ISP FINANCE SERVICES LTD.

2021 ANNUAL REPORT

COMBATING COVID WITH TECHNOLOGY

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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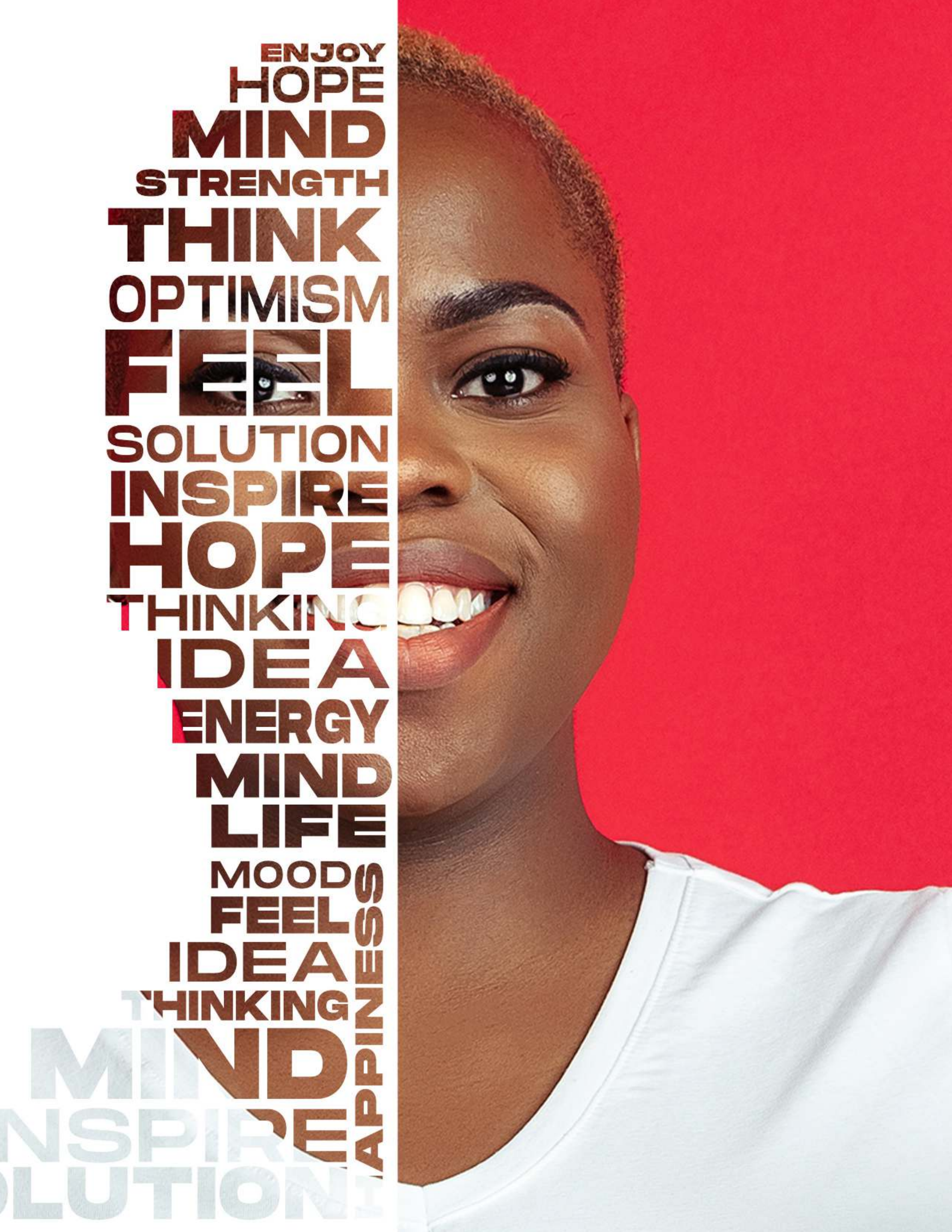
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ISP FINANCE SERVICES LIMITED
CORPORATE DATA

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 virtually at 11.00am on Monday, November 28, 2022 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, 2021

   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, 2021 be and are hereby adopted"

2. To authorize the Directors to appoint Auditors for 2022 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, 2021 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. Clifton Cameron and Mr. Robert Chung. 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. Clifton Cameron be and is hereby re-elected as a Director of the Company"

   (ii) "THAT Mr. Robert Chung 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 15th Day of August 2022
BY ORDER OF THE BOARD

____
Diyal R. Fernando
Company Secretary

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, 2021.

Financial Results

ISP Finance Services Limited has performed successfully for the year ending December 31, 2021. The Company recorded a net profit of $54.409m - a 16.5% percent decrease from the Profit of J$65.393m achieved in 2020.

Directors

The Directors of the Company as at December 31, 2021 were:

Clifton Cameron	Chairman
Dennis Smith	Director & Chief Executive Officer
Brandon Smith	Director & HR Manager
Robert Chung	Independent Director
Rosemary Thwaites	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 15th Day of August 2022
BY ORDER OF THE BOARD

____
Diyal R. Fernando
Company Secretary

CHAIRMAN'S MESSAGE TO **SHAREHOLDERS**

The financial year ending December 31, 2021, marks our second year of operation during the Covid-19 outbreak. The continued restrictions and consequent loss of income for many Jamaicans, as a result, have caused yet another challenging year for ISP Finance Services Limited.

However, as a company, and with no certainty on when Covid-19 protocols will be lifted, we continue to devise more innovative ways to maintain our customer satisfaction and ensure continued growth and profitability.

