experience through our mobile application and through the various social media platforms. Some of these activities includes our Easter bun and cheese gifting and customer appreciation day along with give-a- ways on social media.

## KEY PERFORMANCE DRIVERS

There are five key factors that impact the performance of the business namely:

- Loan Capital for lending
- Employee performance
- Collections and Loan Delinquency
- Risk and Portfolio Strategy Management
- New Business and Customer Retention

The Company has made significant investments in its technology and human resource infrastructure prior to the Initial Public Offering (IPO) to be able to capitalize on the opportunities in the market place given the loan capital available for lending consequent to the IPO and the Bond Financing.

The Board of Directors has the responsibility to monitor the company's performance with respect to the above indices to ensure that corrective measures are taken promptly where any of the indices begin to reflect a trend that is contrary to the targets set for each indicator.

## OUTLOOK FOR 2024

We continue to make strides in offering loan products to satisfy our clients' needs in relation to household expenditure, education and health. There are new areas in which we intend to expand our product offerings in 2024 that we believe will drive shareholder value. ISP continues to seek opportunities to grow its loan portfolio either through acquisitions or mergers. This would include buying existing loan portfolios from other financial institutions. The Company remains open for dialogue and has engaged the services of an investment bank to structure any potential opportunities that might arise.

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. Through increased use of technology and a sustained focus on a customer service experience that is 'simple and prompt', we look forward to greater achievements in 2019 and beyond. The outlook is positive for ISP and the team looks forward to creating even greater customer satisfaction and shareholder value.

We are aware that the regulatory environment will bring competitive pressure upon lending rates and therefore the Company will strive to increase its competitive edge in the market via superior customer service delivery.

## RISK & PORTFOLIO STRATEGY MANAGEMENT STRUCTURE

The Board of Directors defines, drives and evaluates the risk and portfolio management strategy for the Company and works closely with management to continuously evaluate and improve. We incorporate risk management metrics, not only into our evaluation process, but in every customer interaction, start to finish, so that risk assessment is embedded across processes at the firm.

There are a number of risks that are central to the business in which we are engaged and it is imperative that we, along with all out stakeholders, are aware of them. The following is a non-exhaustive list of the major risks inherent to our business.

## CREDIT RISK

Credit risk is the risk that customers, clients or counterparties are unable to meet contractual obligations to ISP, leading to a financial impairment or loss. Credit exposures arise principally from loans and advances and cash balances held at financial institutions. This risk is mitigated by a robust underwriting and evaluation process as well as ongoing monitoring of the financial health of customers and counterparties

## INTEREST RATE RISK

The Company is interest rate sensitive in that borrowed funds are used to provide loans to customers. Changes in the rate at which the Company borrows and its ability to lend at a spread commensurate with the risk, impacts the financial performance of the company. The Company is continuously evaluating its borrowing costs and seeking alternative sources of funding.

## MARKET RISK

Market risk is the risk that the fair value of an asset or financial instrument held by the company will fluctuate because of changes in market prices. The Company manages market risk by ensuring that securities held are appropriately valued and provisioned and held against liabilities of matching duration and investment profile.

## LIQUIDITY RISK

Liquidity risk is the ability of the Company to meet its obligations to counterparties on a timely basis. This is mitigated by a continuous process of evaluating defined and anticipated financing obligations, preserving cash as needed, maximizing returns on investments and ensuring adequate financing options and alternative funding scenarios.

# CORPORATE **GOVERNANCE**

# CORPORATE GOVERNANCE

The Board of Directors of ISP Finance Services Limited has the overall responsibility for implementing and maintaining a sound Corporate Governance structure and overseeing the overall business operations of the Company.

The Company is committed to ensuring that its obligations and responsibilities to its stakeholders are met through its corporate governance practices.

The Board of Directors and Executive Management team endeavor to perform their duties with honesty and integrity and to act in good faith in the best interests of the Company. The Board is responsible for the supervision and oversight of the Company's performance that includes but is not limited to:

- Directing Corporate Strategy that includes affirming the Company's Vision and Mission Statement
- Reviewing and approving the strategic and business plans and the Annual Financial and Capital Budget of the Company
- Reviewing and approving all accounting policies and the Audited and Unaudited Financial Statements of the Company prior to dissemination to shareholders
- Determining the dividend policy and the amount and timing of dividend payments
- Reviewing, ratifying and monitoring risk management systems and compliance and control mechanisms
- Appointing, re-appointing or removing the Company's external Auditors and approving their remuneration based on the recommendation of the Audit Committee

The Company continues to recognize the importance of Corporate Governance in its day to day governance and the Board of Directors place emphasis on ensuring that compliance is an area of attention given high priority to.

Approving the remuneration of the Executive Management and Board Members based on the recommendation of the Remuneration Committee.

ISP Finance Services Limited's Corporate Governance Guidelines can be found on the ISP's website at www.ispfinanceservices.com Committee.

ISP Finance Services Limited's Corporate Governance Guidelines can be found on the ISP's website at:
www.ispfinanceservices.com

## BOARD OF DIRECTORS COMPOSITION AND MEETING ATTENDANCE

| Name of Director | Position | No. of Board Meetings Attended | Attendance as a % of Total Meetings Held |
|---|---|---|---|
| Robert Chung | Board Chairman | 06 | 100.0 % |
| Dennis Smith | Chief Executive Officer and Executive Director | 06 | 100.0 % |
| Clifton Cameron | Independent Director | 02 | 33.33 % |
| Damian Duncan | Independent Director | 03 | 50.0 % |
| David A. Lee | Independent Director | 03 | 50.0% |
| Diyal R. Fernando | Chief Financial Officer and Company Secretary | 06 | 100.0 % |
| Brandon Smith | Manager – Human Resource Management | 06 | 100.0 % |
| Wayne Wray | JSE Mentor | 06 | 100.0% |

## AUDIT COMMITTEE - COMPOSITION AND MEETING ATTENDANCE

| Name of Director | Position | No. of Meetings Attended | Attendance as a % of Meetings Held |
|---|---|---|---|
| Clifton Cameron | Independent Chairman | 04 | 100.0 % |
| Diyal R. Fernando | Member | 04 | 100.0 % |
| Wayne Wray | JSE Mentor | 04 | 100.0 % |

## REMUNERATION COMMITTEE - COMPOSITION AND MEETING ATTENDANCE

| Name of Director | Position | No. of Meetings Held | Attendance as a % of Meetings Held |
|---|---|---|---|
| Dennis Smith | Chairman | 01 | 100.0 % |
| Clifton Cameron | Member | 01 | 100.0 % |

# FINANCIAL HIGHLIGHTS

| STATEMENT OF FINANCIAL POSITION | (ALL FIGURES IN J$' S) | |
|---|---|---|
| | **2023** | **2022** |
| | **$000** | **$000** |
| **ASSETS** | | |
| **Non-Current Assets** | | |
| Property, plant and equipment | 16,823 | 20,584 |
| Deferred Tax Assets | 836 | 161 |
| | 17,659 | 20,745 |
| **Current Assets** | | |
| Loans, net of provision for credit losses | 1,024,990 | 760,624 |
| Investments | 25,000 | 225,000 |
| Other Receivables | 6,555 | 8.554 |
| Deposit | 1,048 | 1,048 |
| Right of Use of Asset | 4,908 | 8,373 |
| Cash and cash equivalents | 42,836 | 30,929 |
| | 1,105,337 | 1,034,152 |
| **TOTAL ASSETS** | **1,122,996** | **1,055,273** |
| **EQUITY AND LIABILITIES** | 195,903 | 195,903 |
| Issued Share Capital | 3,842 | 3,842 |
| Revaluation Surplus | 385,102 | 318,480 |
| Accumulated Surplus / (Deficit) | 584,847 | 518,225 |
| **Non-Current Liabilities** | 459,169 | 452,984 |
| Secured Corporate Bond & Promissory Note | 7,017 | 10,921 |
| Lease Liability | 52,535 | 52,785 |
| Notes Payable | | |
| | 518,721 | 504,769 |

| | | |
|---|---|---|
| **Current Liabilities** | 19,428 | 21,358 |
| Accounts payable, other payables and accruals | - | - |
| Current Portion of Bank Loan | - | - |
| Deferred Tax Liability | - | - |
| Taxation Payable | 19,428 | 21,358 |
| **TOTAL EQUITY AND LIABILITIES** | **1,122,996** | **1,055,273** |

