



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

3rd QUARTER ENDED SEPTEMBER 30, 2020



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020**

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**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020**

DIRECTORS' REPORT TO STOCKHOLDERS

The Board of Directors of ISP Finance Services Limited (ISP) is pleased to present the Company's unaudited financial results for the 3rd Quarter ended September 30, 2020.

The Company's operating income in the reporting period decreased by 9.8% or \$8.4 million to \$77.5 million over the corresponding third quarter in 2019.

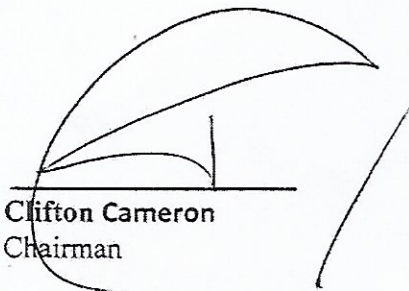
The Company, however, recorded a net profit for the 3rd Quarter of 2020 of \$20.5 million, an increase of \$8.6 million over the same period last year or an increase of 72.9% attributable to a reduction in overall operating expenses.

Earnings per share stood at \$0.484 at the end of the 3rd Quarter of 2020 compared to \$0.386 at the end of the 3rd Quarter of 2019

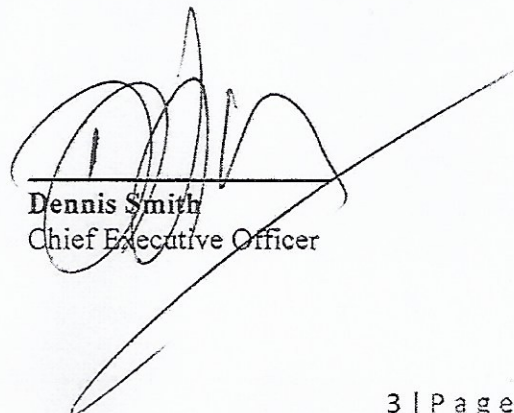
The total assets of the Company grew by \$34.3 million to \$698.4 million which represents a 5.2% increase over the comparative period. The growth was attributable to the Company's loan portfolio which increased by 4.7% over the review period moving to \$630.5 million at September 30, 2020 from \$602.3 million at the end of September 30, 2019. We continue to focus on the needs of our customers during this pandemic.

Operating expenses for the 3rd Quarter ended September 30, 2020 amounted to \$56.9 million, a decrease of 23.1% or \$17.1 million over the corresponding period in 2019. With our new stay-at-home work policies and rationalizing of staff resources, we have managed to reduce our staff costs while ensuring that customer demand is satisfied. At ISP we continue to implement all the necessary Ministry of Health protocols to protect the safety of both customers and employees.

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



Clifton Cameron
Chairman



Dennis Smith
Chief Executive Officer



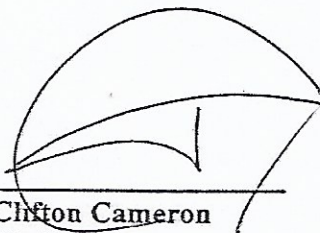
ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2020

	Unaudited Three Months Ended September 30, 2020 \$	Unaudited Three Months Ended September 30, 2019 \$	Unaudited Nine Months Ended September 30, 2020 \$	Unaudited Nine Months Ended September 30, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
OPERATING INCOME					
Interest income from loans	85,837,716	93,819,971	263,617,858	275,846,278	367,067,150
Interest income from banks and other receivables	106	-	189	174	129,852
Total interest income	<u>85,837,821</u>	<u>93,819,971</u>	<u>263,618,047</u>	<u>275,846,452</u>	<u>367,197,002</u>
Interest expenses	<u>7,347,280</u>	<u>7,227,345</u>	<u>22,224,756</u>	<u>22,364,363</u>	<u>31,507,155</u>
Net interest income	78,490,542	86,592,626	241,393,291	253,482,089	335,689,847
Commission expenses on loans	<u>(1,065,332)</u>	<u>(659,300)</u>	<u>(4,624,299)</u>	<u>(1,765,930)</u>	<u>(2,716,750)</u>
	77,425,210	85,933,326	236,768,992	251,716,159	332,973,097
Other operating income					
Foreign exchange gain /(loss)	17,910	(3,322)	(79,404)	90,787	46,428
Service fees	-	-	-	-	0
Other income	43,989	15,200	395,544	16,300	75,034
	<u>61,899</u>	<u>11,878</u>	<u>316,140</u>	<u>107,087</u>	<u>121,462</u>
	<u>77,487,109</u>	<u>85,945,204</u>	<u>237,085,132</u>	<u>251,823,247</u>	<u>333,094,559</u>
OPERATING EXPENSES					
Staff costs	21,206,695	37,553,567	79,697,512	102,651,275	122,054,788
Allowance for credit losses	10,416,000	10,588,224	30,831,467	37,584,367	87,635,187
Depreciation expense	1,393,595	1,288,403	4,019,268	3,885,471	5,216,331
Other operating expenses	23,908,657	24,615,187	71,784,152	67,156,545	95,065,406
	<u>56,924,948</u>	<u>74,045,382</u>	<u>186,332,399</u>	<u>211,277,658</u>	<u>309,971,712</u>
Profit before taxation	20,562,161	11,899,823	50,752,733	40,545,589	23,122,847
Taxation charge	-	-	-	-	180,081
Net profit	<u>20,562,161</u>	<u>11,899,823</u>	<u>50,752,733</u>	<u>40,545,589</u>	<u>22,942,766</u>
Other comprehensive income that may be reclassified to profit and loss					
Revaluation of property, plant and equipment	-	-	-	-	-
Total comprehensive income for the year	<u>20,562,161</u>	<u>11,899,823</u>	<u>50,752,733</u>	<u>40,545,589</u>	<u>22,942,766</u>
Earnings per share (\$)	<u>0.196</u>	<u>0.113</u>	<u>0.484</u>	<u>0.386</u>	<u>0.22</u>

