



**ISP FINANCE  
SERVICES LIMITED**



**"RECOVERY AND  
RE-BUILDING FOR  
RENEWAL"**

2022 ANNUAL REPORT

# VISION STATEMENT

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

## OUR CORE VALUES

- INTEGRITY
- TRUST
- INNOVATION
- RELIABILITY
- EMPATHY



# 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.





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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 at the Coutleigh Hotel at 11.00am on Wednesday February 28, 2024 for the purpose of transacting the following business:

- 1 To receive the report of the Directors and the audited accounts for the Year Ended December 31, 2022

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, 2022 be and are hereby adopted"

- 2 To authorize the Directors to appoint Auditors for 2023 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, 2022 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. Dennis Smith and Mr. Diyal R. Fernando. 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. Dennis Smith be and is hereby re-elected as a Director of the Company"
- (ii) "THAT Mr. Diyal R. Fernando 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 25th Day of August 2023

**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, 2022.

## Financial Results

ISP Finance Services Limited had a successful year ending December 31, 2022 with the Company recording a net profit of \$57.637m - a 6% percent increase over the Profit of J\$54.409m achieved in 2021.

## Directors

The Directors of the Company as at December 31, 2022 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 25th Day of August 2023

**BY ORDER OF THE BOARD**

\_\_\_\_\_  
Diyal R. Fernando  
**Company Secretary**



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 resigned as a Director of the Company in July 2022, but remains a member of the Remuneration Committee.



### **DIYAL R. FERNANDO**

COMPANY SECRETARY / CFO

Mr. Fernando is an Executive Director, Chief Financial Officer and 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. In 2009, he formed Dynamic Management Strategies Limited offering business development and advisory services targeted at MSME's, ISP Finance Services Limited being one of the company's first clients.

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

He was appointed the Chair of the Audit Committee in August 2018, having oversight for the integrity of the financial systems and reports presented to the Board of Directors including a review of controls and procedures in place to safeguard the Company's assets and resources.

## BOARD OF **DIRECTORS** Cont'd



**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.

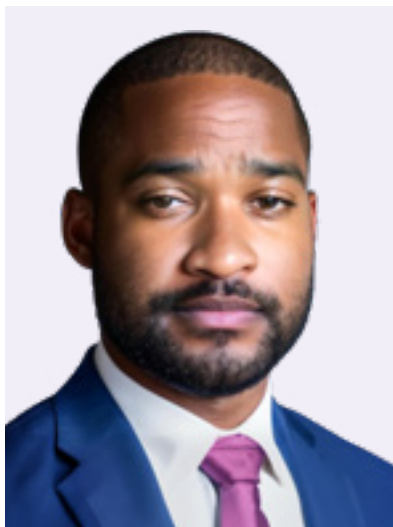
He is also Managing Director and Principal Shareholder of 365 Retail Limited, an authorized dealer retailing and distributing petroleum and lubricants for Total Jamaica Limited. He is committed to nation building and serves on the Board of several private sector companies and community development organizations. He is a member of the Audit Committee.



**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.



**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.



# CHAIRMAN'S MESSAGE TO **SHAREHOLDERS**

The financial year ending December 31, 2022, marks our third year of operation since the outbreak of the Covid-19 Pandemic in Jamaica. Our ability to face this crisis, and how our employees have responded to it, is something I am very proud of.

With the economy gradually re-opening up to activity from March 2022, ISP Finance Services Limited began to see an improvement in its financial performance in the 2nd half of 2022.

The economic environment for the micro-finance sector and the financial sector in general continued to be challenging in 2022 while generating opportunities for innovation and growth in specific areas of economic activity. Our success is a simple reflection of our ability to respond to changes in the global credit markets and more specifically its impact on the Jamaican economy.

We have made significant investments in technology that allow our staff to work from home but also keep in constant touch with our customers via social media platforms and frequent engagement via an active and successful tele sales team. We have realigned our strategic direction, paying specific attention to changing market and economic conditions while continuing to keep abreast of regulatory changes and how this affects business performance and consequently strategy.

The Microcredit Act was passed to license and regulate microcredit institutions. As a significant player in the Micro Finance industry,