## ANALYSIS OF COMPREHENSIVE INCOME (ALL FIGURES IN J$' S)

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **OPERATING INCOME** | | |
| Interest Income | 507,510 | 431,279 |
| Interest Income from FI's & Other Receivables | 11,736 | 1,182 |
| Total Interest Income | 519,246 | 432,461 |
| Interest Expense | (60,482) | (37,047) |
| **Net Interest Income** | **458,764** | **395,414** |
| Commission expenses on loans | (23,027) | (16,218) |
| | **435,737** | **376,196** |
| Foreign Exchange Gain | (459) | 31 |
| Other Income | 9,297 | 14,045 |
| | 8,838 | 14,076 |
| **Net Revenue** | **444,574** | **393,272** |
| **Less: Operating Expenses** | **368,722** | **328,256** |
| **Profit Before Taxation** | **75,852** | **65,016** |
| **Less: Taxation** | **(9,231)** | **(7,781)** |
| **Net profit, Being Comprehensive Income for the year** | **66,621** | **57,235** |
| **EARNINGS PER SHARE** | **0.63** | **0.55** |

# FINANCIAL HIGHLIGHTS CONT'D

## INCOME STATEMENT

### INTEREST INCOME

Interest income from Loans recorded $507.510m for 2023 representing a 17.6% increase over the J$431.279m recorded in 2022.

### INTEREST EXPENSE

Interest expenses for 2023 were $60.482m, recording an increase of 63.3% over the $37.047m incurred in 2022.

### NET INTEREST INCOME

Net interest Income was $458.764m in 2023 representing a 16.0% increase over the $395.414m earned in 2022.

### OPERATING EXPENSES

Total Operating expenses for 2023 were $368.722m and increased by J$40.5m representing an increase of 12.3% over the $328.256m incurred in 2022. This was significantly impacted by an increase in Allowance for Credit Losses of J$35.8m recording J$128.8m in 2023 compared with J$93.0 in 2022, a reduction in staff costs of J$9.1m over the corresponding period in 2022 and an increase in Other Operating Expenses of J$15.056m from J$126.909m in 2023 to J$111.853m in 2022.

### NET PROFIT

The Company earned a Net Profit after taxation of $66.621m in 2023 which represented a 16.4% increase over the $57.235m earned in 2022.

### ANALYSIS OF OPERATING EXPENSES

| Operating Expenses | 2023 | 2022 |
|---|---|---|
| Staff Costs | $103,657 | $112,795 |
| Allowance for Credit Losses | $128,800 | $93,000 |
| Depreciation | $9,356 | $10,607 |
| Other Operating Expenses | $126,910 | $111,853 |
| **Total Operating Expenses** | **$368,722** | **$328,256** |

# STATEMENT OF **FINANCIAL POSITION**

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash in hand, on demand and call deposits with banks. It also represents short-term, highly liquid investments that are readily convertible to known amounts of cash and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. This increased by J$11.907m in 2023 over the previous year.

### EQUITY

The Company's Equity base totaled $584.847m at the end of the financial year 2023 and this compared an Equity base of J$518.225m in 2022.

### LOANS, NET OF PROVISION FOR CREDIT LOSSES

Gross Loans Portfolio of the Company totaled $1,119.444m at the end of 2023 representing an increase of 31.4% when compared to prior year figure of $851.822m. Provision for credit losses increased from J$91.198 in 2023 to J$94.454m in 2022 resulting in a Loans Net of Provision for Credit losses of J$1,024.990m in 2023 compared with J$7600.624m at the end of FY 2022, an increase of 34.76%.

# STATEMENT OF

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'001 |
| **OPERATING INCOME** | | | | |
| Interest Income | 519,246 | 432,461 | 434,107 | 372,676 |
| Interest Expense | (60,482) | (37,047) | (29,892) | (29,582) |
| Net Interest Income | **458,764** | **395,414** | **404,215** | **343,094** |
| FX Gains/ (Losses) and Other Income less | 8,837 | 14,076 | (571) | |
| Commisions on Loans | (23,027) | (16,218) | (10,089) | (5,379) |
| | 444,574 | 393,272 | 393,555 | 337,715 |
| **OPERATNG EXPENSES** | (368,722) | (328,256) | (333,611) | (271,601) |
| **NET PROFIT BEFORE TAXATION** | **75,852** | **65,016** | **59,944** | **66,114** |
| Taxation | (9,231) | (7,781) | (5,535) | (721) |
| **Net profit for the Year** | 66,621 | 57,235 | 54,409 | 65,393 |
| Other Comprehensive Income that may be reclycled to profits | | | | |
| Revaluation Surplus | - | - | - | - |
| **Total Comprehensive Income for the year** | **66,621** | **57,235** | **54,409** | **65,393** |
| | | | | |
| **Earnings per share** | **0.63** | **0.55** | **0.52** | **0.62** |
| | | | | |
| **OPERATNG EXPENSES** | | | | |
| Staff Related Costs | 103,656 | 112,795 | 97,838 | 99,328 |

# COMPREHENSIVE INCOME

| 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | | |
| 367,197 | 306,568 | 288,739 | 232,661 | 206,180 |
| (31,507) | (24,579) | (24,453) | (18,829) | (34,034) |
| **335,690** | **281,989** | **264,286** | **213,832** | **172,146** |
| | | | | |
| (2,596) | (1,042) | (2,333) | 5,876 | 1,111 |
| 333,094 | 280,947 | 261,953 | 219,708 | 173,257 |
| (309,971) | (234,793) | (211,971) | (176,319) | (142,513) |
| **23,123** | **46,154** | **49,982** | **43,389** | **30,744** |
| (180) | (2,527) | (12) | (3,146) | (3,424) |
| 22,943 | 43,627 | 49,970 | 40,243 | 27,320 |
| | | | | |
| - | 667 | 2,257 | 9,806 | - |
| **22,943** | **44,294** | **52,227** | **50,049** | **27,320** |
| | | | | |
| **0.22** | **0.42** | **0.48** | **0.46** | **0.31** |
| | | | | |
| | | | | |
| 122,055 | 114,105 | 104,971 | 91,279 | 84,423 |

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'001 |
| Allowance for Credit Losses | 128,800 | 93,000 | 115,917 | 66,226 |
| Depreciation | 9,356 | 7,143 | 7,714 | 5,314 |
| Other Operating Expenses | 126,910 | 114,916 | 112,142 | 100,733 |
| **Total Operating Expenses** | **368,722** | **327,854** | **333,611** | **271,601** |
| | | | | |
| **LOAN PORTFOLIO GROWTH** | | | | |
| | **2023** | **2022** | **2021** | **2020** |
| | **$M** | **$M** | **$M** | **$M** |
| | | | | |
| Net Loans Portfolio | $1,025 | $760 | $714 | $675 |
| | | | | |
| **EQUITY GROWTH** | | | | |
| | **2023** | **2022** | **2021** | **2020** |
| | **$M** | **$M** | **$M** | **$M** |
| | | | | |
| Equity | $585 | $518 | $463 | $409 |
| | | | | |
| **STOCK PRICE** | | | | |
| | **2023** | **2022** | **2021** | **2020** |
| | **$** | **$** | **$** | **$** |
| | | | | |
| Stock Prices | $31.49 | $28.50 | $20.50 | $19.50 |

| 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| $'000 | $'000 | $'000 | $'000 | $'000 |
| 87,635 | 35,609 | 23,299 | 10,347 | 18,655 |
| 5,216 | 5,405 | 5,334 | 4,445 | 2,879 |
| 95,065 | 79,674 | 78,368 | 70,248 | 36,556 |
| **309,971** | **234,793** | **211,972** | **176,319** | **142,513** |
| | | | | |
| | | | | |
| **2019** | **2018** | **2017** | **2016** | **2015** |
| **$M** | **$M** | **$M** | **$M** | **$M** |
| | | | | |
| $787 | $673 | $514 | $367 | $304 |
| | | | | |
| | | | | |
| **2019** | **2018** | **2017** | **2016** | **2015** |
| **$M** | **$M** | **$M** | **$M** | **$M** |
| | | | | |
| $343 | $320 | $286 | $234 | $(7) |
| | | | | |
| | | | | |
| **2019** | **2018** | **2017** | **2016** | **AT LISTING MARCH 2016** |
| **$** | **$** | **$** | **$** | **$** |
| | | | | |
| $12.50 | $20.00 | $12.06 | **$8.50** | **$2.00** |

