



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

2ND QUARTER ENDED JUNE 30, 2021



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021**

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**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021**

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 2nd Quarter ended June 30, 2021.

The Company's Interest Income increased from J\$92.1million to J\$114.1 million in the 2nd Quarter representing an increase of J\$22.0 million or 24.0 % over the corresponding quarter in 2020.

The Company's Net Operating Income after Interest Expenses and Commissions totaled J\$104.63m versus J\$83.24m recorded in the 2nd Quarter of 2020 representing an increase of J\$21.4m or 25.7%.

Operating expenses for the 2nd Quarter ended June 30, 2021 amounted to J\$82.351 million, an increase of J\$18.77 million or 29.5% over the J\$63.582 million incurred in the corresponding period in 2020. Provision for credit losses accounted for J\$12.587 million of the increase in operating costs while staff costs accounted for J\$3.565 million of the increase.

The Company's net profit before tax for the 2nd Quarter of 2021 was \$22.3 million, an increase of \$2.6 million or 13.3% over the same period last year.

Earnings per share recorded \$0.186 in the 2nd Quarter of 2021 compared to \$0.187 in the 2nd Quarter of 2020. The marginal decline was due to the provision for Taxation now accruing, the Company having completed its full five years of operation since listing on the stock exchange on March 30, 2016 (refer Note 7 on Taxation).

The total assets of the Company grew by \$93.3 million to \$784.4 million which represents a 13.5% increase over the comparative period. The growth was attributable to the Company's loan portfolio which increased by 13% over the review period moving to \$688.9 million at June 30, 2021 from \$609.6 million at the end of June 30, 2020.

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.

A stylized signature of Clifton Cameron, consisting of a large, sweeping loop and a few straight lines.

Clifton Cameron
Chairman

A stylized signature of Dennis Smith, featuring a large, complex loop and a long horizontal line extending to the right.

Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2021

	Unaudited Three Months Ended June 30, 2021 \$	Unaudited Three Months Ended June 30, 2020 \$	Unaudited Six Months Ended June 30, 2021 \$	Unaudited Six Months Ended June 30, 2020 \$	Audited Twelve Months Ended December 31, 2020 \$
OPERATING INCOME					
Interest income from loans	114,128,508	92,126,599	204,225,704	177,780,142	369,108,249
Interest income from banks and other receivables	130	84	379	84	3,568,298
Total interest income	114,128,638	92,126,683	204,226,083	177,780,226	372,676,547
Interest expenses	7,624,596	7,965,188	15,385,928	14,877,477	29,582,355
Net interest income	106,504,042	84,161,495	188,840,155	162,902,749	343,094,192
Commission expenses on loans	(1,724,317)	(1,062,826)	(3,099,055)	(3,558,967)	(6,292,140)
	104,779,725	83,098,669	185,741,100	159,343,782	336,802,052
Other operating income					
Foreign exchange gain /(loss)	(186,742)	-	(108,742)	(97,313)	(71,347)
Service fees	-	-	(138,000)	-	0
Other income	38,400	137,038	41,100	351,555	984,000
	(148,342)	137,038	(205,642)	254,242	912,653
	104,631,383	83,235,707	185,535,458	159,598,024	337,714,705
OPERATING EXPENSES					
Staff costs	29,481,365	25,915,961	57,201,034	58,490,816	99,327,803
Allowance for credit losses	24,100,000	11,512,399	38,200,000	20,415,467	66,226,626
Depreciation expense	1,921,457	1,325,514	3,838,277	2,625,673	5,313,556
Other operating expenses	26,848,727	24,828,541	51,243,026	47,875,496	100,732,761
	82,351,550	63,582,415	150,482,337	129,407,452	271,600,747
Profit before taxation	22,279,834	19,653,293	35,053,121	30,190,572	66,113,958
Taxation charge	(2784,979)	-	(2,784,979)	-	(720,871)
Net profit	19,494,855	19,653,293	32,268,142	30,190,572	65,393,087
Other comprehensive income that may be reclassified to profit and loss					
Revaluation of property, plant and equipment	-	-	-	-	-
Total comprehensive income for the year	19,494,855	19,653,293	32,268,142	30,190,572	65,393,087
Earnings per share (\$)	0.186	0.187	0.307	0.288	0.62