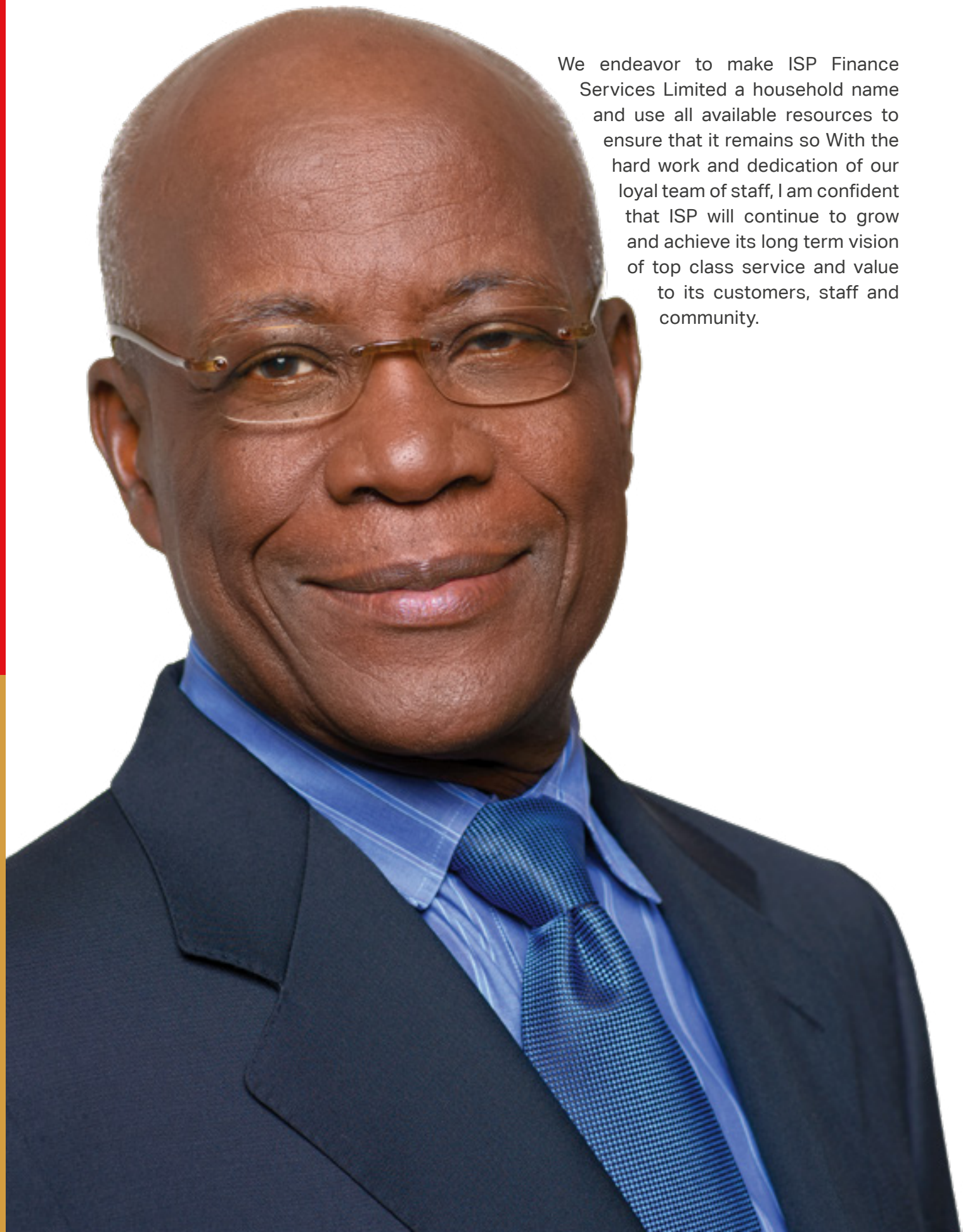
ISP Finance Services has already begun the process of becoming a licensed and compliant entity under the act. Our management, legal team, and advisors are working diligently to guarantee that our application is submitted promptly.

During this year, our net loan portfolio increased by 6.56% from \$713.8m in 2021 to \$760.6m in 2022, while our net interest income decreased by 2.2% from \$404.2m in 2021 to \$395.4m in 2022.

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 \$93 million in 2022 when compared with \$115.7 million in 2021, representing a decrease of \$22.917million or 20% year on year.

As the Jamaican economy slowly returns to normal, ISP Finance Services Limited is confident that we will remain a key player in the micro finance sector in a business environment that continues to be highly competitive. The Company celebrated its 15th Anniversary in 2022. In commemoration of this milestone, we started a donation drive to raise funds that were donated to the Glenhope Nursery. It is our aim to make this a yearly goal for the Company.

We continue to recognize the importance of making our contribution as a responsible Corporate Citizen and continue to play our part in doing so.



We endeavor to make ISP Finance Services Limited a household name and use all available resources to ensure that it remains so. With the hard work and dedication of our loyal team of staff, I am confident that ISP will continue to grow and achieve its long term vision of top class service and value to its customers, staff and community.





# 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 grown by 1.65% for the year ended 31 December 2022. Growth was facilitated by increased external demand, for Jamaica's export industries; increased domestic demand, underpinned by record levels of employment and improved macroeconomic stability, as reflected in a relatively low inflation and the lowering of interest rates. The Hospitality Sector gradually opened its doors to visitors with Hotels opening its doors armed with Covid-19 protocols.

The Microfinance Sector came under the supervision of the Bank of Jamaica. This increased competition impacted the Company's interest rate margins. The Company embarked on new strategies to target new markets using an aggressive pricing strategy to grow loan volumes given the pressure from external competitive forces. The customer sales contact center established in 2021 continued to experience growth in 2022 targeting focus via on-line sales, promotion through social media promotions and the development of new products and markets across several delivery channels. ISP Finance Services Limited (ISP) continues to take advantage of technological innovations to enhance its service delivery.

## Financial Performance

The Total assets of the Company grew from \$772.26 Million in 2021 to \$1,046.9 Million which represents a 35.6% increase over the previous financial year, with the Company's gross loan portfolio growing by 6.6% over the review period, moving from \$713.8 Million at December 31, 2021 to \$760.624 Million at the year ended December 31, 2022. The Company has embarked on a strategy to target new markets using an aggressive pricing strategy to grow loan volumes.

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

Interest income recorded \$431.279 Million for the in 2022 versus \$434.053 million in 2021. Pre-tax profits in 2022 recorded 65.418m or an increase of 9.1% which was primarily due a decrease in Allowance for credit losses of \$12.916 Million or 18.8%. The Company continues to assess and strengthened its organizational and staff resources to satisfy the anticipated customer service demands. Our newly established customer sales contact center is our focus as this will result in the development of new products and markets across several delivery channels. Earnings per share stood at \$0.55c in 2022 compared to \$0.52c in the 2021 financial year.

## 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. Some of these activities includes our Easter bun and cheese gifting and customer appreciation day along with give-aways on social media.

## Key Performance Drivers

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

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

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

The Board of Directors has the responsibility to monitor the company's performance with respect to the above indices to ensure that corrective measures are taken promptly where

any of the indices begin to reflect a trend that is contrary to the targets set for each indicator.

## Outlook

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 2023 that we believe will drive shareholder value. ISP continues to seek opportunities to grow its loan portfolio either through acquisitions or mergers. This would include buying existing loan portfolios from other financial institutions. The Company remains open for dialogue and has engaged the services of an investment bank to structure any potential opportunities that might arise.