# STATEMENT OF

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'001 |
| **ASSETS** | | | | |
| Cash and Cash Equivalents | 42,836 | 30,929 | 19,562 | 32,408 |
| Securities Purchase under Agreement to Resell | | | - | - |
| Loans, net of Provisions for Credit Losses | 1,024,990 | 760,624 | 713,814 | 675,126 |
| Other Receivables | 6,555 | 8,554 | 5,436 | 11,432 |
| Investments | 25,000 | 225,000 | 10,000 | - |
| Deposits | 1,048 | 1,048 | 1,048 | 1,048 |
| Due from Directors | - | - | - | - |
| Due from Related Company | - | - | - | - |
| Deferred Tax Assets | 836 | 161 | - | - |
| Right-of-Use Asset | 4,908 | 8,373 | - | - |
| Property, Plant & Equipment | 16,823 | 20,584 | 22,409 | 28,417 |
| | | | | |
| **TOTAL ASSETS** | **1,122,996** | **1,055,273** | **772,269** | **748,431** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| LIABILITIES | | | | |
| **Secured Bond and Promissory Note** | 459,169 | 452,984 | 230,239 | 267,902 |
| Notes Payable to Related Company | - | - | - | - |
| Notes Payable | 52,536 | 51,786 | 47,286 | 46,247 |

# FINANCIAL POSITION

| 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | | |
| 22,813 | 16,484 | 31,437 | 81,855 | 66,973 |
| - | - | - | 30,414 | - |
| 627,262 | 551,096 | 437,507 | 313,270 | 240,985 |
| 2,892 | 13,008 | 10,957 | 7,909 | 9,779 |
| - | - | - | - | - |
| 497 | 395 | 375 | 350 | 2,244 |
| - | 1,032 | 1,500 | - | 5,000 |
| 5,011 | 5,018 | 6,273 | 5,000 | - |
| - | - | 1,572 | 1,500 | 3,429 |
| - | - | - | - | - |
| 24,723 | 25,510 | 18,071 | 20,808 | 11,481 |
| | | | | |
| **683,198** | **612,543** | **507,692** | **461,106** | **339,891** |
| | | | | |
| | | | | |
| | | | | |
| 255,571 | 219,385 | 143,559 | 139,754 | - |
| - | - | - | - | 194,046 |
| 46,846 | 54,298 | 63,439 | 71,192 | 93,192 |

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'001 |
| Payables and Accrued Liabilities | 19,427 | 21,356 | 30,962 | 23,758 |
| Lease Liability | 7,017 | 10,921 | - | - |
| Bank Loan | - | - | - | - |
| Bank Overdraft | - | - | - | - |
| Taxation Payable | - | - | - | - |
| Deferred Liabilities | - | - | 646 | 1,797 |
| **Total Liabities** | **538,149** | **537,047** | **309,133** | **339,704** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| Issued Share Capital | 195,903 | 195,903 | 195,903 | 195,903 |
| Revaluation Surplus | 3,842 | 3,842 | 11,052 | 11,052 |
| Accumulated (Deficit)/Surplus | 385,102 | 318,481 | 256,181 | 201,772 |
| | **584,847** | **518,226** | **463,136** | **408,727** |
| **TOTAL EQUITY AND LIABILITIES** | **1,122,996** | **1,055,273** | **772,269** | **748,431** |

| 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| $'000 | $'000 | $'000 | $'000 | $'000 |
| 36,371 | 17,573 | 14,424 | 13,412 | 16,067 |
| - | - | - | - | - |
| - | - | - | 1,573 | 11,011 |
| - | - | - | - | 30,104 |
| - | - | - | 1,156 | 2,404 |
| 1,076 | 896 | - | - | - |
| **339,864** | **292,152** | **221,422** | **227,087** | **346,824** |
| | | | | |
| | | | | |
| 195,903 | 195,903 | 195,903 | 195,903 | 5,000 |
| 11,052 | 11,052 | 10,386 | 9,806 | - |
| 136,379 | 113,436 | 79,981 | 28,310 | (11,933) |
| **343,334** | **320,391** | **286,270** | **234,019** | **(6,933)** |
| **683,198** | **612,543** | **507,692** | **461,106** | **339,891** |

# SHAREHOLDING OF DIRECTORS AND CONNECTED PARTIES

## LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AT DECEMBER 31, 2023

| SHAREHOLDER | UNITS |
|---|---|
| Sunfisher Corporation | 45,832,500 |
| Gencorp Limited | 43,517,500 |
| Gencorp Limited | 7,000,000 |
| Dennis Smith | 3,500,000 |
| Brandon Smith | 1,500,000 |
| Bridgeton Management Services Limited | 400,039 |
| Virgen Advertising Limited | 275,116 |
| Carissa Gordon – Joint holder Marston Gordon | 204,250 |
| Marston Gordon | 193,737 |

## SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES AS AT DECEMBER 31, 2023

| DIRECTORS | Shareholding |
|---|---|
| Dennis Smith | 3,500,000 |
| Diyal R. Fernando | 34,350 |
| **SENIOR MANAGERS** | |
| Seymour Smith | 75,000 |
| **CONNECTED PARTIES** | **Shareholding** |
| Gencorp | 50,517,500 |
| Sunfisher Corporation | 45,832,500 |

# FINANCIAL STATEMENTS



CrichtonMullings & ASSOCIATES

Certified Public Accountants | Chartered Accountants | Consultants



**Leary Mullings**
FCA, FCCA, CPA, MBA
Senior Partner

**Rohan Crichton**
FCA, CPA MActg
Senior Partner

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## INDEPENDENT AUDITOR'S REPORT

**To the members of**
**ISP FINANCE SERVICES LIMITED**

### Report on the Audit of Financial Statements

### Opinion

We have audited the accompanying financial statements of ISP Finance Services (the "Company"), which is comprised of the statement of financial position as at December 31, 2023, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act (the "Act") and the Microcredit Act, 2021 (the "Act").

### 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 *Auditor's 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.

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## Independent Auditor's Report (cont'd)

**To the members of**
**ISP FINANCE SERVICES LIMITED**

### Key audit matters (cont'd)

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| 1) Provision for credit losses on loans receivable<br><br>IFRS 9 Financial Instruments, is complex and requires the Company to recognise expected credit losses ('ECL') on financial assets. The determination of ECL is highly subjective and requires management to make significant judgement and estimates, particularly regarding significant increase in credit risk and forward-looking information.<br><br>The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12-month or lifetime loss allowance is recorded in respect of a financial asset.<br><br>Forward-looking information, reflects a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios, the probability weightings and management overlay. | Our audit procedures to address the key matter relating to the provision for credit losses included, amongst others:<br><br>• We evaluated the techniques and methodologies used to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9 'Financial Instruments'.<br><br>• We assessed the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates used in determining the ECLs for loan receivables.<br><br>• We examined a sample of loans that had been identified by management as doubtful accounts by checking their payment history in order to form our own judgement as to whether the provision for credit losses was adequate.<br><br>• We tested the critical data fields, where applicable, used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents.<br><br>• We tested the staging of a sample of loans by reference to the number of days outstanding on the loan.<br><br>• We tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.<br><br>• We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events such as non-payments and any other adverse events which may have occurred subsequent to the year end. |

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## Independent Auditor's Report (cont'd)

**To the members of**
**ISP FINANCE SERVICES LIMITED**

### Key audit matters (cont'd)

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| 2) Revenue recognition<br><br>The process of revenue recognition, including the appropriate recognition of interest income relating to early settlement of loans, unearned income and proper cut off procedures involve significant risk. | Our audit procedures to address the key matter relating to the appropriate recognition of interest income included, amongst others:<br><br>• We reviewed the appropriateness of the revenue recognition policy and documenting any changes in applying those policies from previous periods.<br><br>• We developed an analysis of interest income based on the loan categories and average interest rate and following up on variances from our analysis.<br><br>• We tested accuracy of interest income recognition by selecting a sample of loans and re-performing calculations of interest income. This included loans which have been settled early during the year.<br><br>• We performed a trend analysis of interest income to assess the reasonableness of the growth percentage.<br><br>We also assessed the adequacy of disclosures in the financial statements. |

### Other information

Management is responsible for the other information. The other information comprises information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate with the Board of Directors and those charged with governance.