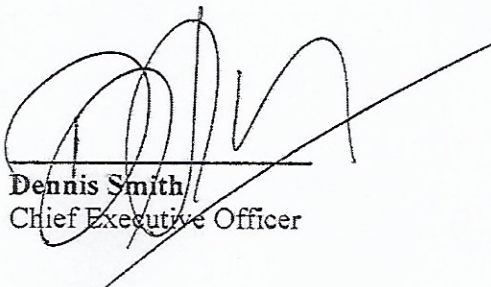


ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
NINE MONTHS ENDED SEPTEMBER 30, 2020

	Unaudited Nine Months Ended September 30, 2020 \$	Unaudited Nine Months Ended September 30, 2019 \$	Audited Twelve Months December 31, 2019 \$
ASSETS			
Cash and cash equivalents	22,232,418	10,807,891	22,813,071
Loans net of provisions for credit losses	630,495,450	602,354,706	627,262,191
Other receivables	10,996,376	15,633,733	2,892,001
Deposit	1,047,949	496,600	496,600
Due from related party	5,017,700	5,017,700	5,011,159
Due from director	-	6,848,039	-
Deferred tax assets	-	-	-
Property, plant and equipment	28,693,994	25,081,796	24,723,435
TOTAL ASSETS	<u>698,483,887</u>	<u>666,240,465</u>	<u>683,198,457</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Accounts payable and other liabilities	21,859,573	30,577,161	36,371,239
Secured corporate bond and promissory note	234,863,543	225,000,000	255,570,634
Notes payable	46,246,793	48,830,360	46,846,381
Deferred tax liabilities	1,075,849	895,768	1,075,849
	304,045,757	305,303,288	339,864,103
EQUITY			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	11,052,413	11,052,413	11,052,413
Accumulated surplus	187,482,589	153,981,636	136,378,813
	394,438,130	360,937,177	343,334,354
TOTAL EQUITY AND LIABILITIES	<u>698,483,887</u>	<u>666,240,465</u>	<u>683,198,457</u>



Clifton Cameron
Chairman



Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2020

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus \$	Total \$
Balance as at December 31, 2019	195,903,128	11,052,413	136,729,856	343,685,397
Other comprehensive income				
Net profit for the period	-	-	50,752,733	50,752,733
Total comprehensive income	-	-	50,752,733	50,752,733
Balance as at Sept 30, 2020	195,903,128	11,052,413	187,482,589	394,438,130
Balance as at December 31, 2018	195,903,128	11,052,413	113,436,047	320,391,588
Other comprehensive income				
Net profit for the period	-	-	40,545,589	40,545,589
Total comprehensive income	-	-	40,545,589	40,545,589
Balance as at Sept 30, 2019	195,903,128	11,052,413	153,981,636	360,937,177



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020

	Unaudited Nine Months Ended September 30, 2020 \$	Unaudited Nine Months Ended September 30, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	72,977,489	62,909,952	54,449,921
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	4,019,268	3,885,471	5,216,331
Loss on sale of fixed assets			
Unrealized foreign exchange gain	79,403	(90,787)	(46,428)
Bond amortization	1,753,463	5,615,047	6,199,535
Deferred taxation	-	-	180,081
	<u>78,829,623</u>	<u>72,319,683</u>	<u>65,999,440</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(11,417,037)	(53,794,017)	(66,050,557)
Deposit	(551,349)	(101,600)	(101,600)
Due from related party	(6,541)	-	6,541
Due from director	-	(5,815,660)	1,032,379
Increase /(decrease) in operating liabilities:			
Accounts payables and other payables	(14,362,547)	12,203,456	18,798,892
Cash provided by/(used in) operating activities	52,492,149	24,811,862	19,685,095
Interest paid	(22,029,674)	(21,563,005)	(31,507,155)
Taxation paid	-	-	-
Net cash used in operating activities	<u>30,462,475</u>	<u>3,248,857</u>	<u>(11,822,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(7,989,826)	(3,457,048)	(4,429,548)
Proceeds from the sale of property, plant and equipment	-	-	-
Net cash used in investing activities	<u>(7,989,826)</u>	<u>(3,457,048)</u>	<u>(4,429,548)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Bond			(232,013,854)
Proceeds from the secured promissory note	(22,453,715)	-	30,000,000
Proceeds from issue of bonds			232,000,000
Repayment of notes payable	(599,588)	(5,467,821)	(7,451,800)
Net cash used in financing activities	<u>(23,053,303)</u>	<u>(5,467,821)</u>	<u>22,534,346</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS -	(580,653)	(5,676,014)	6,282,738
CASH AND CASH EQUIVALENTS -Beginning of the year	22,813,071	16,483,905	16,483,905
Exchange and gains on foreign cash balance			46,428
CASH AND CASH EQUIVALENTS - End of the quarter	<u>22,232,418</u>	<u>10,807,891</u>	<u>22,813,071</u>
REPRESENTED BY:			
Cash and cash equivalents	<u>22,232,418</u>	<u>10,807,891</u>	<u>22,813,071</u>