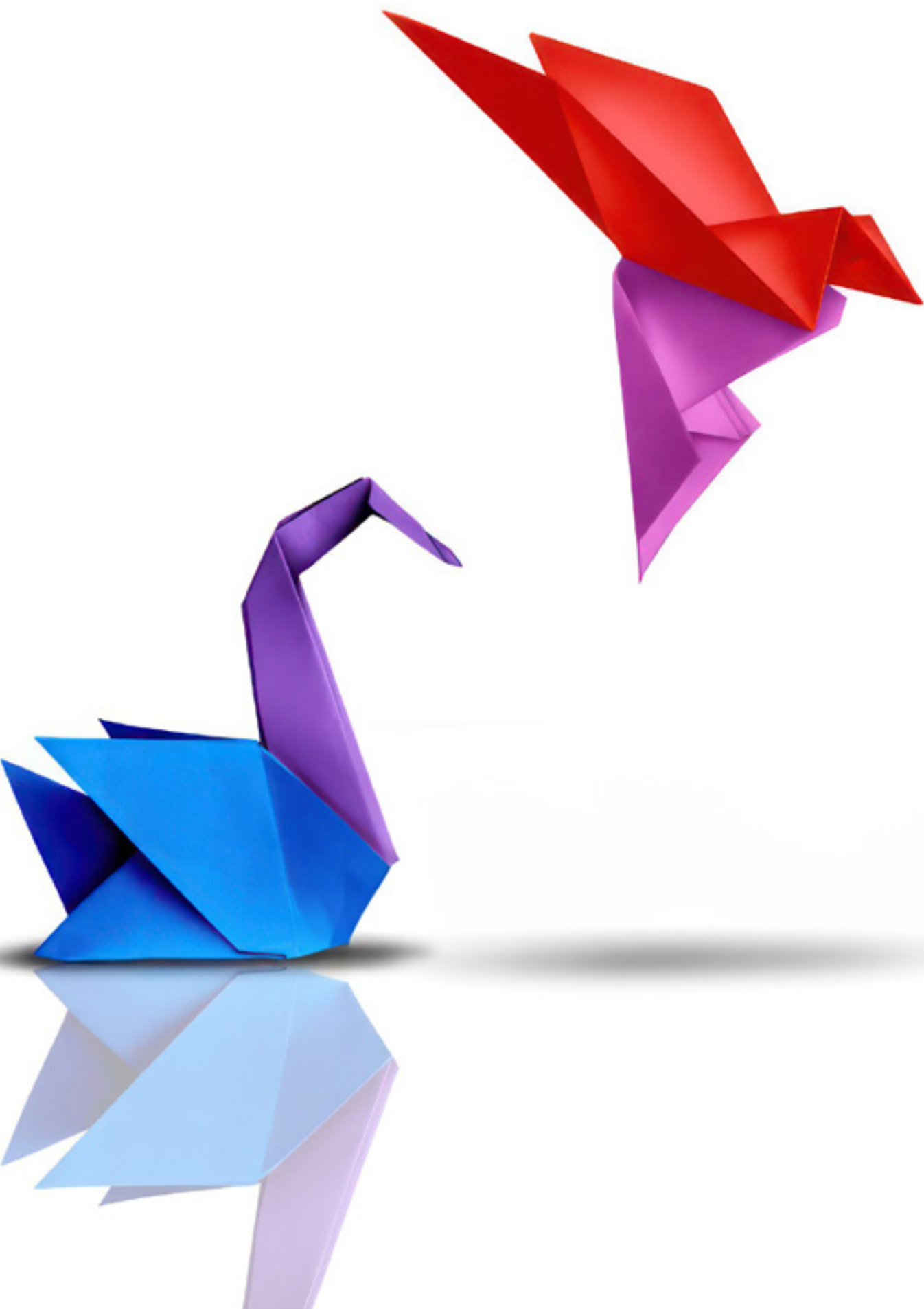
The Company would like to thank all our members of staff for their commitment, our customers for their loyalty and our shareholders for their continued show of confidence. Through increased use of technology and a sustained focus on a customer service experience that is 'simple and prompt', we look forward to greater achievements in 2023 and beyond. The outlook is positive for ISP and the team looks forward to creating even greater customer satisfaction and shareholder value.

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



# CORPORATE GOVERNANCE







# CORPORATE GOVERNANCE

The Board of Directors of ISP Finance Services Limited has the overall responsibility for implementing and maintaining a sound Corporate Governance structure and overseeing the overall business operations of the Company. The Company is committed to ensuring that its obligations and responsibilities to its stakeholders are met through its corporate governance practices.

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

- Directing Corporate Strategy that includes affirming the Company's Vision and Mission Statement
- Reviewing and approving the strategic and business plans and the Annual Financial and Capital Budget of the Company

- Reviewing and approving all accounting policies and the Audited and Unaudited Financial Statements of the Company prior to dissemination to shareholders
- Determining the dividend policy and the amount and timing of dividend payments
- Reviewing, ratifying and monitoring risk management systems and compliance and control mechanisms
- Appointing, re-appointing or removing the Company's external Auditors and approving their remuneration based on the recommendation of the Audit Committee

The Company continues to recognize the importance of Corporate Governance in its day to day governance and the Board of Directors place emphasis on ensuring that compliance is an area of attention given high priority to. Approving the remuneration of the Executive Management and Board Members based on the recommendation of the Remuneration Committee.