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
SIX MONTHS ENDED JUNE 30, 2021

	Unaudited Six Months Ended June 30, 2021 \$	Unaudited Six Months Ended June 30, 2020 \$	Audited Twelve Months December 31, 2020 \$
ASSETS			
Cash and cash equivalents	48,788,443	49,136,016	32,407,946
Loans net of provisions for credit losses	688,981,227	609,624,738	675,125,906
Other receivables	21,126,232	2,972,148	11,431,636
Deposit	1,047,949	1,047,949	1,047,949
Due from related party	-	5,017,700	-
Due from director	-	-	-
Deferred tax assets	-	-	-
Property, plant and equipment	24,501,392	23,314,167	28,417,384
TOTAL ASSETS	784,445,243	691,112,718	748,430,821
LIABILITIES AND EQUITY			
LIABILITIES:			
Accounts payable and other liabilities	42,561,791	28,389,913	23,758,121
Secured corporate bond and promissory note	249,059,375	241,875,238	267,901,746
Notes payable	47,246,793	46,246,793	46,246,793
Deferred tax liabilities	1,796,720	1,075,849	1,796,720
Taxation payable	2,784,979	-	-
	343,449,658	317,587,792	339,703,380
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	234,040,044	166,569,384	201,771,900
	440,995,585	373,524,926	408,727,441
TOTAL EQUITY AND LIABILITIES	784,445,243	691,112,718	748,430,821

Clifton Cameron
Chairman

Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2021

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus \$	Total \$
Balance as at December 31, 2020	195,903,128	11,052,413	201,771,900	408,727,441
Other comprehensive income				
Net profit for the period	-	-	32,268,142	32,268,142
Total comprehensive income	-	-	32,268,142	32,268,142
Balance as at June 30, 2021	195,903,128	11,052,413	234,040,042	440,995,583
Balance as at December 31, 2019	195,903,128	11,052,413	136,378,813	343,334,354
Other comprehensive income				
Net profit for the period	-	-	30,190,572	30,190,572
Total comprehensive income	-	-	30,190,572	30,190,572
Balance as at June 30, 2020	195,903,128	11,052,413	166,569,385	373,524,926



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021

	Unaudited Six Months Ended June 30, 2021 \$	Unaudited Six Months Ended June 30, 2020 \$	Audited Twelve Months Ended December 31, 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	47,654,069	45,068,049	94,975,442
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	3,838,277	2,625,673	5,313,556
Loss on sale of fixed assets	138,000		-
Unrealized foreign exchange gain	108,742	97,313	71,347
Bond amortization	1,168,976	1,168,976	2,337,951
Deferred taxation	2,784,979	-	720,871
	<u>55,693,043</u>	<u>48,960,011</u>	<u>103,419,167</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(25,082,348)	17,108,950	(56,403,350)
Deposit	-	(551,349)	(551,349)
Due from related party	-	(6,541)	5,011,159
Due from director	-	-	-
Increase /(decrease) in operating liabilities:			
Accounts payables and other payables	18,283,735	(13,162,537)	(12,613,118)
Cash provided by/(used in) operating activities	48,894,430	52,348,534	38,862,509
Interest paid	(14,379,302)	(9,352,064)	(29,582,355)
Taxation paid	-	-	-
Net cash used in operating activities	<u>34,515,128</u>	<u>42,996,470</u>	<u>9,280,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(860,285)	(1,216,405)	(9,007,504)
Proceeds from the sale of property, plant and equipment	-	-	-
Net cash used in investing activities	<u>(860,285)</u>	<u>(1,216,405)</u>	<u>(9,007,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
800,000			
Repayment of Bond	(19,074,346)	(14,857,532)	(10,000,000)
Proceeds from the secured promissory note	-	-	19,993,161
Proceeds from issue of bonds			
Repayment of notes payable	1,000,000	(599,588)	(599,588)
Net cash used in financing activities	<u>(17,274,346)</u>	<u>(15,457,120)</u>	<u>9393,573</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS -	16,380,497	26,322,945	9,666,222
CASH AND CASH EQUIVALENTS -Beginning of the year	32,407,946	22,813,071	22,813,071
Exchange and gains on foreign cash balance	-	-	(71,347)
CASH AND CASH EQUIVALENTS - End of the quarter	<u>48,788,443</u>	<u>49,136,016</u>	<u>32,407,946</u>
 REPRESENTED BY:			
Cash and cash equivalents	<u>48,788,443</u>	<u>49,136,016</u>	<u>32,407,946</u>