With the previous year's investment in a cloud computing platform, most of our staff members continue to work from home. This allows us to have a flexible working schedule where team members can opt to work on the weekends to complete or get a head start on their workload for the upcoming week. Technology has always been and will remain a great asset in our efforts for customer satisfaction and company growth. We moved into the digital space with advertisements across social media platforms: Facebook, Instagram, and YouTube.

There has been significant growth in our Telesales Department. We currently have agents in five parishes, but our ultimate goal is to ensure we have a foothold in servicing all fourteen parishes.

The Microcredit Act was passed to license and regulate microcredit institutions. As a significant player in the Micro Finance industry, ISP Finance Services has already begun the process of becoming a licensed and compliant entity under the act. Our management, legal team, and advisors are working diligently to guarantee that our application is submitted promptly.

During the year, our net loan portfolio increased by 5.70% from $675.1m in 2020 to $713.8m in 2021, and our net interest income increased by 17.8% from $343m in 2020 to $404m in 2021.

Consistent with the IFRS accounting rules, we continue to assess the company's loan loss exposure to ensure that our anticipated loan losses are adequately provided for. The provision for loan losses resulted in a charge to the Income Statement of $115.9 million in 2021 compared to $66.2 million in 2020, representing a 75% increase year over year.

As the Jamaican economy slowly returns to normal, ISP Finance Services Limited is confident that we will remain on our game in a business environment that continues to be highly competitive.

To remain a key player in an industry this competitive necessitates the need for innovation in keeping with the ever-changing trends of the market. In the coming year, as part of our expansion plans, we will make further investments in technology and source a creative agency to support our marketing ambitions. Though some of our plans are in their very early stages, I look forward to sharing them with you all soon.

Our success is directly linked to the hard work of our team. On behalf of the Board of Directors, I take this oppertunity to thank every member for their energy, commitment and consistency in driving our business forward. I also like to express gratitude to all our clients and to the investing public, who continue to give us their unyielding support and loyalty

CHAIRMAN

ISP FINANCE SERVICES LIMITED

BOARD OF DIRECTORS

BOARD OF **DIRECTORS**

CLIFTON CAMERON
CHAIRMAN

Mr. Cameron was appointed as an independent non-executive Director to the Board on September 10, 2012 and serves as Chairman. He serves on both the Audit and the Remuneration Committees.

He is the Chairman and co-founder of Sage Global Finance (SGF), L.L.C. a commercial finance company. Prior to forming SGF, he co-founded and served as Chairman of Manufacturers Merchant Bank Limited (MMB) and later served as a Director in 2001, when MMB merged with Sigma Investments Limited to become Manufacturers Sigma Merchant Bank Limited.

His business career includes major investments and management in a wide range of industries, including, Manufacturing, Tourism, Real Estate Development, Banking and Financial Services, Information Technology and Agriculture. He has served in many private and public sector roles including: President of the Private Sector Organization of Jamaica (PSOJ), Chairman of the National Investment Bank of Jamaica, and Chairman of Petrojam Limited.

DENNIS SMITH
CHIEF EXECUTIVE OFFICER

Dennis Smith is the co-founder, CEO, and majority shareholder of ISP Finance Services Limited. After the Company was incorporated on January 3, 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 the 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 endeavours. In 1980 Mr. Smith joined forces with Clifton Cameron to form a chemical company, Swift Chemicals Ltd. In ten short years, Swift Chemicals became the leading chemical company in the Caribbean.

Dennis, in 1995, together with his wife 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, an American based financial brokerage services company, with responsibility for Jamaica and Trinidad and Tobago.

ROSEMARY THWAITES
DIRECTOR

Mrs. Thwaites was appointed as a non-executive Director to the Board on January 18, 2016.

She is a Chartered Accountant with a Bachelor of Science degree in Mathematics and Computer Science from the University of London, UK. She started her working career with Price Waterhouse Coopers (PWC) in Kingston, Jamaica and later with Pannell Kerr Foster International in Miami, Florida. In 1990 she joined The Art Centre Ltd and is currently its Chief Executive Officer (CEO). She serves as a Director of the National Museum of Jamaica Foundation and Tropical Syrup Manufacturing Co. Ltd.

She is also a member of the Remuneration Committee.

ROBERT CHUNG
NON-EXECUTIVE DIRECTOR

Mr. Chung was appointed as a non-executive Director to the Board on September 10, 2012.

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.

BOARD OF **DIRECTORS** Cont'd

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.

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 also the Chairman of the Audit Committee.

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.

WAYNE WRAY
JSE MENTOR

Wayne Wray was appointed Mentor to the company on February 15, 2016. His portfolio of experience and expertise includes executive leadership and management positions in the field of Finance and Banking. He is a past Chairman of the Jamaica Institute of Bankers, as well as the Caribbean Association of Banks. Licensed by the Financial Services Commission as an investment advisor, he is the principal Director of Wiltshire Consulting & Advisory Limited. He is also Managing Director and Principal Shareholder of 365 Retail Limited, an authorized dealer retailing and distributing petroleum and lubricants for Total Jamaica Limited. He is committed to nation building and serves on the Board of several private sector companies and community development organizations. He is a member of the Audit Committee.

"IF EVERYONE IS MOVING FORWARD TOGETHER, THEN SUCCESS TAKES CARE OF ITSELF."