**BOARD OF DIRECTORS COMPOSITION AND MEETING ATTENDANCE**

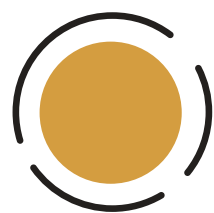
Name of Director	Position	No. of Board Meetings Attended	Attendance as a % of Total Meetings Held
Clifton Cameron	Independent Chairman	06	100.0 %
Dennis Smith	Chief Executive Officer and Executive Director	06	100.0 %
Rosemary Thwaites	Independent Director	03	50 %
Robert Chung	Director	06	100.0 %
Brandon Smith	Manager – Human Resources Management	03	50%
Diyal R. Fernando	Director and Company Secretary	06	100.0 %
Wayne Wray	JSE Mentor	06	100.0 %

**AUDIT COMMITTEE – COMPOSITION AND MEETING ATTENDANCE**

Name of Director	Position	No. of Meetings Attended	Attendance as a % of Meetings Held
Diyal R. Fernando	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)

	2022 \$000	2021 \$000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	20,584	22,409
Deferred Tax Assets	161	-
	20,745	22,409
<b>Current Assets</b>		
Loans, net of provision for credit losses	760,624	713,814
Investments	225,000	10,000
Other Receivables	8,554	5,436
Deposit	1,048	1,048
Due from Related Party-	-	-
Cash and cash equivalents	30,929	19,562
	1,026,155	749,860
<b>TOTAL ASSETS</b>	<b>1,046,900</b>	<b>772,269</b>
<b>EQUITY AND LIABILITIES</b>		
Issued Share Capital	195,903	195,903
Revaluation Surplus	3,842	11,052
Accumulated Surplus / (Deficit)	321,029	256,181
	520,774	463,136
<b>Non-Current Liabilities</b>		
Secured Corporate Bond & Promissory Note	452,984	230,239
Notes Payable	-	-
Notes Payable	51,785	47,286
Bank Loan	-	-
	504,769	277,525
<b>Current Liabilities</b>		
Accounts payable, other payables and accruals	21,356	30,962
Current Portion of Bank Loan	-	-
Deferred Tax Liability	-	-
Taxation Payable	-	646
	21,356	31,608
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,046,900</b>	<b>772,269</b>

## ANALYSIS OF COMPREHENSIVE INCOME

(ALL FIGURES IN J\$'S)

	2022 \$000	2021 \$000
<b>OPERATING INCOME</b>		
Interest Income	431,279	434,053
Interest Income from FI's & Other Receivables	1,182	54
Total Interest Income	<u>432,461</u>	<u>434,107</u>
Interest Expense	<u>(37,047)</u>	<u>(29,892)</u>
<b>Net Interest Income</b>	<b>395,414</b>	<b>404,215</b>
Commission expenses on loans	<u>(16,218)</u>	<u>(10,089)</u>
	<b>376,196</b>	<b>394,126</b>
Foreign Exchange Gain	31	571
Other Income	14,045	-
	<u>14,076</u>	<u>571</u>
<b>Net Revenue</b>	<b>393,272</b>	<b>393,555</b>
<b>Less: Operating Expenses</b>	<b><u>327,854</u></b>	<b><u>333,611</u></b>
<b>Profit Before Taxation</b>	<b>65,418</b>	<b>59,944</b>
<b>Less: Taxation</b>	<b><u>(7,781)</u></b>	<b><u>(5,535)</u></b>
<b>Net profit, Being Comprehensive Income for the year</b>	<b><u>57,637</u></b>	<b><u>54,409</u></b>
<b>Earnings per Share</b>	<b><u>0.55</u></b>	<b><u>0.52</u></b>





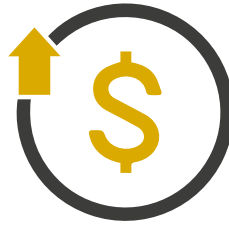
# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT



### INTEREST INCOME

Interest income from Loans recorded \$431.279m in 2022 versus \$434.052 recorded in 2021 being a marginal decline of less than 1%.



### INTEREST EXPENSE

Interest expenses for 2022 were \$37.047m, recording an increase of 23.9% over the \$29.892m incurred in 2021.



### NET INTEREST INCOME

Net interest Income was \$395.414m in 2022 representing a 2.2% decrease over the \$404.214m earned in 2021.



### OPERATING EXPENSES

Total Operating expenses for 2022 were \$327.854m which represented a decrease of 1.7% or J\$5.756m over the \$333.611m incurred in 2021. This was a significant reduction in the Allowance for Credit Losses of J\$22.916m while in staff costs increased by of J\$14.956m over the corresponding period in 2021. Other Operating Expenses increased by J\$2.775m from J\$112.142m in 2021 to J\$114.916m in 2022.



### NET PROFIT

The Company earned a Net Profit after Taxation of \$57.637m in 2022 which represented a 6.0% increase over the \$54.409m earned in 2021.

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 50% 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 ended in the 2021 Financial Year.

## ANALYSIS OF OPERATING EXPENSES

Operating Expenses	2022	2021
Staff Costs	\$ 112,795	\$ 97,838
Allowance for Credit Losses	\$ 93,000	\$ 115,917
Depreciation	\$ 7,142	\$ 7,714
Other Operating Expenses	\$ 114,916	\$ 112,142
<b>Total Operating Expenses</b>	<b>\$ 327,854</b>	<b>\$ 333,611</b>

# 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\$11.366m increasing from \$19.562m in 2021 to \$30.929m in 2022.



### EQUITY

The Company's Equity base totaled \$526.126m at the end of the financial year 2022 representing an increase of \$57.637m when compared with 2021.



### LOANS, NET OF PROVISION FOR CREDIT LOSSES

The Company's Net Loans Portfolio of the Company totaled \$760.624m in 2022 representing an increase of \$46.810m or 6.56% when compared to 2021.



# CORPORATE SOCIAL RESPONSIBILITY







# SHAREHOLDING OF DIRECTORS & CONNECTED PARTIES

## LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AT DECEMBER 31, 2022

SHAREHOLDER	UNITS
Sunfisher Corporation	45,832,500
Gencorp Limited	43,517,500
Gencorp Limited	7,000,000
Dennis Smith	3,500,000
Primrose Smith (Estate)	1,500,000
Bridgeview Investments	611,707
Bridgeton Management Services Limited	400,039
Virgen Advertising Limited	275,116
Carissa Gordon – Joint holder Marston Gordon	204,250
Marston Gordon	193,737



**SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND  
CONNECTED PARTIES AS AT DECEMBER 31, 2022**

<b>DIRECTORS</b>	<b>Shareholding</b>
Dennis Smith	3,500,000
Diyal R. Fernando	34,350
<b>SENIOR MANAGERS</b>	
Seymour Smith	75,000
<b>CONNECTED PARTIES</b>	<b>Shareholding</b>
Gencorp	50,517,500
Sunfisher Corporation	45,832,500







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

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

**CrichtonMullings & Associates**  
Florida: (954) 862-2250  
Atlanta: (770) 320-7786  
Jamaica: (876) 946-1274  
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## **INDEPENDENT AUDITOR'S REPORT**

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### **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, 2022, 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, 2022, 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 and the Microcredit Act (the "Acts").