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CrichtonMullings & ASSOCIATES

Certified Public Accountants | Chartered Accountants | Consultants



## Independent Auditor's Report (cont'd)

**To the members of**
**ISP FINANCE SERVICES LIMITED**

### Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Acts, 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.

The Board of Directors and those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at pages 5-6, forms part of our auditor's report.

### Report on additional matters as required by the Acts

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Acts, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Leary Mullings.

CrichtonMullings & Assoc.

CrichtonMullings & Associates
Chartered Accountants

Kingston, Jamaica
April 29,2024

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## Independent Auditor's Report (cont'd)

**To the members of**
**ISP FINANCE SERVICES LIMITED**

### Appendix to the independent auditor's report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 auditor's 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 auditor's 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.

We communicate with the Board of Directors and 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.

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Certified Public Accountants | Chartered Accountants | Consultants



## Independent Auditor's Report (cont'd)

**To the members of**
**ISP FINANCE SERVICES LIMITED**

### Appendix to the independent auditor's report (cont'd)

We also provide the Board of Directors and those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate to 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 the Board of Directors and 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 auditor's 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.

ISP FINANCE SERVICES LIMITED

# STATEMENT OF **FINANCIAL POSITION**

YEAR ENDED DECEMBER 31, 2023

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| Cash and cash equivalents | 4 | **42,835,759** | 30,928,714 |
| Loans, net of provisions for credit losses | 5 | **1,024,989,649** | 760,623,841 |
| Other receivables | 6 | **6,555,263** | 8,553,645 |
| Investments | 7 | **25,000,000** | 225,000,000 |
| Deposit | | **1,047,949** | 1,047,949 |
| Deferred tax asset | 8 | **836,191** | 161,178 |
| Right-of-use asset | 9 | **4,908,453** | 8,373,243 * |
| Property, plant and equipment | 10 | **16,822,953** | 20,584,125 |
| **TOTAL ASSETS** | | **1,122,996,217** | 1,055,272,695 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES:** | | | |
| Accounts and other payables | 11 | **19,427,334** | 21,355,892 |
| Secured bond | 12 | **459,169,474** | 452,984,510 |
| Notes payable | 13 | **52,535,511** | 51,785,511 |
| Lease liability | 9 | **7,017,107** | 10,921,201 * |
| Total liabilities | | **538,149,426** | 537,047,114 |
| **EQUITY:** | | | |
| Share capital | 14 (a) | **195,903,128** | 195,903,128 |
| Revaluation surplus | 15 | **3,841,596** | 3,841,596 |
| Accumulated surplus | | **385,102,067** | 318,480,857 |
| Total equity | | **584,846,791** | 518,225,581 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,122,996,217** | 1,055,272,695 |

**APPROVED, on behalf of the Board on**

DIYAL FERNANDO
Company Secretary

Dennis Smith
Chief Executive Officer

**** Reclassified to conform with the current year presentation***

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

ISP FINANCE SERVICES LIMITED

# STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED DECEMBER 31, 2023

| | Note | 2023<br>$ | 2022<br>$ | |
|---|---|---|---|---|
| **OPERATING INCOME:** | | | | |
| Interest income from loans | **3(c)** | **507,509,698** | 431,278,945 | |
| Interest income from financial institutions and other receivables | | **11,736,226** | 1,181,931 | |
| Total interest income | | **519,245,924** | 432,460,876 | |
| Interest expense | | **60,482,407** | 37,046,740 | |
| Net interest income | | **458,763,517** | 395,414,136 | |
| Commission expenses on loans | | **(23,026,986)** | (16,217,934) | |
| | | **435,736,531** | 379,196,202 | |
| Other operating income: | | | | |
| Foreign exchange (loss) / gain | | **(459,457)** | 31,171 | |
| Other income | | **9,297,252** | 14,045,060 | |
| | | **8,837,795** | 14,076,231 | |
| | | **444,574,326** | 393,272,433 | |
| **OPERATING EXPENSES:** | | | | |
| Staff costs | **16** | **103,656,685** | 112,795,116 | |
| Allowance for credit losses | **5 (b)** | **128,800,000** | 93,000,000 | |
| Depreciation expense | | **9,355,950** | 10,607,458 | * |
| Other operating expenses | **17** | **126,909,657** | 111,853,430 | * |
| | | **368,722,292** | 328,256,004 | |
| **Profit before taxation** | **18** | **75,852,034** | 65,016,429 | |
| **Taxation charge** | **19** | **9,230,824** | 7,781,257 | |
| **Profit, being total comprehensive income for the year** | | **66,621,210** | 57,235,172 | |
| **Earnings per share ($)** | **14(b)** | **0.63** | 0.55 | |

**** Reclassified to conform with the current year presentation***

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

ISP FINANCE SERVICES LIMITED

# STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED DECEMBER 31, 2023

| | Share Capital $ | Revaluation Surplus $ | Accumulated Surplus $ | Total $ |
|---|---|---|---|---|
| Balance at December 31, 2021 | 195,903,128 | 11,052,413 | 256,181,074 | 463,136,615 |
| Transfer of reserves (gain realized on disposal) | - | (7,210,817) | 7,210,817 | - |
| Adjustment from the adoption of IFRS 16 | - | - | (2,146,206) | (2,146,206) |
| Net profit, being total comprehensive income for the year | - | - | 57,235,172 | 57,235,172 |
| Balance at December 31, 2022 | 195,903,128 | 3,841,596 | 318,480,857 | 518,225,581 |
| Net profit, being total comprehensive income for the year | - | - | 66,621,210 | 66,621,210 |
| **Balance at December 31, 2023** | **195,903,128** | **3,841,596** | **385,102,067** | **584,846,791** |

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

ISP FINANCE SERVICES LIMITED

## STATEMENT OF **CASH FLOWS**

YEAR ENDED DECEMBER 31, 2023

| | Note | 2023 | 2022 | |
|---|---|---|---|---|
| | | $ | $ | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| **Profit before taxation** | | **75,852,034** | 65,016,429 | * |
| **Adjustments for items not affecting cash resources:** | | | | |
| Depreciation on property, plant and equipment | 10 | **5,891,160** | 7,142,668 | |
| Depreciation on right-of-use-asset | 9 | **3,464,790** | 3,464,790 | |
| Lease interest expense | | **645,905** | 886,961 | * |
| Gain on disposal of property, plant and equipment | | - | (821,941) | |
| Amortization on bond and debenture | | **6,184,964** | 3,299,704 | |
| Unrealized foreign exchange loss / (gain) | | **459,457** | (31,171) | |
| | | **92,498,310** | 78,957,440 | |
| Increase in operating assets: | | | | |
| Loans and other receivables | | **(262,367,425)** | (49,927,120) | |
| Decrease in operating liabilities: | | | | |
| Accounts and other payables | | **(3,316,395)** | (5,837,369) | |
| Cash (used in) / provided by operating activities | | **(173,185,510)** | 23,192,951 | |
| Taxation paid | | **(8,518,000)** | (12,356,914) | |
| Net cash (used in) / provided by operating activities | | **(181,703,510)** | 10,836,037 | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of property, plant and equipment | 10 | **(2,129,988)** | (5,916,147) | |
| Proceeds from sale of property, plant and equipment | | - | 1,420,000 | |
| Proceeds from the sale of investments | | **200,000,000** | (215,000,000) | |
| Net cash provided by / (used in) investing activities | | **197,870,012** | (219,496,147) | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repayment of bond | | - | (232,000,000) | |
| Proceeds from notes payable | | **750,000** | 4,500,000 | |
| Lease liabilities payments | | **(4,550,000)** | (3,950,000) | |
| Proceeds from secured bond | | - | 470,000,000 | |
| Bond issued costs | | - | (18,554,891) | |
| Net cash (used in) / provided by financing activities | | **(3,800,000)** | 219,995,109 | |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **12,366,502** | 11,334,999 | |
| **CASH AND CASH EQUIVALENTS - Beginning of the year** | | **30,928,714** | 19,562,544 | |
| Exchange and gains on foreign cash balance | | **(459,457)** | 31,171 | |
| **CASH AND CASH EQUIVALENTS - End of the year** | | **42,835,759** | 30,928,714 | |
| **REPRESENTED BY:** | | | | |
| Cash and cash equivalents | | **42,835,759** | 30,928,714 | |

## 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.

On July 26, 2023, the Company was granted a licence by Bank of Jamaica under the Microcredit Act, 2021.