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 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 AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL ECONOMIC ENVIRONMENT

The Real Gross Domestic Product (GDP) is estimated to have contracted by 7.8% for the year ended 31 December 2021. Economic activity continued to be negatively impacted by the Global Covid-19 Pandemic. The Tourism sector was severely impacted with cruise ship arrivals completely halted and visitor arrivals at an all-time low with strict measures implemented to prevent the spread of the virus. Relative macro-economic stability has been maintained via the Government's tight management of monetary policy and liquidity with the support of the IMF programs which continue to be strictly adhered to.
The development of the regulatory framework for the Microfinance Sector continued throughout 2021 and its introduction in 2022 is likely to have an impact on competition within the sector. The Company continues its strategy of using an aggressive pricing strategy to grow loan volumes via the establishment of a tele-sales center to aggressively compete in the space across several delivery channels. ISP Finance Services Limited (ISP) continues to take advantage of technological innovations to enhance its service delivery with a cloud computing platform facilitating work from home for the majority of its employees.

Financial Performance

The Total assets of the Company grew by $23.838 Million to $772.2 Million which represents a 3.2% increase over the comparative period with the Company's gross loan portfolio growing by 10.4% over the review period, moving from $847.9 Million at December 31, 2020 to $936.1 Million at the year ended December 31, 2021.

Our Net Interest income grew by 17.8% from J$343.1m earned in 2020 to J$404.2 Million in 2021. The tightening of the economy has caused the micro-finance space to become increasingly competitive resulting in many of the Commercial Banks entering the micro-finance space via unsecured employer deduction loans. Further the impact of the Covid-19 Global Pandemic on Jamaica's economy following the outbreak of the virus in March 2020, impacted the Company expected growth and also impacted our collections with many borrowers requesting for loan moratoriums with job displacement and many persons being laid off for temporary periods during the year. Consequently, there was a significant increase in the Loan Loss Provision in 2021, the charge to the Income Statement in respect of loan losses increasing from J$172.76m in 2020 to J$$222.3m in 2021. Total Operating Expenses increased from J$271.6 in 2020 to J$333.6m in 2021 primarily due to the increase in the Company's Provision for Loan Losses.

Therefore pre-tax profits recorded J$54.409m in 2021 representing a decline of 16.8% over the profit of J$65.393m recorded in 2020. The Company continues to follow the International Financial Reporting Standard (IFRS) 9 in estimating its expected credit losses. Earnings per Share declined from at $0.62 per share in

2020 to J$0.52 per share in the Financial Year ended 31 December 2021.

Service Commitment

The Company remains committed to delivering "service excellence" to our valued customers while ensuring a reasonable return to our shareholder, fulfilling our corporate social responsibility, and providing a progressive environment that encourages self-development for our employees. 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.

The Company continues to grow its business via social media platforms continually engaging its existing customers while attracting new customers. The launch of the Company's phone app combined with social media promotions via Facebook and Instagram.

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

The Jamaican economy continues to be negatively impacted by the Covid-19 Pandemic and its impact on the tourism industry in particular and although the economy contracted in 2021 for the second consecutive year, a recovery is expected by the end of 2022. We continue to monitor the downward trajectory of domestic interest rates and monitor the impact of Covid-19 on the tourism sector and core clientele, small business and employees.

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 2020 that we believe will drive shareholder value. ISP will also 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 2022 and beyond. The outlook is positive for ISP and the team looks forward to creating even greater customer satisfaction and shareholder value.


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

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

BOARD OF DIRECTORS COMPOSITION AND MEETING ATTENDANCE

Name of Director	Position	No. of Board Meetings Attended	Attendance as a % of Total Meetings Held
Clifton Cameron	Independent Chairman	05	100.0 %
Dennis Smith	Chief Executive Officer and Executive Director	05	100.0 %
Rosemary Thwaites	Independent Director	05	100.0 %
Robert Chung	Director	05	100.0 %
Brandon Smith	Manager – Human Resources Management	02	50%
Diyal R. Fernando	Director and Company Secretary	05	100.0 %
Wayne Wray	JSE Mentor	05	100.0 %

AUDIT COMMITTEE – COMPOSITION AND MEETING ATTENDANCE

Name of Director	Position	No. of Meetings Attended	Attendance as a % of Meetings Held
Diyal R. Fernando	Independent Chairman	04	100.0 %
Rosemary Thwaites	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 %
Rosemary Thwaites	Member	01	100.0 %

FINANCIAL HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION

(ALL FIGURES IN J$' S)

	2021 $000	2020 $000
ASSETS		
Non-Current Assets		
Property, plant and equipment	22,409	28,417
Deferred Tax Assets	-	-
	22,409	28,417
Current Assets		
Loans, net of provision for credit losses	713,814	675,126
Investments	10,000	-
Other Receivables	5,436	11.432
Deposit	1,048	1,048
Due from Related Party-	-	-
Cash and cash equivalents	19,562	32,408
	749,860	720,014
TOTAL ASSETS	**772,269**	**748,431**
EQUITY AND LIABILITIES		
Issued Share Capital	195,903	95,903
Revaluation Surplus	11,052	11,052
Accumulated Surplus / (Deficit)	256,181	201,772
	463,136	408,727
Non-Current Liabilities		
Secured Corporate Bond & Promissory Note	230,239	267,902
Notes Payable	-	-
Notes Payable	47,286	46,247
Bank Loan	-	-
	277,525	314,149
Current Liabilities		
Accounts payable, other payables and accruals	30,962	23,758
Current Portion of Bank Loan	-	-
Deferred Tax Liability	-	-
Taxation Payable	646	1,796
	31,608	25,554
TOTAL EQUITY AND LIABILITIES	**772,269**	**748,431**

ANALYSIS OF COMPREHENSIVE INCOME

(ALL FIGURES IN J$' S)