##### **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.

##### **Material Uncertainty relating to going concern**

We draw attention to note 22 in the financial statements, which describes the Microcredit Act ('the Act'). The Act mandates that the Company should obtain a licence to operate as a Microcredit Institution pursuant to the Microcredit (Licence, Form of Application) Rules, 2021. Failure to obtain the licence may have a material impact on the Company's operations and going concern.

Our opinion has not been modified in respect of this matter.

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## **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**

##### **Provision for credit losses on loans receivable**

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 the provision for credit losses was adequate.
- We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events such as non-payments and any other adverse events which may have occurred subsequent to the year end.

##### **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 procedures involve significant risk.

Our audit procedures to address the key matter relating to the appropriate recognition of interest 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.

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### **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 and Microcredit Acts, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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**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 Acts**

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

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

*Crichton Mullings & Associates*  
Crichton Mullings & Associates  
Chartered Accountants

Kingston Jamaica  
May 18, 2023

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

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**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.

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

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**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	2022 ₤	2021 ₤
<b>ASSETS</b>			
Cash and cash equivalents	4	30,928,714	19,562,544
Loans, net of provisions for credit losses	5	760,623,841	713,813,883
Other receivables	6	8,553,645	5,436,483
Investments	7	225,000,000	10,000,000
Deposit		1,047,949	1,047,949
Deferred tax asset	12	161,178	-
Property, plant and equipment	8	20,584,125	22,408,706
<b>TOTAL ASSETS</b>		<b>1,046,899,452</b>	<b>772,269,565</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts and other payables	9	21,355,892	30,961,646
Secured bonds	10	452,984,510	230,239,697
Notes payable	11	51,785,511	47,285,511
Deferred tax liability	12	-	646,096
<b>Total liabilities</b>		<b>526,125,913</b>	<b>309,132,950</b>
<b>EQUITY:</b>			
Share capital	13 (a)	195,903,128	195,903,128
Revaluation surplus	14	3,841,596	11,052,413
Accumulated surplus		321,028,815	256,181,074
<b>Total equity</b>		<b>520,773,539</b>	<b>463,136,615</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,046,899,452</b>	<b>772,269,565</b>

APPROVED, on behalf of the Board on

Clifton Cameron  
Chairman

Dennis Smith  
Chief Executive Officer



ISP FINANCE SERVICES LIMITED  
STATEMENT OF **COMPREHENSIVE INCOME**  
YEAR ENDED DECEMBER 31, 2021

	Note	2022 \$	2021 \$
<b>OPERATING INCOME:</b>			
Interest income from loans	3(c)	431,278,945	434,052,735
Interest income from financial institutions and other receivables		<u>1,181,931</u>	<u>53,872</u>
Total interest income		432,460,876	434,106,607
Interest expense		<u>37,046,740</u>	<u>29,892,179</u>
Net interest income		395,414,136	404,214,428
Commission expenses on loans		<u>(16,217,934)</u>	<u>(10,088,641)</u>
		379,196,202	394,125,787
Other operating income:			
Foreign exchange gain / (loss)		31,171	(571,112)
Other income		<u>14,045,060</u>	<u>-</u>
		<u>14,076,231</u>	<u>(571,112)</u>
		<u>393,272,433</u>	<u>393,554,675</u>
<b>OPERATING EXPENSES:</b>			
Staff costs	15	112,795,116	97,838,232
Allowance for credit losses		93,000,000	115,916,604
Depreciation expense	8	7,142,668	7,714,175
Other operating expenses	16	<u>114,916,468</u>	<u>112,141,585</u>
		<u>327,854,252</u>	<u>333,610,596</u>
Profit before taxation	17	65,418,181	59,944,079
Taxation charge	18	<u>7,781,257</u>	<u>5,534,905</u>
Profit, being total comprehensive income for the year		<u>57,636,924</u>	<u>54,409,174</u>
Earnings per share (\$)	13(b)	<u>0.55</u>	<u>0.52</u>

The accompanying notes form an integral part of the financial statements



ISP FINANCE SERVICES LIMITED  
STATEMENT OF **CHANGES IN EQUITY**  
AS AT DECEMBER 31, 2022

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus \$	Total \$
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
Transfer of reserves (gain realized on disposal)	-	(7,210,817)	7,210,817	-
Net profit, being total comprehensive income for the year	-	-	57,636,924	57,636,924
<b>Balance at December 31, 2022</b>	<b>195,903,128</b>	<b>3,841,596</b>	<b>321,028,815</b>	<b>520,773,539</b>