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. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

### (a) Statement of Compliance

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Stanadrds Board and the relevant requirements of the Acts.

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

The preparation of financial statements in conformity with IFRS and the Act requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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 recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(b) Changes in accounting standards and interpretations**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following interpretations and amendments are relevant to its operations:

- *IAS 8 'Changes in Accounting Estimates and Errors - Amendment', issued February 2021*
  Effective for periods commencing on or after 1 January 2023
- *IAS 12 - 'Deferred Tax' - Amendment', issued May 2021*
  Effective for periods commencing on or after 1 January 2023

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- *IAS 1 ' Presentation of Financial Statements - Amendment', issued January 2020*
  Effective for periods commencing on or after 1 January 2024
- *IAS 21 ' The Effects of Changes in Foreign Exchange Rates - Amendment', issued August 2023*
  Effective for periods commencing on or after 1 January 2025
- *IFRS 16 ' Leases - Amendment', issued January 2020*
  Effective for periods commencing on or after 1 January 2024
- IFRS S1' *General Requirements for Disclosure of Sustainability - related Financial Information*',
  issued June 2023.
  Effective for periods commencing on or after 1 January 2024

The Board of directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant to the Company in future periods is unlikely to have any material impact on the financial statements.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

### (c) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, as well as estimates, based on assumptions, that affect the application of accounting policies, and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts may differ from these estimates.

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with material uncertainty that have a significant effect on amounts in the financial statements or that have a significant risk of material adjustment in the next financial year are set out below:

(i) Critical accounting judgements in applying the Company's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.

(a) Classification of financial assets:
The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(b) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(c) Depreciable assets
Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

### (c) Use of estimates and judgements (cont'd)

(i) Critical accounting judgements in applying the Company's accounting policies

(d) Leases - estimating the incremental borrowing rate

If the Company cannot readily determine the interest rate implicit in the lease, its uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

(ii) Key assumptions and other sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(a) Fair value estimation

The Company's motor cars are measured at fair value in the financial statements.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exist as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique are utilized.

IFRS requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(c) Use of estimates and judgements (cont'd)**

(ii) Key sources of estimation uncertainty (cont'd)

(a) Fair value estimation (cont'd)

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfer of items between levels are recognized in the period they occur.

The Company measures financial instruments (note 21) at fair value.

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

- The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, investments, loan receivable, other receivables, bonds, other liabilities and payables.
- The carrying values of long term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(b) Allowance for impairment losses on loan receivables

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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 make uncertainly inherent in such estimates.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 3. MATERIAL 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 a 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 int the statement of comprehensive income.

Cost includes expenditure that are 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.

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 & Equipment | 20% |
| Motor Cars | 20% |
| Motor Bikes | 20% |

### (b) Revenue recognition

Revenue is income that arises in the course of the ordinary activities of the Company. It is comprised principally of fees and net interest income earned from loans.

*Interest income*

Interest income is recognized based on the terms and rates specified in loan agreements with customers.

Interest income is recognized on the accrual basis, by reference to the principal and the interest rate applicable. Interest income is calculated on the straight line basis. Nature and timing of satisfaction of performance obligations of loans offered to the general public are on disbursement of loans to customers.

*Fees*

Fees are income recognised in profit or loss on the accrual basis when the service has been provided. Loan application fees are an integral part of the effective interest rate of the loan and are amortised using the effective interest rate method through interest income in the statement of comprehensive income over the period of the related loan agreement.

**3. MATERIAL ACCOUNTING POLICIES (CONT'D)**

**(c) Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to income tax payable in respect of previous years.

The Company was listed on the Junior Market of the Jamaica Stock Exchange (JSE) on March 30, 2016 which allows for the remission of taxes for ten (10) years (years 1 – 5 at 100% and years 6 – 10 at 50%). This tax incentive requires the Company to remain listed on the Junior Market for a minimum of 15 years to benefit from the tax incentive, otherwise the Company will be liable to remit the taxes relieved under the concession. In years 6 to 10 on the Junior Market, the Company will be required to remit corporate tax at half the usual rate.

(ii) Deferred income tax

Deferred income tax is provided using the statement of financial position liability method, providing or temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**(d) Cash and cash equivalents**

Cash comprises cash in hand and demand and call deposits with banks.  Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(e) Interest-bearing borrowings**

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Interest expense is recognised in profit or loss using the effective interest method on the accrual basis.

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2023

## 3. MATERIAL ACCOUNTING POLICIES (CONT'D)

### (f) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognised immediately in profit or loss), as appropriate, on initial recognition.

In these financial statements, financial assets comprise cash and cash equivalents, loan receivables, other receivables, deposits and invesments. Financial liabilities comprise accounts payable, bonds and notes payable.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cashflows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of'other' business model and measured at FVTPL.

## 3. MATERIAL ACCOUNTING POLICIES (CONT'D)

### (f) Financial instruments (cont'd)

**Financial assets (cont'd)**

*Subsequent measurement*
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes loan and other receivables, due from related parties and cash and bank balances.

*Modification of loans*
The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Company assesses whether the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extensions of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency in which the loan is denominated; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

*Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

  When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 3. MATERIAL ACCOUNTING POLICIES (CONT'D)

### (f) Financial instruments (cont'd)

**Financial assets (cont'd)**

*Impairment*

The Company recognises an allowance for expected credit losses (ECLs) on the financial instruments measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12- month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For loan receivables, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For other financial assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities**

*Initial recognition and measurement*

The Company’s financial liabilities, comprising loans and accounts payable, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

## 3. MATERIAL ACCOUNTING POLICIES (CONT'D)

### (g) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:
- controls, is controlled by, or is under common control with the Company;
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company.

(ii) the party is an associate of the Company

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company

(v) the party is a close member of the family of an individual referred to in (i) or (iv) above

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant costing power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above.

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

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

### (h) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or Company of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### (i) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual vacation leave, and non-monetary benefits such as medical care and other long-term employee benefits such as termination benefits.

Short-term employee benefits are charged as expense. The expected cost of vacation leave that accumulates is recognised over the period that the employee becomes entitled to the leave.

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 3. MATERIAL ACCOUNTING POLICIES (CONT'D)

### (j) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## 4. CASH AND CASH EQUIVALENTS

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Cash at bank and cash in hand | **42,835,759** | 30,928,714 |

## 5. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Loans | **1,024,989,649** | 760,623,841 |

(a) Loans consist of unsecured notes due from the Company's clients.
The loans are at applicable interest rates ranging from 50% - 65% for the years ended December 31, 2023 and 2022.

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Loans | **1,119,443,754** | 851,821,550 |
| **Less:** | | |
| Provision for credit losses | **(94,454,105)** | (91,197,709) |
| | **1,024,989,649** | 760,623,841 |

(b) Analysis of allowance for credit losses are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Balance at the beginning of the year | **(91,197,709)** | (222,324,564) |
| Recognised in the statement of comphrensive income allowance for credit losses | **(128,800,000)** | (93,000,000) |
| | **(219,997,709)** | (315,324,564) |
| Irrecoverable debts | **125,543,604** | 224,126,855 |
| Balance at the end of the year | **(94,454,105)** | (91,197,709) |

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2023

## 5. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES (CONT'D)

(c) Analysis of loans are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Personal loans | **942,336,175** | 795,693,403 |
| Business loans: | | |
| Agriculture | **1,546,935** | 1,732,108 |
| Services | **122,816,328** | 24,098,840 |
| Trading | **22,555,356** | 30,160,197 |
| Manufacturing | **30,188,960** | 137,002 |
| | **177,107,579** | 56,128,147 |
| | **1,119,443,754** | 851,821,550 |

(d) Loans are comprised of, and mature as follows:
Remaining term of maturity

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Due in 1 month | **810,516,247** | 492,101,753 |
| 1 - 3 months | **65,514,984** | 58,196,276 |
| 3 - 12 months | **137,091,611** | 139,608,381 |
| over 12 months | **106,320,912** | 161,915,140 |
| | **1,119,443,754** | 851,821,550 |
| Less: Provision for credit losses | **(94,454,105)** | (91,197,709) |
| | **1,024,989,649** | 760,623,841 |