	2021 $000	2020 $000
OPERATING INCOME		
Interest Income	434,053	369,108
Interest Income from FI's & Other Receivables	54	3,568
Total Interest Income	434,107	372,676
Interest Expense	(29,892	(29,582)
Net Interest Income	**404,215**	**343,094**
Commission expenses on loans	(10,089)	(6,292)
	394,126	**336,802**
Foreign Exchange Gain	(571)	(71)
Other Income	-	984
	(571)	913
Net Revenue	**393,555**	**337,714**
Less: Operating Expenses	**333,611**	**271,600**
Profit Before Taxation	**59,944**	**66,114**
Less: Taxation	**(5,535)**	**(721)**
Net profit, Being Comprehensive Income for the year	**54,409**	**65,393**
Earnings per Share	**0.52**	**0.62**

FINANCIAL **HIGHLIGHTS**

INCOME **STATEMENT**

INTEREST INCOME

Interest income from Loans recorded $434.1m for 2021 representing a 16.5% increase over the J$372.7m recorded in 2020.

INTEREST EXPENSE

Interest expenses for 2021 were $29.582m, recording a decline of 1.0% over the $19.582m incurred in 2020.

NET INTEREST INCOME

Net interest Income was $404.2m in 2021 representing a 17.8% increase over the $343.1m earned in 2020..

OPERATING EXPENSES

Total Operating expenses for 2021 were $333.611m and increased by J$62.0m representing a increase of 22.8% over the $271.632m incurred in 2020. This was significantly impacted by an increase in the Allowance for Credit Losses of J$49.7m and a marginal reduction in staff costs of J$1.5m over the corresponding period in 2020. Other Operating Expenses increased by J$11.409m from J$100.732m in 2020 to J$112.142m in 2021.

NET PROFIT

The Company earned a Net Profit of $54.409m in 2021 which represented a 16.5% increase over the $65.393m earned in 2020.

Consequent to the Listing of the Company on the Jamaica Stock Exchange Junior Market, the Company is entitled to full remission of Income tax for the first five years and 0% remission for the following five years, provided that the Company remains listed on the Jamaica Stock Exchange Junior Market (JSEJM) during this period in order to benefit from the tax exemption. The full exemption ends in this Financial Year.

ANALYSIS OF OPERATING EXPENSES

Operating Expenses	2021	2020
Staff Costs	$ 97,838	$ 99,328
Allowance for Credit Losses	$ 115,917	$ 66,226
Depreciation	$ 7,714	$ 5,313
Other Operating Expenses	$ 112,142	$ 100,733
Total Operating Expenses	$ 333,611	$ 271,600

FINANCIAL **HIGHLIGHTS**

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$12.185m in 2021 over the previous year.

EQUITY

The Company's Equity base totaled $463.136m at the end of the financial year 2021 and this represents an increase of $54.4m when compared with 2020.

LOANS, NET OF PROVISION FOR CREDIT LOSSES

Gross Loans Portfolio of the Company totaled $936.138m representing an increase of 10.4% when compared to prior year of $847.887m. Provision for credit losses increased by J$49.473m or 28.6% to J$222.324 at December 2021.

SHAREHOLDING OF DIRECTORS AND CONNECTED PARTIES

SCHEDULE OF TOP TEN (10) STOCKHOLDERS

	SHAREHOLDER	UNITS
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 Smith	3,500,000
6	Primrose Ann Smith	1,500,00
7	Rezworth Burchenson - Joint holder -Valerie Burchenson	612,529
8	Bridgeton Management Services Limited	364,039
9	Virgen Advertising Limited	255,116
10	Carissa Gordon – Joint holder Marston Gordon	204,250

SCHEDULE OF SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES

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

FINANCIAL STATEMENTS

CrichtonMullings
& ASSOCIATES

Rohan Crichton, CPA, CA, MAcc
senior partner
Leary C. Mullings, CPA, CA, MBA
senior partner

Chartered Accountants
Certified Public Accountants

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 Limited (the "Company"), which comprises the statement of financial position as at December 31, 2021, 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, 2021, 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"").

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' 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.

Cont. /2

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770-320-7786

Independent Auditor's Report (cont'd)

To the members of
ISP FINANCE SERVICES LIMITED

Key audit matters

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

The key audit matters

The adequacy of the credit losses on the Company's loans receivable involves a high degree of estimation and judgement as the loans tend to be unsecured and the industry carries a high risk of delinquency. Accordingly, the Company applies the general approach in calculating expected credit losses (ECLs); by developing 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.

Our audit procedures to address the key matter relating to the provision for credit losses included, amongst others:

- We evaluated the techniques and methodologies used to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9 'Financial Instruments'.
- 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.
- Examining 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 it was appropriate.
- We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events such non-payments and any other adverse events which may have occurred subsequent to the year end.

Provision for credit losses on loans receivable

Revenue recognition

The process of revenue recognition, including the appropriate recognition of interest income relating to early settlement of loans, unearned income and proper cut off proecdures involve significant risk.

Our audit procedures to address the key matter relating to the appropriate recognition of ineterest income included, amongst others:

- Reviewing the appropriateness of the revenue recognition policy and documenting any changes in applying those policies from previous periods.
- Develop an analysis for interest income based on the loan categories and average interest rate and following up on variances from our analysis.
- Testing the existence and 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.

Cont. /3

Independent Auditor's Report (cont'd)

To the members of
ISP FINANCE SERVICES LIMITED

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.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, 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 is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (cont'd)

To the members of
ISP FINANCE SERVICES LIMITED

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 Appendix of 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 Act

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 Act, in the manner required.