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2021

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 2020 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, 2020.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Property, plant and equipment

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

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



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021

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
SIX MONTHS ENDED JUNE 30, 2021

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 Six Months Ended June 30, 2021 \$	Unaudited Six Months Ended June 30, 2020 \$	Audited Twelve Months Ended December 31, 2020 \$
Loans	891,017,345	789,487,457	847,887,139
Less:			
Provision for credit losses	<u>(202,036,118)</u>	<u>(179,862,719)</u>	<u>(172,761,233)</u>
	<u>688,981,227</u>	<u>609,624,738</u>	<u>675,125,906</u>

5. SHARE CAPITAL

	Unaudited Six Months Ended June 30, 2021 Number ('000)	Unaudited Six Months Ended June 30, 2020 Number ('000)	Audited Twelve Months Ended December 31, 2020 Number ('000)
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
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
SIX MONTHS ENDED JUNE 30, 2021

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 up to and including the 1st Quarter Ended March 31, 2021 have been prepared on the basis that the Company will have the full benefit of the tax remissions. Effective, the 2nd Quarter Ended June 30, 2021, taxation has been provided for at the remission of 50% of the tax payable.



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021

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 June 30, 2021	Unaudited Three Months Ended June 30, 2020	Unaudited Six Months Ended June 30, 2021	Unaudited Six Months Ended June 30, 2020	Audited Twelve Months Ended December 31, 2020
Net profit	\$	<u>19,494,855</u>	<u>19,653,292</u>	<u>32,268,142</u>	<u>30,190,572</u>	<u>65,393,087</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>0.186</u>	<u>0.187</u>	<u>0.307</u>	<u>0.288</u>	<u>0.62</u>

9. PROFIT BEFORE INTEREST AND TAXATION

	Unaudited Six Months Ended June 30, 2021	Unaudited Six Months Ended June 30, 2020	Audited Twelve Months Ended December 31, 2020
	\$	\$	\$
Net profit for the period	35,053,121	30,190,572	66,113,958
Current year taxation charge	<u>(2,784,979)</u>	<u>-</u>	<u>(720,871)</u>
Profit before interest	32,268,142	30,190,572	65,393,087
Interest expense	<u>15,385,927</u>	<u>14,877,477</u>	<u>29,582,355</u>
Profit before interest and taxation	<u>47,654,069</u>	<u>45,068,049</u>	<u>94,975,442</u>



**ISP FINANCE SERVICES LIMITED
SIX MONTHS ENDED JUNE 30, 2021**

SCHEDULE OF TOP TEN (10) STOCKHOLDERS

<u>SHAREHOLDER</u>	<u>UNITS</u>
1 Sunfisher Corporation	45,832,500
2 Gencorp Limited	38,017,500
3 Gencorp Limited	7,000,000
4 Gencorp Limited	5,500,000
5 Dennis George Smith	3,500,000
6 Primrose Ann Smith (Estate)	1,500,000
7 Rezworth Burchenson & Valeire Burchenson	612,529
8 Bridgeton Management Services Limited	364,039
9 Virgen Advertising Limited	255,116
10 Carissa Gordon	204,250

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

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