The accompanying notes form an integral part of the financial statements



ISP FINANCE SERVICES LIMITED  
STATEMENT OF **CASH FLOWS**  
YEAR ENDED DECEMBER 31, 2022

	Note	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before interest and taxation</b>	<b>19</b>	<b>103,272,195</b>	90,986,882
<b>Adjustments for items not affecting cash resources:</b>			
Depreciation on property, plant and equipment	8	7,142,668	7,714,175
(Gain) / loss on disposal of property, plant and equipment		(821,941)	138,000
Amortization on bond and debenture		3,299,704	2,337,951
Unrealized foreign exchange (gain) / loss		(31,171)	460,289
Deferred taxation		(807,274)	(1,150,624)
		<u>112,054,181</u>	100,486,673
Increase in operating assets:			
Loans and other receivables		(49,927,120)	(32,692,824)
(Decrease) / Increase in operating liabilities:			
Accounts and other payables		(5,837,370)	517,996
Cash provided by operating activities		<u>56,289,691</u>	68,311,845
Interest paid		(37,046,740)	(29,892,179)
Taxation paid		(12,356,914)	-
Net cash provided by operating activities		<u>6,886,037</u>	38,419,666
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(5,916,147)	(2,643,497)
Proceeds from sale of property, plant and equipment		1,420,000	800,000
Additions to investments		(215,000,000)	(10,000,000)
Net cash used in investing activities		<u>(219,496,147)</u>	(11,843,497)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bond		(232,000,000)	(40,000,000)
Proceeds from notes payable		4,500,000	1,038,718
Proceeds from secured bonds		470,000,000	-
Bond issued costs		(18,554,891)	-
Net cash provided by / (used in) financing activities		<u>223,945,109</u>	(38,961,282)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>11,334,999</b>	(12,385,113)
<b>CASH AND CASH EQUIVALENTS - Beginning of the year</b>		<b>19,562,544</b>	32,407,946
Exchange and gains on foreign cash balance		31,171	(460,289)
<b>CASH AND CASH EQUIVALENTS - End of the year</b>		<u><b>30,928,714</b></u>	<u>19,562,544</u>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents		<u>30,928,714</u>	<u>19,562,544</u>

The accompanying notes form an integral part of the financial statements



ISP FINANCE SERVICES LIMITED  
NOTES TO THE **FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2022

## 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:

- *IAS 1 'Presentation of Financial Statements - Amendment', issued January 2020*  
Effective for periods commencing on or after 1 January 2022
- *IAS 37 'Provisions, Contingent Liabilities and Contingent Assets - Amendments', 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

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

- *IAS 1 'Presentation of Financial Statements - Amendment', issued January 2020*  
Effective for periods commencing on or after 1 January 2024
- *IAS 8 'Changes in Accounting Estimates and Errors - Amendment', issued February 2021*  
Effective for periods commencing on or after 1 January 2023
- *IAS 12 - 'Deferred Tax' - Amendment', issued May 2021*  
Effective for periods commencing on or after 1 January 2023

The 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 make uncertainly inherent in such estimates.

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

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



### 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 in 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 currency 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**  
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**4. CASH AND CASH EQUIVALENTS**

	2022	2021
	\$	\$
Cash at bank and cash in hand	<u>30,928,714</u>	<u>19,562,544</u>

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

	2022	2021
	\$	\$
Loans receivables	<u>760,623,841</u>	<u>713,813,883</u>

(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, 2022 and 2021.

	2022	2021
	\$	\$
Loans	851,821,550	936,138,447
<b>Less:</b>		
Provision for credit losses	<u>(91,197,709)</u>	<u>(222,324,564)</u>
	<u>760,623,841</u>	<u>713,813,883</u>

(b) Analysis of loans are as follows:

	2022	2021
	\$	\$
Personal loans	<u>795,693,403</u>	<u>855,891,789</u>
Business loans:		
Agriculture	1,732,108	8,083,821
Services	24,098,840	53,930,338
Trading	30,160,197	18,034,719
Manufacturing	<u>137,002</u>	<u>197,780</u>
	<u>56,128,147</u>	<u>80,246,658</u>
	<u>851,821,550</u>	<u>936,138,447</u>

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

	2022	2021
	\$	\$
Due in 1 month	492,101,753	381,514,512
1 - 3 months	58,196,276	60,722,764
3 - 12 months	139,608,381	235,517,201
over 12 months	<u>161,915,140</u>	<u>258,383,970</u>
	851,821,550	936,138,447
Less: Provision for credit losses	<u>(91,197,709)</u>	<u>(222,324,564)</u>
	<u>760,623,841</u>	<u>713,813,883</u>



ISP FINANCE SERVICES LIMITED  
 NOTES TO THE **FINANCIAL STATEMENTS**  
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**5. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES (CONT'D)**

Impairment losses on loans

The aging of loans and the related impairment allowances at the reporting date were as follows:

	2022	
	Gross	Impairment
	\$	\$
Current	492,101,753	821,803
1 to 3 months past due	58,196,276	945,271
3 to 12 months past due	139,608,381	20,941,257
over 12 months past due	<u>161,915,140</u>	<u>68,489,378</u>
	<u>851,821,550</u>	<u>91,197,709</u>
	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	<u>258,383,970</u>	<u>188,598,453</u>
	<u>936,138,447</u>	<u>222,324,564</u>

**6. OTHER RECEIVABLES**

	2022	2021
	\$	\$
Other accounts receivables	3,254,707	766,493
Prepaid expenses	2,913,127	2,709,967
Staff advances	691,410	62,500
Withholding tax	614,947	454,482
Other	<u>1,079,454</u>	<u>1,443,041</u>
	<u>8,553,645</u>	<u>5,436,483</u>

**7. INVESTMENTS**

	2022	2021
	\$	\$
(i) Victoria Mutual Investments Limited Unsecured Bond	10,000,000	10,000,000
(ii) Secured Corporate Bond	15,000,000	-
(iii) Bank of Nova Scotia Term Deposit	<u>200,000,000</u>	<u>-</u>
	<u>225,000,000</u>	<u>10,000,000</u>

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

(ii) This represents a 10.81% secured variable rate corporate bond, maturing in 2025.

(iii) This represents ninety (90) days term deposit.