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

CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
April 21, 2022

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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.

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

From the matters communicated with the Board of Directors, 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**

AS AT DECEMBER 31, 2021

	Note	2021 $	2020 $
ASSETS			
Cash and cash equivalents	4	**19,562,544**	32,407,946
Loans, net of provisions for credit losses	5	**713,813,883**	675,125,906
Other receivables	6	**5,436,483**	11,431,636
Investments	7	**10,000,000**	-
Deposit		**1,047,949**	1,047,949
Property, plant and equipment	8	**22,408,706**	28,417,384
TOTAL ASSETS		**772,269,565**	748,430,821
LIABILITIES AND EQUITY			
LIABILITIES:			
Accounts and other payables	9	**30,961,646**	23,758,121
Secured bonds and promissory note	10	**230,239,697**	267,901,746
Notes payable	11	**47,285,511**	46,246,793
Deferred tax liabilities	12	**646,096**	1,796,720
Total liabilities		**309,132,950**	339,703,380
EQUITY:			
Share capital	13 (a)	**195,903,128**	195,903,128
Revaluation surplus	14	**11,052,413**	11,052,413
Accumulated surplus		**256,181,074**	201,771,900
Total equity		**463,136,615**	408,727,441
TOTAL EQUITY AND LIABILITIES		**772,269,565**	748,430,821

APPROVED, on behalf of the Board on

Clifton Cameron
Chairman

Dennis Smith
Chief Executive Officer

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2021

	Note	2021 $	2020 $
OPERATING INCOME:			
Interest income from loans	**3(c)**	**434,052,735**	369,108,249
Interest income from financial institutions and other receivables		**53,872**	3,568,298
Total interest income		**434,106,607**	372,676,547
Interest expense		**29,892,179**	29,582,355
Net interest income		**404,214,428**	343,094,192
Commission expenses on loans		**(10,088,641)**	(6,292,140)
		394,125,787	336,802,052
Other operating income:			
Foreign exchange loss		**(571,112)**	(71,347)
Other income		**-**	984,000
		(571,112)	912,653
		393,554,675	337,714,705
OPERATING EXPENSES:			
Staff costs	**15**	**97,838,232**	99,327,804
Allowance for credit losses		**115,916,604**	66,226,626
Depreciation expense	**8**	**7,714,175**	5,313,556
Other operating expenses	**16**	**112,141,585**	100,732,761
		333,610,596	271,600,747
Profit before taxation	**17**	**59,944,079**	66,113,958
Taxation charge	**18**	**5,534,905**	720,871
Profit, being total comprehensive income for the year		**54,409,174**	65,393,087
Earnings per share ($)	**13(b)**	**0.52**	0.62

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT DECEMBER 31, 2021

	Share Capital $	Revaluation Surplus $	Accumulated Surplus $	Total $
Balance at December 31, 2019	195,903,128	11,052,413	136,378,813	343,334,354
Net profit, being total comprehensive income for the year	-	-	65,393,087	65,393,087
Balance at December 31, 2020	195,903,128	11,052,413	201,771,900	408,727,441
Net profit, being total comprehensive income for the year	-	-	54,409,174	54,409,174
Balance at December 31, 2021	**195,903,128**	**11,052,413**	**256,181,074**	**463,136,615**

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	Note	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	19	**90,986,882**	94,975,442
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment		**7,714,175**	5,313,556
Loss on disposal of property, plant and equipment		**138,000**	-
Amortization on bond		**2,337,951**	2,337,951
Unrealized foreign exchange loss		**460,289**	71,347
Taxation		**(7,836,153)**	720,871
		93,801,144	103,419,167
(Increase) / decrease in operating assets:			
Loans and other receivables		**(32,692,824)**	(56,403,350)
Due from related parties		**-**	5,011,159
Deposits		**-**	(551,349)
Increase / (decrease) in operating liabilities:			
Accounts and other payables		**7,203,525**	(12,613,118)
Cash provided by operating activities		**68,311,845**	38,862,509
Interest paid		**(29,892,179)**	(29,582,355)
Taxation paid		**-**	-
Net cash provided by operating activities		**38,419,666**	9,280,154
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(2,643,497)**	(9,007,505)
Proceeds from sale of property, plant and equipment		**800,000**	-
Purchase of unsecured bond		**(10,000,000)**	-
Net cash used in investing activities		**(11,843,497)**	(9,007,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bond		**(40,000,000)**	-
Proceeds from notes payable		**1,038,718**	20,000,000
Repayment of notes payable		-	(10,606,427)
Net cash (used in) / provided by financing activities		**(38,961,282)**	9,393,573
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(12,385,113)**	9,666,222
CASH AND CASH EQUIVALENTS - Beginning of the year		**32,407,946**	22,813,071
Exchange on foreign cash balance		**(460,289)**	(71,347)
CASH AND CASH EQUIVALENTS - End of the year		**19,562,544**	32,407,946
REPRESENTED BY:			
Cash and cash equivalents		**19,562,544**	32,407,946

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 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. 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 Standards Board and the relevant requirements of the Act.

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.