(e) Impairment losses on loans
The ageing of loans and the related impairment allowances at the reporting date were as follows:

| | **2023** | |
|---|---|---|
| | **Gross** | **Impairment** |
| | **$** | **$** |
| Current | **810,516,247** | **1,469,162** |
| 1 to 3 months past due | **65,514,984** | **500,253** |
| 3 to 12 months past due | **137,091,611** | **56,196,816** |
| over 12 months past due | **106,320,912** | **36,287,874** |
| | **1,119,443,754** | **94,454,105** |

## 5. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES (CONT'D)

(d) Loans are comprised of, and mature as follows:
The ageing of loans and the related impairment allowances at the reporting date were as follows:

| | 2022 | |
|---|---|---|
| | Gross | Impairment |
| | $ | $ |
| Current | 492,101,753 | 821,803 |
| 1 to 3 months past due | 58,196,276 | 945,271 |
| 3 to 12 months past due | 139,608,381 | 20,941,257 |
| over 12 months past due | 161,915,140 | 68,489,378 |
| | 851,821,550 | 91,197,709 |

## 6. OTHER RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Other accounts receivables | **824,241** | 3,254,707 |
| Prepaid expenses | **981,925** | 2,913,127 |
| Staff advances | **851,549** | 691,410 |
| Withholding tax | **1,926,305** | 614,947 |
| Other | **1,971,243** | 1,079,454 |
| | **6,555,263** | 8,553,645 |

## 7. INVESTMENTS

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| (i) Victoria Mutual Investments Limited Unsecured Bond | **10,000,000** | 10,000,000 |
| (ii) Secured Corporate Bond | **15,000,000** | 15,000,000 |
| (iii) Bank of Nova Scotia Term Deposit | **-** | 200,000,000 |
| | **25,000,000** | 225,000,000 |

(i) This represents a 5.5% unsecured fixed rate corporate bond, maturing in 2024.
(ii) This represents a 10.81% secured variable rate corporate bond, maturing in 2025.

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2023

## 8. DEFERRED TAX ASSET

Certain deferred tax liabilities and assets have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for the purposes of this statement of financial position:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Deferred tax asset | **836,191** | 161,178 |

Deferred tax liabilities and assets are attributable to the following:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Depreciation and capital allowances | **721,327** | 161,178 |
| Other allowances, net | **114,864** | - |
| | **836,191** | 161,178 |

The movement during the year in the Company's deferred tax position was as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Balance at the beginning of the year | **161,178** | (646,096) |
| Movement during the year | **675,013** | 807,274 |
| Balance at the end of the year | **836,191** | 161,178 |

## 9. RIGHT-OF-USE ASSET / LEASE LIABILITY

The operating lease was recognised by the Company as a right-of-use asset with a corresponding lease liability.These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's annual incremental borrowing rate of 7.0%.

Information about lease for which the Company is a lessee is presented below:

(a) Right -of-use asset

| | **2023** | 2022 |
|---|---|---|
| **At Cost** | **$** | $ |
| Cost at January 1 | **17,323,953** | 17,323,953 |
| **Accumulated Depreciation** | | |
| Balance at January 1 | **(8,950,710)** | (5,485,920) |
| Charge for year | **(3,464,790)** | (3,464,790) |
| | **(12,415,500)** | (8,950,710) |
| Balance at December 31 | **4,908,453** | 8,373,243 |

(b) Lease liability

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Current | **4,805,952** | 3,904,095 |
| Non-current | **2,211,155** | 7,017,107 |
| | **7,017,107** | 10,921,202 |

(c) Maturity analysis - contractual undiscounted cash flows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Less than one year | **5,150,000** | 4,550,000 |
| One to five years | **2,250,000** | 7,400,000 |
| Total undiscounted lease liability | **7,400,000** | 11,950,000 |

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Improvements | Furniture and Equipment | Motor Cars | Computer Software & Equipment | Total |
|---|---|---|---|---|---|
| **At Cost/Valuation:** | | | | | |
| Balance at December 31, 2021 | 32,435,901 | 16,032,828 | 11,449,295 | 36,512,280 | 96,430,304 |
| Additions | - | 1,566,940 | 218,000 | 4,131,207 | 5,916,147 |
| Disposals | - | - | (4,838,958) | - | (4,838,958) |
| Balance at December 31, 2022 | 32,435,901 | 17,599,768 | 6,828,337 | 40,643,487 | 97,507,493 |
| Additions | - | 946,146 | - | 1,183,842 | 2,129,988 |
| **Balance at December 31, 2023** | **32,435,901** | **18,545,914** | **6,828,337** | **41,827,329** | **99,637,481** |
| **Accumulated Depreciation:** | | | | | |
| Balance at December 31, 2021 | 21,405,541 | 11,068,895 | 9,548,842 | 31,998,320 | 74,021,598 |
| Charge for year | 2,799,920 | 1,112,332 | 1,161,895 | 2,068,521 | 7,142,668 |
| Disposals | - | - | (4,240,898) | - | (4,240,898) |
| Balance at December 31, 2022 | 24,205,461 | 12,181,227 | 6,469,839 | 34,066,841 | 76,923,368 |
| Charge for year | 2,743,481 | 1,023,883 | 99,600 | 2,024,196 | 5,891,160 |
| **Balance at December 31, 2023** | **26,948,942** | **13,205,110** | **6,569,439** | **36,091,037** | **82,814,528** |
| **Net Book Value** | | | | | |
| Balance at December 31, 2021 | 11,030,360 | 4,963,933 | 1,900,453 | 4,513,960 | 22,408,706 |
| Balance at December 31, 2022 | 8,230,440 | 5,418,541 | 358,498 | 6,576,646 | 20,584,125 |
| **Balance at December 31, 2023** | **5,486,959** | **5,340,804** | **258,898** | **5,736,292** | **16,822,953** |

## 11. ACCOUNTS AND OTHER PAYABLES

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Accounts payable | **8,067,123** | 10,356,912 |
| Interest accrued | **1,655,215** | 3,523,713 |
| Statutory liabilities | **1,926,022** | 1,577,772 |
| Other accruals | **7,778,974** | 5,897,495 |
| | **19,427,334** | 21,355,892 |

## 12. SECURED BOND

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| 11.5% Secured bond | **470,000,000** | 470,000,000 |
| Less: Deferred bond issue costs | **(10,830,526)** | (17,015,490) |
| | **459,169,474** | 452,984,510 |

This represented a secured corporate bond issued by the Company at a fixed interest rate of 11.5% per annum. The note is secured by all fixed and floating assets of the Company. The note matures September 30, 2025.

Interest expense charged on the bond during the current year totalled $54,155,983.53 (2022 - $30,256,356).

## 13. NOTES PAYABLE

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Unsecured notes | **52,535,511** | 51,785,511 |

The unsecured notes bear interest ranging from 11% - 13% for the years ended December 31, 2023 and 2022. The Company exercised the option to extend the maturity date of the notes to June 2024 and the notes continue to have a renewable option.

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 13. NOTES PAYABLE (CONT'D)

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| **Balances at the beginning of year** | **51,785,511** | 47,285,511 |
| Additional loans received | **750,000** | 4,500,000 |
| **Balances at the end** | **52,535,511** | 51,785,511 |

Interest expense charged on these loans during the current year totalled $6,326,433 (2022 - $6,790,384). At year end, interest expense accrued totalled $1,352,891 (2022 - $3,523,71).

## 14. SHARE CAPITAL

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| | **Number ('000)** | Number ('000) |
| Authorized share capital: | | |
| Ordinary shares [a (i)] | **105,000** | 105,000 |
| Issued and fully paid: | | |
| 5,000,000 Ordinary shares at $1 per share | **5,000,000** | 5,000,000 |
| 51,017,500 Ordinary shares at $2 per share [a (i)] | **102,035,000** | 102,035,000 |
| 48,982,500 Ordinary shares at $2 per share [a (ii)] | **97,965,000** | 97,965,000 |
| Less: Share issue costs | **(9,096,872)** | (9,096,872) |
| | **195,903,128** | 195,903,128 |

**(a)** (i) 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 to satisfy the $102,035,000 debt owed to him by a related entity of the Company.

(ii) 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.

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2023

## 14. SHARE CAPITAL (CONT'D)

### (b) 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 year as at the reporting date.

| | **2023** | 2022 |
|---|---|---|
| Net profit for the year | **66,621,210** | 57,235,172 |
| Weighted average number of share | **105,000,000** | 105,000,000 |
| Earnings per share ($) | **0.63** | 0.55 |

## 15. REVALUATION SURPLUS

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Revaluation surplus on motor cars | **3,841,596** | 3,841,596 |

This represents surplus on motor cars that were revalued in previous years.