**8. PROPERTY, PLANT AND EQUIPMENT**

	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Motor Cars</u>	<u>Computer Software &amp; Equipment</u>	<u>Fixed Assets work in progress</u>	<u>Total</u>
<b>At Cost/Valuation:</b>						
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	<b>32,435,901</b>	<b>16,032,828</b>	<b>11,449,295</b>	<b>36,512,280</b>	-	<b>96,430,304</b>
Additions	-	1,566,940	218,000	4,131,207	-	5,916,147
Disposals	-	-	(4,838,958)	-	-	(4,838,958)
Balance at December 31, 2022	<b>32,435,901</b>	<b>17,599,768</b>	<b>6,828,337</b>	<b>40,643,487</b>	-	<b>97,507,493</b>
<b>Accumulated Depreciation:</b>						
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
Charge for year	2,799,920	1,112,332	1,161,895	2,068,521	-	7,142,668
Disposals	-	-	(4,240,898)	-	-	(4,240,898)
Balance at December 31, 2022	<b>24,205,461</b>	<b>12,181,227</b>	<b>6,469,839</b>	<b>34,066,841</b>	-	<b>76,923,368</b>
<b>Net Book Value</b>						
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
Balance at December 31, 2022	<b>8,230,440</b>	<b>5,418,541</b>	<b>358,498</b>	<b>6,576,646</b>	-	<b>20,584,125</b>





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**9. ACCOUNTS AND OTHER PAYABLES**

	2022	2021
	<u>\$</u>	<u>\$</u>
Accounts payable	10,356,912	6,322,929
Interest accrued	3,523,713	2,733,520
Statutory liabilities	1,577,772	2,964,921
Other accruals	5,897,495	18,940,276
	<u>21,355,892</u>	<u>30,961,646</u>

**10. SECURED BONDS**

	2022	2021
	<u>\$</u>	<u>\$</u>
(i) 9.5% Secured bond	-	232,000,000
(ii) 11.5% Secured bond	470,000,000	-
Less: Deferred bond issue costs	<u>(17,015,490)</u>	<u>(1,760,303)</u>
	<u>452,984,510</u>	<u>230,239,697</u>

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

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

Interest expense charged on these loans during the current year totaled \$30,256,356 (2021 - \$22,040,000).

**11. NOTES PAYABLE**

	2022	2021
	<u>\$</u>	<u>\$</u>
Unsecured notes	<u>51,785,511</u>	<u>47,285,511</u>

The unsecured notes bear interest ranging from 11% - 13% for the years ended December 31, 2022 and 2021. 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)**

	2022	2021
	\$	\$
<b>Balances at the beginning of year</b>	<b>47,285,511</b>	46,246,793
Additional loans received	<u>4,500,000</u>	<u>1,038,718</u>
<b>Balances at the end</b>	<b><u>51,785,511</u></b>	<b><u>47,285,511</u></b>

Interest expense charged on these loans during the current year totaled \$6,790,384 (2021 - \$5,761,342). At year end, interest expense accrued totaled \$3,523,713 (2021 - \$2,733,519).

**12. DEFERRED TAX ASSET / (LIABILITY)**

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:

	2022	2021
	\$	\$
Deferred tax asset / (liability)	<u>161,178</u>	<u>(646,096)</u>

Deferred tax liabilities and assets are attributable to the following:

	2022	2021
	\$	\$
Depreciation and capital allowances	161,178	(761,168)
Foreign exchange gain	<u>-</u>	<u>115,072</u>
	<b><u>161,178</u></b>	<b><u>(646,096)</u></b>



ISP FINANCE SERVICES LIMITED  
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## 12. DEFERRED TAX ASSET / (LIABILITY) (CONT'D)

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

	2022	2021
	\$	\$
Balance at the beginning of the year	(646,096)	(1,796,720)
Movement during the year	<u>807,274</u>	<u>1,150,624</u>
Balance at the end of the year	<u><u>161,178</u></u>	<u><u>(646,096)</u></u>

## 13. SHARE CAPITAL

	2022	2021
	\$	\$
	<u>Number</u> <u>('000)</u>	<u>Number</u> <u>('000)</u>
<u>Authorized share capital:</u>		
Ordinary shares [a (i)]	<u><u>105,000</u></u>	<u><u>105,000</u></u>
<u>Issued and fully paid:</u>		
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	<u><u>(9,096,872)</u></u>	<u><u>(9,096,872)</u></u>
	<u><u>195,903,128</u></u>	<u><u>195,903,128</u></u>

- (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.

	2022	2021
Net profit for the year	<u>57,636,924</u>	<u>54,409,174</u>
Weighted average number of share	<u>105,000,000</u>	<u>105,000,000</u>
Earnings per share (\$)	<u>0.55</u>	<u>0.52</u>

**14. REVALUATION SURPLUS**

	2022	2021
	\$	\$
Revaluation surplus on motor cars	<u>3,841,596</u>	<u>11,052,413</u>

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

**15. STAFF COSTS**

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

	2022	2021
Permanent	<u>44</u>	<u>44</u>

The aggregate payroll costs for these persons were as follows:

	2022	2021
	\$	\$
Salaries and profit related pay	100,156,481	87,589,111
Statutory payroll contributions	8,172,335	7,069,084
Other staff benefits	<u>4,466,300</u>	<u>3,180,037</u>
	<u>112,795,116</u>	<u>97,838,232</u>



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**16. OTHER OPERATING EXPENSES**

	2022	2021
	\$	\$
Directors' fees	1,400,000	1,200,000
Bank charges	3,707,612	5,119,242
Amortization of bond issue costs	3,299,704	2,337,951
Consulting fees	7,450,000	8,742,000
Building rental	8,787,876	11,322,894
Telephone	12,080,835	9,742,201
Electricity	1,967,965	1,999,876
Water	110,573	181,228
Computer expenses	9,866,823	8,980,870
Audit fees	2,750,000	2,500,000
Printing, stationery and postage	2,031,753	2,384,300
Repairs and maintenance	3,379,734	2,290,475
Professional fees	5,700,975	5,295,638
Legal fees	2,736,748	96,072
Trustee fees	970,002	827,052
Travelling and transportation	1,102,198	1,470,548
Motor vehicle expenses	5,413,426	5,118,799
Donation	80,000	-
Office expenses	13,941,940	11,713,826
Security	4,796,212	6,332,421
Cleaning and sanitation	815,000	1,291,359
Subscriptions and dues	660,000	605,000
Advertising and promotion	12,613,935	13,786,325
Insurance	717,905	639,529
Entertainment	7,482,291	7,053,772
JSE listing fees	1,007,961	950,906
Loss on disposal of property, property and equipment	-	138,000
Annual returns	45,000	21,300
	<b>114,916,468</b>	<b>112,141,585</b>