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:

- IFRS 16 *'Covid-19-Related Rent Concessions - Amendment', issued May 2020*
  Effective for periods commencing on or after 1 June 2020
- *IFRS 9, IAS 39, IFRS 7 & IFRS 16 'Interest Rate Benchmark Reform Phase 2 - Amendment',* issued August 2020
  Effective for periods commencing on or after 1 January 2021

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 July 2020*
  Effective for periods commencing on or after 1 January 2023
- *IAS 8 'Changes in Accounting Estimates and Errors - Amendment', issued February 2021*
  Effective for periods commencing on or after 1 January 2023
- *IAS 12 'Income Taxes - Amendment', issued May 2021*
  Effective for periods commencing on or after 1 January 2023
- *IAS 16 'Property, Plant and Equipment - Amendment', issued May 2020*
  Effective for periods commencing on or after 1 January 2022
- *IAS 37 'Provisions, Contingent Liabilities and Contingent Assets - Amendment', issued May 2020*
  Effective for periods commencing on or after 1 January 2022
- *IFRS 9 'Financial Instruments - Amendment', issued May 2020*
  Effective for periods commencing on or after 1 January 2022
- *IFRS 16 'Covid-19-Related Rent Concessions - Amendment', issued March 31, 2021*
  Effective for periods commencing on or after 1 April 2021

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)

(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).

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.

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 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, loans and advances 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 makes 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, 2021

3. 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 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) Loans and other receivables

Loans

Loans are carried at original contract amounts less expected credit loss provisions.

Other receivables

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

(c) Interest income

Interest income is recognized based on the consideration specified in loan agreements with customers.

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. Nature and timing of satisfaction of performance obligations of loans offered to the general public are on disbursement of loans to customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Accounts and other payables

Accounts and other payables are stated at amortized cost.

(e) 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.

(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.

(f) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currenct are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in profit or loss for the period.

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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 the short-term lease recognition exemption to its short-term leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease that are considered short-term leases.

(i) 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 related party receivables. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Initial recognition and measurement (cont'd)
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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(k) 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.

(l) 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.

(m) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn and incur expenses whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") who decides about the resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the Company are considered as one operating segment.

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2021

4. CASH AND CASH EQUIVALENTS

	2021	2020
	$	$
Cash at bank and cash in hand	**19,562,544**	32,407,946

5. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES

	2021	2020
	$	$
Loans receivables	**713,813,883**	675,125,906

(a) Loans consist of unsecured notes due from the Company's clients.
The loans bear stated interest rate ranging from 50% - 65% for the years ended December 31, 2021 and 2020.

	2021	2020
	$	$
Loans	**936,138,447**	847,887,139
Less:		
Provision for credit losses	**(222,324,564)**	(172,761,233)
	713,813,883	675,125,906

(b) Analysis of loans are as follows:

	2021	2020
	$	$
Personal loans	**855,891,789**	753,612,715
Business loans:		
Agriculture	**8,083,821**	7,765,304
Services	**53,930,338**	75,239,011
Trading	**18,034,719**	11,085,359
Manufacturing	**197,780**	184,750
	80,246,658	94,274,424
	936,138,447	847,887,139

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

	2021	2020
	$	$
Due in 1 month	**381,514,512**	267,850,409
1 - 3 months	**60,722,764**	110,946,302
3 - 12 months	**235,517,201**	397,470,748
over 12 months	**258,383,970**	71,619,680
	936,138,447	847,887,139
Less: Provision for credit losses	**(222,324,564)**	(172,761,233)
	713,813,883	675,125,906

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2021

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

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

	2021	
	Gross	**Impairment**
	$	**$**
Current	**381,514,512**	**574,023**
1 to 3 months past due	**60,722,764**	**346,378**
3 to 12 months past due	**235,517,201**	**32,805,710**
over 12 months past due	**258,383,970**	**188,598,453**
	936,138,447	**222,324,564**

	2020	
	Gross	Impairment
	$	$
Current	498,808,262	845,020
1 to 3 months past due	47,965,113	1,378,880
3 to 12 months past due	111,168,562	38,264,844
over 12 months past due	189,945,202	132,272,489
	847,887,139	172,761,233

6. OTHER RECEIVABLES

	2021	2020
	$	$
Other accounts receivables	**766,493**	7,959,553
Prepaid expenses	**2,709,967**	2,347,885
Staff advances	**62,500**	503,566
Withholding tax	**454,482**	454,482
Other	**1,443,041**	166,150
	5,436,483	11,431,636

7. INVESTMENTS

	2021	2020
	$	$
Victoria Mutual Investments Limited Unsecured Bond	**10,000,000**	-

This represents a 5.5% unsecured fixed rate corporate bond, maturing in 2023.

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2021

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Equipment	Motor Cars	Computer Software & Equipment	Fixed Assets work in progress	Total
At Cost/Valuation:						
Balance at December 31, 2019	18,718,498	13,534,849	14,609,295	32,682,455	8,674,205	88,219,302
Additions	-	1,796,013	280,000	1,888,294	5,043,198	9,007,505
Balance at December 31, 2020	18,718,498	15,330,862	14,889,295	34,570,749	13,717,403	97,226,807
Additions	-	701,966	-	1,941,531	-	2,643,497
Disposals	-	-	(3,440,000)	-	-	(3,440,000)
Reclassification	13,717,403	-	-	-	(13,717,403)	-
Balance at December 31, 2021	**32,435,901**	**16,032,828**	**11,449,295**	**36,512,280**	**-**	**96,430,304**
Accumulated Depreciation:						
Balance at December 31, 2019	18,469,782	8,604,792	7,546,701	28,874,592	-	63,495,867
Charge for year	96,139	1,191,130	2,506,737	1,519,550	-	5,313,556
Balance at December 31, 2020	18,565,921	9,795,922	10,053,438	30,394,142	-	68,809,423
Charge for year	2,839,620	1,272,973	1,997,404	1,604,178		7,714,175
Disposals	-	-	(2,502,000)	-	-	(2,502,000)
Balance at December 31, 2021	**21,405,541**	**11,068,895**	**9,548,842**	**31,998,320**	**-**	**74,021,598**
Net Book Value						
Balance at December 31, 2019	248,716	4,930,057	7,062,594	3,807,863	8,674,205	24,723,435
Balance at December 31, 2020	152,577	5,534,940	4,835,857	4,176,607	13,717,403	28,417,384
Balance at December 31, 2021	**11,030,360**	**4,963,933**	**1,900,453**	**4,513,960**	**-**	**22,408,706**