## 16. STAFF COSTS

The number of employees at the end of the year was as follows:

| | **2023** | 2022 |
|---|---|---|
| Permanent | **63** | 44 |

The aggregate payroll costs for these persons were as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Salaries and profit related pay | **91,255,361** | 100,156,481 |
| Statutory payroll contributions | **8,298,692** | 8,172,335 |
| Other staff benefits | **4,102,632** | 4,466,300 |
| | **103,656,685** | 112,795,116 |

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 17. OTHER OPERATING EXPENSES

| | 2023 $ | 2022 $ | |
|---|---|---|---|
| Directors' fees | - | 1,400,000 | |
| Bank charges | 3,816,694 | 3,707,612 | |
| Amortization of bond issue costs | 6,184,964 | 3,299,704 | |
| Consulting fees | 14,000,000 | 7,450,000 | |
| Building rental | 3,910,584 | 4,837,878 | * |
| Telephone | 12,600,361 | 12,080,835 | |
| Electricity | 1,494,313 | 1,967,965 | |
| Water | 148,842 | 110,573 | |
| Computer expenses | 11,483,044 | 9,866,823 | |
| Audit fees | 3,000,000 | 2,750,000 | |
| Printing, stationery and postage | 1,779,152 | 2,031,753 | |
| Repairs and maintenance | 2,807,096 | 3,379,733 | |
| Professional fees | 3,961,350 | 5,700,975 | |
| Legal fees | 5,549,288 | 2,736,748 | |
| Trustee fees | 2,738,030 | 970,002 | |
| Travelling and transportation | 1,724,883 | 1,102,198 | |
| Motor vehicle expenses | 5,323,785 | 5,413,426 | |
| Donation | 55,000 | 80,000 | |
| Office expenses | 18,700,677 | 14,828,901 | |
| Security | 5,526,698 | 4,796,212 | |
| Cleaning and sanitation | 768,000 | 815,000 | |
| Subscriptions and dues | 660,000 | 660,000 | |
| Advertising and promotion | 11,377,705 | 12,613,935 | |
| Insurance | 801,332 | 717,905 | |
| Entertainment | 6,801,304 | 7,482,291 | |
| JSE listing fees | 1,159,155 | 1,007,961 | |
| Annual returns | 537,400 | 45,000 | |
| | **126,909,657** | 111,853,430 | |

## 18. PROFIT BEFORE TAXATION

| Stated after charging the following: | 2023 $ | 2022 $ | |
|---|---|---|---|
| | **75,852,034** | 65,016,429 | * |
| Auditor's remuneration | **3,000,000** | 2,750,000 | |

**** Reclassified to conform with the current year presentation***

## 19. TAXATION CHARGE

(a) Income tax is computed at 25% and 331/3% (2022: 25%) of the pre-tax profit for the year, as adjusted for taxation purposes. Deferred taxation is computed at 33 1/3% for the financial year (2022: 25%) based on the applicable income tax rate for regulated companies.

The taxation charge is made up as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Current: | | |
| Provision for charge on current profit | **9,905,837** | 8,588,531 |
| Deferred: | | |
| | **(675,013)** | (807,274) |
| Origination and reversal of temporary differences | **9,230,824** | 7,781,257 |

(b) Reconciliation of effective tax rate and charge:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **$** | **%** | $ | % |
| Profit before taxation | **75,852,034** | | 65,418,181 | |
| Computed tax charge | **21,596,654** | **28%** | 16,354,545 | 25% |
| Taxation differences between profit for financial statements and tax reporting purposes on: | | | | |
| Depreciation and capital allowances | **93,357** | **0%** | (149,515) | 0% |
| Remission of income taxes | **(9,905,837)** | **-13%** | (8,588,530) | -13% |
| Other adjustments | **(2,553,350)** | **-3%** | 164,757 | 0% |
| Actual charge / rate% | **9,230,824** | **12%** | 7,781,257 | 12% |

**Remission of income tax:**
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 remains listed on the Jamaica Stock Exchange Junior Market during this period in order to benefit from the tax exemptions.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Subject to agreement with the Ministry of Finance and Planning, the income tax payable for which remission will be sought is $9,905,837 (2022: $8,588,530).

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

## 20. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions or if both are subject to control or significant influence by the same party.

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Such persons comprise the directors and senior management of the Company.

The compensation paid to key management for employee services is as shown below:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| - Directors' remuneration | **12,556,626** | 12,489,265 |
| - Directors' fees | **-** | 1,400,000 |
| - Consultancy fees | **14,000,000** | 7,450,000 |
| - Building rental | **3,387,919** | 5,147,059 |

## 21. FINANCIAL INSTRUMENTS

### (a) Financial risk management:

The Company has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

The Board of Directors, together with senior management, has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company 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 Company's activities.

Management has adopted several measures specifically around financial risk management. These measures include:

**(a)** Implemented a liquidity recovery plan, the key aspects of the plan include:
- Assessing the daily inflow and outflow of funds (liquidity forecasting);
- Identifying and assessing the adequacy of financial resources for contingent needs;
- Implementing measures geared at strengthening the entity's working capital; and
- Defining escalation and decision-making procedures to ensure that the plan can be executed timely.

**(b)** Implemented measures to assist external clients during this crisis, such as:
- Payment moratoria on loans. It is not expected that there will be reclassification of loans from Stage 1 to Stage 2 as these payment holidays should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR are identified; and
- Special arrangements with clients, such as increasing their loan to value ratio, based on approval by the appropriate committee.

**(c)** On-going monitoring of working capital which included sensitivity analyses to determine:
- The impact of a downward adjustment in asset values on our regulatory ratios
- The impact of a downward adjustment in asset values on the projected profitability; and
- The level of capital shortfall, if any, and how additional capital could be raised to address any projected shortfall.

## 21. FINANCIAL INSTRUMENTS

### (a) Financial risk management (cont'd):

#### (i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company monitors its credit risk by evaluating applicants for credit before disbursement and reviewing its loan portfolio with a view to controlling its credit risks. Collateral is obtained for certain loans and most personal loans are collected through salary deductions by employers of the borrowers. Cash and cash equivalents are held with substantial financial institutions, which are considered to present minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure. The Company has some degree of credit risk concentration associated with loans receivable, as the Company loan portfolio includes mainly personal loans. There are no significant balances with any single entity or group of entities. There was no individual loan balance that exceeded 5% of the total loans owing to the Company at reporting date.

The Company applies the 'three stage' model under IFRS 9 in measuring the expected credit losses on loans receivable and makes estimation about likelihood of defaults occurring, associated loss ratios, changes in market conditions and the expected future cash flows. This is measured using the probability of default (PD), Exposure at Default (EAD) and the loss given default (LAD) for a portfolio of likelihood assets.

- Probability of Default (PD) –this represents the likelihood of a borrower defaulting on its obligation either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Exposure at Default (EAD) – This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.
- Loss Given Default (LGD)- The LGD represents expected losses on the EAD given the event of default , taking into account the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

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**21. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial risk management (cont'd):**

**(i) Credit risk (cont'd):**

The ‘three stage’ model is used to categorise financial assets according to credit quality as follows:

- Stage 1 - financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using the 12 month PD, which represents the probability that the financial asset will default within the next 12 months.
- Stage 2 – financial assets with a significant increase in credit (SICR) since initial recognition, but are not credit impaired. ECL is measured using a lifetime PD.
- Stage 3- credit impaired financial assets. ECL is measured using a lifetime PD.

Significant increase in Credit Risk (SICR)
The Company considers a financial asset to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met:

<u>Qualitative Criteria</u>
- Borrower enters into a scheme of arrangement
- Actual or expected restructuring
- Expected significant adverse change in earnings of the borrower
- Early signs of cash flow/liquidity problems
- Significant adverse changes in the business, financial and or economic conditions in which the borrower operates.

The assessment of SICR is performed for individual loans, taking into consideration the grouping of the individual exposures and incorporates forward –looking information. The assessment is performed on a quarterly basis.

Irrespective of the above qualitative assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

<u>Measuring the ECL – Inputs , Assumptions and Estimation Techniques</u>

The ECL is determined by projecting the PD, LGD and EAD, which are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12 month PD is calculated by observing the rate of historical default within the first year of a portfolio of loans, and adjusted for the the expected impact of forward looking economic information.