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2020

1. IDENTIFICATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Property, plant and equipment

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

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



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020

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

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

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

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

The rates of depreciation in use are:

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

b) Loans and other receivables

Loans

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

Other receivables

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

Allowance for impairment losses on loan receivables

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

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

Bad debts are written off when identified.



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020

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

c) Income

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

4. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES

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

	Unaudited Nine Months Ended September 30, 2020 \$	Unaudited Nine Months Ended September 30, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
Loans	821,763,940	713,158,210	786,612,714
Less:			
Provision for credit losses	<u>(191,268,490)</u>	<u>(110,803,413)</u>	<u>(159,350,523)</u>
	<u>630,495,450</u>	<u>602,354,797</u>	<u>627,262,191</u>

5. SHARE CAPITAL

	Unaudited Nine Months Ended September 30, 2020 Number ('000)	Unaudited Nine Months Ended September 30, 2019 Number ('000)	Audited Twelve Months Ended December 31, 2019 Number ('000)
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
	Unaudited Nine Months Ended September 30, 2020 \$	Unaudited Nine Months Ended September 30, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
Issued and fully paid:			
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000	5,000,000
51,017,500 Ordinary shares, at \$2 per share	102,035,000	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share	97,965,000	97,965,000	97,965,000
Less: Share issue costs	<u>(9,096,872)</u>	<u>(9,096,872)</u>	<u>(9,096,872)</u>
	<u>195,903,128</u>	<u>195,903,128</u>	<u>195,903,128</u>



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020

5. SHARE CAPITAL (CONT'D)

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

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

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

6. SECURED CORPORATE BOND

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

7. TAXATION

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

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



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020

8. EARNINGS PER SHARE

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

	Unaudited Three Months Ended September 30, 2020	Unaudited Three Months Ended September 30, 2019	Unaudited Nine Months Ended September 30, 2020	Unaudited Nine Months Ended September 30, 2019	Audited Twelve Months Ended December 31, 2019
Net profit	\$ <u>20,562,161</u>	<u>11,899,823</u>	<u>50,768,913</u>	<u>40,545,589</u>	<u>22,942,766</u>
Weighted average number of shares	No <u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>
Earnings per share	\$ <u>0.196</u>	<u>0.113</u>	<u>0.484</u>	<u>0.386</u>	<u>0.220</u>

9. PROFIT BEFORE INTEREST AND TAXATION

	Unaudited Nine Months Ended September 30, 2020	Unaudited Nine Months Ended September 30, 2019	Audited Twelve Months Ended December 31, 2019
	\$	\$	\$
Net profit for the period	50,752,733	40,545,589	22,942,766
Current year taxation charge	-	-	0
Profit before interest	<u>50,752,733</u>	<u>40,545,589</u>	<u>22,942,766</u>
Interest expense	<u>22,224,756</u>	<u>22,364,363</u>	<u>31,507,155</u>
Profit before interest and taxation	<u>72,977,489</u>	<u>62,909,952</u>	<u>54,449,921</u>



ISP FINANCE SERVICES LIMITED
NINE MONTHS ENDED SEPTEMBER 30, 2020

SCHEDULE OF TOP TEN (10) STOCKHOLDERS

<u>SHAREHOLDER</u>	<u>UNITS</u>
1 Sunfisher Corporation	45,832,500
2 Gencorp Limited	43,517,500
3 Gencorp Limited	7,000,000
4 Dennis George Smith	3,500,000
5 Primrose Ann Smith	1,500,000
6 Rezworth Burchenson – Joint holder – Valerie Burchenson	612,529
7 Bridgeton Management Service Limited	341,420
8 Virgen Advertising Limited	255,116
9 Carissa Gordon	204,250
10 Lindoll Limited	160,758

SCHEDULE OF SHAREHOLDINGS OF DIRECTORS, SENIOR
MANAGERS AND CONNECTED PARTIES

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