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2021

9. ACCOUNTS AND OTHER PAYABLES

	2021 $	2020 $
Interest accrued	**2,733,520**	422,299
Statutory liabilities	**2,964,921**	1,280,850
Accounts payable	**6,322,929**	4,430,431
Other payables	**14,634,424**	11,531,469
Other accruals	**4,263,683**	6,050,903
GCT payable	**42,169**	42,169
	30,961,646	23,758,121

10. SECURED BOND AND PROMISSORY NOTE

	2021 $	2020 $
9.5% Secured promissory note (i)	**232,000,000**	232,000,000
9.5% Secured promissory note (ii)	**-**	40,000,000
Less: Deferred bond issue costs	**(1,760,303)**	(4,098,254)
	230,239,697	267,901,746

(i) This represented a medium term note from Victoria Mutual Wealth Management Limited with interest rates of 9.5% per annum. The note is secured by all fixed and floating assets of the Company. The note matures September 30, 2022.

(ii) This represented a short term note from Victoria Mutual Wealth Investment Limited with interest rates of 9.5% per annum. The note is secured by all fixed and floating assets of the Company. The note matures December 19, 2020.

Interest expense charged on these loans during the current year totaled $22,040,000 (2020 - $23,881,660).

11. NOTES PAYABLE

	2021 $	2020 $
Unsecured loans	**47,285,511**	46,246,793

The unsecured notes bear interest ranging from 11% - 13% for the years ended December 31, 2021 and 2020. The Company exercised the option to extend the maturity date of the notes to June 2023 and the notes continue to have a renewable option.

11. NOTES PAYABLE (CONT'D)

	2021	2020
	$	$
Balances at the beginning of year	**46,246,793**	46,846,381
Additional loans received	**1,038,718**	-
	47,285,511	46,846,381
Repayments	-	(599,588)
Balances at the end	**47,285,511**	46,246,793

Interest expense charged on these loans during the current year totaled $5,761,342 (2020 - $5,700,696). At year end, interest expense accrued totaled $2,733,519 (2020 - $422,300).

12. DEFERRED TAX LIABILITIES

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:

	2021	2020
	$	$
Deferred tax liabilities	**(646,096)**	(1,796,720)

Deferred tax liabilities and assets are attributable to the following:

	2021	2020
	$	$
Depreciation and capital allowances	**(761,168)**	(1,814,557)
Foreign exchange gain	**115,072**	17,837
	(646,096)	(1,796,720)

12. DEFERRED TAX LIABILITIES (CONT'D)

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

	2021	2020
	$	$
Balance at the beginning of the year	**(1,796,720)**	(1,075,849)
Movement during the year	**1,150,624**	(720,871)
Balance at the end of the year	**(646,096)**	(1,796,720)

13. SHARE CAPITAL

	2021	2020
	$	$
	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.

13. 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.

	2021	2020
Net profit for the year	**54,409,174**	65,393,087
Weighted average number of shares	**105,000,000**	105,000,000
Earnings per share ($)	**0.52**	0.62

14. REVALUATION SURPLUS

	2021	2020
	$	$
Revaluation surplus on motor cars	**11,052,413**	11,052,413

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

15. STAFF COSTS

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

	2021	2020
Permanent	**44**	33

The aggregate payroll costs for these persons were as follows:

	2021	2020
	$	$
Salaries and profit related pay	**87,589,111**	88,762,647
Statutory payroll contributions	**7,069,084**	7,139,528
Other staff benefits	**3,180,037**	3,425,629
	97,838,232	99,327,804

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
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16. OTHER OPERATING EXPENSES

	2021 $	2020 $
Directors' fees	**1,200,000**	1,600,000
Bank charges	**5,119,242**	5,715,682
Amortization of bond issue costs	**2,337,951**	2,337,951
Consulting fees	**8,742,000**	10,372,667
Building rental	**11,322,894**	12,599,098
Telephone	**9,742,201**	7,628,142
Electricity	**1,999,876**	2,241,722
Water	**181,228**	197,804
Computer expenses	**8,980,870**	10,074,974
Audit fees	**2,500,000**	2,000,000
Printing, stationery and postage	**2,384,300**	1,027,363
Repairs and maintenance	**2,290,475**	2,699,284
Professional fees	**5,295,638**	3,607,910
Legal fees	**96,072**	1,410,500
Trustee fees	**827,052**	552,586
Travelling and transportation	**1,470,548**	1,727,914
Motor vehicle expenses	**5,118,799**	4,044,513
Donation	**-**	900,000
Office expenses	**11,713,826**	10,212,742
Security	**6,332,421**	3,038,506
Cleaning and sanitation	**1,291,359**	883,900
Subscriptions and dues	**605,000**	394,064
Advertising and promotion	**13,786,325**	5,512,921
Insurance	**639,529**	678,324
Entertainment	**7,053,772**	8,329,256
JSE listing fees	**950,906**	917,438
Loss on disposal of property, property and equipment	**138,000**	-
Annual returns	**21,300**	27,500
	112,141,585	100,732,761