The life time PD is calculated by observing the rate of historical default over the life of the portfolio of loans receivable and adjusted for the impact of forward looking economic information.

The EAD for amortising and bullet repayment loans on the contractual repayments over a 12 month or lifetime basis

The 12 month and lifetime LGDs are determined base on the factors which impact the recoveries made post default. For secured products, this is primarily based on the collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

Forward looking economic information is also included in determining the 12-month and lifetime EAD and LGD.

**FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial risk management (cont'd):**

**(i) Credit risk (cont'd):**

Forward Looking Information
The assessment of SICR and the calculation of ECL both incorporate forward looking information that is available without undue cost effort. The Company uses external information including economic data and the forecast published by governmental bodies and the central bank. The information published however does not cover the company's credit risk exposure period and judgement was applied when incorporating these forecasts into our model. These economic variables and their associated impact on the PD, EAD and LGD vary by financial asset. Forecasts of these economic variables are reviewed on a quarterly.

Portfolio Segmentation
Expected credit loss provisions are modelled on a collective basis, by grouping exposures on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous. Exposures are grouped by loan types and payment method. The appropriateness of the groupings is monitored and reviewed on periodic basis.

Stage 3 loans are assessed on an individual basis for impairment.

Maximum Exposure to Credit Risk
The Company measures ECL considering the risk of default over the maximum contractual period (including extension) over which it is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

The gross carrying amount of financial assets below also represents the Company's maximum exposure of credit risk on these assets.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit on these assets.

| | 2023<br>Stage 1<br>12-month ECL<br>$ | 2023<br>Stage 2<br>Lifetime ECL<br>$ | 2023<br>Stage 3<br>Lifetime ECL<br>$ | **2023**<br><br>**Total**<br>**$** | 2022<br><br>Total<br>$ |
|---|---|---|---|---|---|
| Standard risk | 810,516,247 | 184,478,411 | - | **994,994,658** | 665,763,324 |
| Past due | - | 18,128,184 | - | **18,128,184** | 24,143,086 |
| Credit impaired | - | - | 106,320,912 | **106,320,912** | 161,915,140 |
| Gross carrying amount | 810,516,247 | 202,606,595 | 106,320,912 | **1,119,443,754** | 851,821,550 |
| Loss allowance | (1,969,415) | (56,196,816) | (36,287,874) | **(94,454,105)** | (91,197,709) |
| Carrying amount | 808,546,832 | 146,409,779 | 70,033,038 | **1,024,989,649** | 760,623,841 |

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2023

## 21. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial risk management (cont'd):

#### (i) Credit risk (cont'd):

Collateral and other credit enhancement
The Company employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds. The principal collateral types for loans receivables are:

- Mortgages over residential and/or commercial properties
- Charges over business assets
- Liens over motor vehicles
- Personal guarantees

The policies regarding obtaining collateral have not changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since prior period.

Loss Allowance

The following table explain the changes in loss allowance between the beginning and the end of the annual period:

| | 2023<br>Stage 1<br>12-month ECL<br>$ | 2023<br>Stage 2<br>Lifetime ECL<br>$ | 2023<br>Stage 3<br>Lifetime ECL<br>$ | Total<br>$ |
|---|---|---|---|---|
| As at 31 December 2022 | (1,767,074) | (20,941,257) | (68,489,378) | (91,197,709) |
| Changes in PDs/LGDs/EADs | 28,739,648 | (35,255,559) | 32,201,504 | 25,685,593 |
| New financial assets originated | (28,941,989) | - | - | (28,941,989) |
| | (202,341) | (35,255,559) | 32,201,504 | (3,256,396) |
| **As at 31 December 2023** | **(1,969,415)** | **(56,196,816)** | **(36,287,874)** | **(94,454,105)** |

#### (ii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation. Prudent liquidity risk management implies maintaining sufficient cash resources and the availability of funding through an adequate amount of committed facilities.

**21. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial risk management (cont'd):**

**(ii) Liquidity risk (cont'd):**
The following are the contractual maturities of financial liabilities, including interest payments:

| | **2023** | | | | |
|---|---|---|---|---|---|
| | **Within 3 Months** | **3 to 12 Months** | **1 to 2 Years** | **2 to 5 Years** | **Total** |
| | **$** | **$** | **$** | **$** | **$** |
| Secured bond | 13,512,500 | 40,537,500 | 54,050,000 | 524,050,000 | 632,150,000 |
| Notes payable | 2,250,000 | 2,250,000 | 54,339,772 | - | 58,839,772 |
| | **15,762,500** | **42,787,500** | **108,389,772** | **524,050,000** | **690,989,772** |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **Within 3 Months** | **3 to 12 Months** | **1 to 2 Years** | **2 to 5 Years** | **Total** |
| | **$** | **$** | **$** | **$** | **$** |
| Secured bond and | 13,512,500 | 40,537,500 | 54,050,000 | 524,050,000 | 632,150,000 |
| Notes payable | 2,250,000 | 2,250,000 | 53,499,772 | - | 57,999,772 |
| | 15,762,500 | 42,787,500 | 107,549,772 | 524,050,000 | 690,149,772 |

**(iii) Market risk:**
Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments. Market risk arises from fluctuations in the value of liabilities and on certain of its financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Interest rate risk:*
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest bearing liabilities, which are subject to interest rate adjustment within a specified period. The Company manages this risk by maintaining a portfolio of interest earning assets that exceeds interest-bearing liabilities. Loans are advanced for relatively short period.

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

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Financial assets | **1,100,428,620** | 1,026,154,149 |
| Financial liabilities | **(531,132,319)** | (526,125,913) |
| | **569,296,301** | 500,028,236 |

ISP FINANCE SERVICES LIMITED

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2023

**21. FINANCIAL INSTRUMENTS (cont'd)**

**(a) Financial risk management (cont'd):**

**(iii) Market risk (cont'd):**

*Fair value sensitivity analysis for fixed rate instruments*
The Company does not account for any fixed rate financial assets and liabilities at fair value and all its financial instruments are carried at amortized cost. Therefore, a change in interest rates at the reporting date would not affect profit for the year or equity.

*Cash flow sensitivity of variable rate financial instruments*
The Company does not hold any variable rate instruments that are subject to material changes in interest rate. Therefore, a change in market interest rates at the reporting date would not affect profit or equity.

*Foreign currency risk:*
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to significant foreign currency risk, primarily on notes payable that are denominated in a currency other than the Jamaica dollar. Such exposures comprise the monetary assets and liabilities of the Company that are denominated in that currency.

The main foreign currency risks of the Company are denominated in United States dollars (US$), which is the principal intervening currency for the Company. The Company jointly manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

**(b) Capital management**
The Company's objectives when managing capital are to comply with capital requirements, safeguard the Company's ability to continue as a going concern and to maintain strong capital base to support the development of its business. The Company achieves this by retaining earnings from past profits and by managing the returns on borrowed funds to protect against losses on its core business.

# NOTES

# PROXY **FORM**

I / We ................................................................................................................................of .........

.................................................................................................... being a member/members of ISP Finance Services Limited hereby appoint ..........................................................................................................

of ..............................................................................................................................................................

or failing him / her ..........................................................................................................................................

.....................................................................................................................................................................

of ..............................................................................................................................................................

As my/our proxy to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at the Courtyard Marriot Hotel, Kingston on Thursday, November 21, 2024 commencing at 11.00 a.m. and at any adjournment thereof.

Signed this ................................................................... day of ........................................................... 2024

............................................................................ Signature

............................................................................ Signature

**J$100.00 STAMP**

**NOTE: To be valid:**

1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his / her stead. A proxy need not be a member of the company.

2) If executed by a Corporation, this proxy must be sealed. A Corporate shareholder may appoint a representative in accordance with **Article 2** of the Company's Articles of **Incorporation** instead of appointing a proxy.

3) This Form of Proxy must be received by the Company at it's Registered Office at 17 Phoenix Avenue, Kingston 10 or at Jamaica Central Securities Depository, the Company's Registrar at 40 Harbour Street, Kingston.

4) This Form of Proxy should bear stamp duty of J$100.00. Adhesive stamps are to be cancelled by the person signing the proxy.

**ISP FINANCE SERVICES LIMITED**

17 PHEONIX AVENUE, KINGSTON