17. PROFIT BEFORE TAXATION

Stated after charging the following:	2021 $	2020 $
	59,944,079	66,113,958
Auditor's remuneration	**2,500,000**	2,000,000

18. TAXATION CHARGE

(a) Income tax is computed at 25% (2020: 25%) of the pre-tax profit for the year, as adjusted for taxation purposes. Deferred taxation is computed at 25% for the financial year (2020: 25%) based on the applicable income tax rate for unregulated companies with effective date from January 1, 2013. The taxation charge is made up as follows:

	2021	2020
	$	$
Current:		
Provision for charge on current profit	**6,685,529**	-
Deferred:		
	(1,150,624)	720,871
Origination and reversal of temporary differences	**5,534,905**	720,871

(b) Reconciliation of effective tax rate and charge:

	2021		2020	
	$	**%**	$	%
Profit before taxation	**59,944,079**		66,113,958	
Computed tax charge	**14,986,020**	**25%**	16,528,490	25%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	**(165,736)**	**0%**	1,260,800	2%
		-		-
Remission of income taxes	**(10,812,490)**	**18%**	(33,732,893)	51%
Other adjustments	**1,527,111**	**3%**	16,664,474	25%
Actual charge rate	**5,534,905**	**10%**	720,871	1%

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 $10,812,490 (2020: $33,732,893).

ISP FINANCE SERVICES LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2021

19. PROFIT BEFORE INTEREST AND TAXATION

	2021	2020
	$	$
Net profit for the year	**54,409,174**	65,393,087
Current year taxation charge [see note 18(a)]	**6,685,529**	-
Profit before interest	**61,094,703**	65,393,087
Interest expense	**29,892,179**	29,582,355
Profit before interest and taxation	**90,986,882**	94,975,442

20. RELATED PARTY TRANSACTIONS

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

	2021	2020
	$	$
Transactions with key management personnel:		
- Directors' remuneration	**13,012,700**	17,311,147
- Directors' fees	**1,200,000**	1,600,000
- Consultancy fees	**8,742,000**	5,506,000
- Rental building	**3,040,000**	3,926,667

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.

<u>Impact of Covid 19</u>
The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. In response to the pandemic, 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.

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:

Qualitative Criteria

- 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.

Measuring the ECL – Inputs, Assumptions and Estimation Techniques

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 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 based 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.

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21. 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 rick 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.

	2021 Stage 1 12-month ECL $	2021 Stage 2 Lifetime ECL $	2021 Stage 3 Lifetime ECL $	Total $
Standard risk	442,237,276	195,391,010	-	**637,628,286**
Past due	-	23,812,511	-	**23,812,511**
Credit impaired	-	16,313,680	258,383,970	**274,697,650**
Gross carrying amount	442,237,276	235,517,201	258,383,970	**936,138,447**
Loss allowance	(920,401)	(32,805,710)	(188,598,453)	**(222,324,564)**
Carrying amount	441,316,875	202,711,491	69,785,517	**713,813,883**

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

1. 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 o 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 ha 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 th annual period:

	2021	2021	2021	
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	$	$	$	$
As at 31 December 2020	(845,020)	(812,139)	(171,104,074)	(172,761,233
Changes in PDs/LGDs/EADs	28,664,267	(31,993,571)	(17,494,379)	(20,823,683
New financial assets originated	(28,739,648)	-	-	(28,739,648
	(75,381)	(31,993,571)	(17,494,379)	(49,563,331
As at 31 December 2021	**(920,401)**	**(32,805,710)**	**(188,598,453)**	**(222,324,564**

(ii) Liquidity risk:
Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty i raising funds to meet commitments associated with financial instruments. The Company's approach t managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet it liability when due under both normal and stressed conditions, without incurring unacceptable losses o risking damage to the Company reputation. Prudent liquidity risk management implies maintainin sufficient cash resources and the availability of funding through an adequate amount of committe 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:

			2021		
	Within 3 Months	**3 to 12 Months**	**1 to 2 Years**	**2 to 5 Years**	**Total**
	$	**$**	**$**	**$**	**$**
Secured bond and promissory note	5,510,000	246,602,468			252,112,468
Notes payable	2,250,000	2,250,000	48,459,772	-	52,959,772
	7,760,000	**248,852,468**	**48,459,772**	**-**	**305,072,240**

			2020		
	Within 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	Total
	$	**$**	**$**	**$**	**$**
Secured bond and promissory note	5,510,000	16,530,000	271,312,412	-	293,352,412
Notes payable	2,250,000	2,250,000	47,296,408	-	51,796,408
	7,760,000	18,780,000	318,608,820	-	345,148,820

(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:

	2021	2020
	$	$
Financial assets	**749,860,859**	720,013,437
Financial liabilities	**(308,486,854)**	(337,906,660)
	441,374,005	382,106,777

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.

22. MICRO CREDIT ACT, 2021

The Microcredit Act ('the Act') was passed in January 2021, with the aim of licensing and regulating microcredit institutions (MCIs) that provide financing to individuals as well as, micro, small and medium sized enterprises. The Act became effective on July 30, 2022, and makes provision for certain sanctions to be applied in the event of breaches or non-compliance. In accordance with section 64 of the Act, a person who, at the commencement date (*July 30, 2021*) is operating a business which falls within the criteria set out in the Act for a microcredit institution or for the offering of a microcredit service, shall, within twelve months from the commencement date.

Notes

Notes

ISP FINANCE SERVICES LTD.
17 Pheonix Avenue, Kingston