**17. PROFIT BEFORE TAXATION**

	2022	2021
	\$	\$
Stated after charging the following:	<b>65,418,181</b>	<b>59,944,079</b>

Auditor's remuneration	<b>2,750,000</b>	<b>2,500,000</b>
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**18. TAXATION CHARGE**

(a) Income tax is computed at 25% (2021: 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:

	2022	2021
	\$	\$
Current:		
Provision for charge on current profit	8,588,531	6,685,529
Deferred:		
	<u>(807,274)</u>	<u>(1,150,624)</u>
Origination and reversal of temporary differences	<u>7,781,257</u>	<u>5,534,905</u>

(b) Reconciliation of effective tax rate and charge:

	2022		2021	
	\$	%	\$	%
Profit before taxation	<u>65,418,181</u>		<u>59,944,079</u>	
Computed tax charge	16,354,545	25%	14,986,020	25%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	(149,515)	0%	(165,736)	0%
Remission of income taxes	(8,588,530)	-13%	(10,812,490)	-18%
Other adjustments	<u>164,757</u>	0%	<u>1,527,111</u>	3%
Actual charge and rate	<u>7,781,257</u>	12%	<u>5,534,905</u>	9%

**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 \$8,588,530 (2021: \$10,812,490).



ISP FINANCE SERVICES LIMITED  
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**19. PROFIT BEFORE INTEREST AND TAXATION**

	<b>2022</b>	2021
	<u>\$</u>	<u>\$</u>
Net profit for the year	<b>57,636,924</b>	54,409,174
Current year taxation charge [see note 18(a)]	<u><b>8,588,531</b></u>	<u>6,685,529</u>
Profit before interest	<b>66,225,455</b>	61,094,703
Interest expense	<u><b>37,046,740</b></u>	<u>29,892,179</u>
Profit before interest and taxation	<u><b>103,272,195</b></u>	<u>90,986,882</u>

**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:

	<b>2022</b>	2021
	<u>\$</u>	<u>\$</u>
Transactions with key management personnel:		
- Directors' remuneration	<b>12,489,265</b>	13,012,700
- Directors' fees	<b>1,400,000</b>	1,200,000
- Consultancy fees	<b>7,450,000</b>	8,742,000
- Building rental	<u><b>5,147,059</b></u>	<u>3,040,000</u>



## 21. FINANCIAL INSTRUMENTS

### (a) Financial risk management:

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

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

The Board of Directors, together with senior management, has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities.

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

- (a) Implemented a liquidity recovery plan, the key aspects of the plan include:
  - Assessing the daily inflow and outflow of funds (liquidity forecasting);
  - Identifying and assessing the adequacy of financial resources for contingent needs;
  - Implementing measures geared at strengthening the entity's working capital; and
  - Defining escalation and decision-making procedures to ensure that the plan can be executed timely.
- (b) Implemented measures to assist external clients during this crisis, such as:
  - Payment moratoria on loans. It is not expected that there will be reclassification of loans from Stage 1 to Stage 2 as these payment holidays should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR are identified; and
  - Special arrangements with clients, such as increasing their loan to value ratio, based on approval by the appropriate committee.
- (c) On-going monitoring of working capital which included sensitivity analyses to determine:
  - The impact of a downward adjustment in asset values on our regulatory ratios
  - The impact of a downward adjustment in asset values on the projected profitability; and
  - The level of capital shortfall, if any, and how additional capital could be raised to address any projected shortfall.



## 21. FINANCIAL INSTRUMENTS

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

#### (i) Credit risk:

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

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

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

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



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

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

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

Forward Looking Information

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

Portfolio Segmentation

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

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

Maximum Exposure to Credit Risk

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

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

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

	2022	2022	2022		2021
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime	Total	Total
	ECL	ECL	ECL		
	\$	\$	\$	\$	\$
Standard risk	492,101,753	173,661,571	-	<b>665,763,324</b>	637,628,286
Past due	-	24,143,086	-	<b>24,143,086</b>	23,812,511
Credit impaired	-	-	161,915,140	<b>161,915,140</b>	274,697,650
Gross carrying amount	492,101,753	197,804,657	161,915,140	<b>851,821,550</b>	936,138,447
Loss allowance	(1,767,074)	(20,941,257)	(68,489,378)	<b>(91,197,709)</b>	(222,324,564)
Carrying amount	<u>490,334,679</u>	<u>176,863,400</u>	<u>93,425,762</u>	<b><u>760,623,841</u></b>	<u>713,813,883</u>



**FINANCIAL INSTRUMENTS (CONT'D)**

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

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

Collateral and other credit enhancement

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

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

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

Loss Allowance

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

	2022 Stage 1 12-month ECL \$	2022 Stage 2 Lifetime ECL \$	2022 Stage 3 Lifetime ECL \$	Total \$
As at 31 December 2021	<u>(920,401)</u>	<u>(32,805,710)</u>	<u>(188,598,453)</u>	<u>(222,324,564)</u>
Changes in PDs/LGDs/EADs	27,892,975	11,864,453	(11,017,780)	28,739,648
New financial assets originated	<u>(28,739,648)</u>	-	-	<u>(28,739,648)</u>
	(846,673)	11,864,453	(11,017,780)	-
Write offs	-	-	131,126,855	131,126,855
	<u>(846,673)</u>	<u>11,864,453</u>	<u>120,109,075</u>	<u>131,126,855</u>
<b>As at 31 December 2022</b>	<b><u>(1,767,074)</u></b>	<b><u>(20,941,257)</u></b>	<b><u>(68,489,378)</u></b>	<b><u>(91,197,709)</u></b>

**(ii) Liquidity risk:**

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



**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:

	<b>2022</b>				
	<b>Within 3 Months</b>	<b>3 to 12 Months</b>	<b>1 to 2 Years</b>	<b>2 to 5 Years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Secured bond	13,512,500	40,537,500	54,050,000	524,050,000	632,150,000
Notes payable	2,250,000	2,250,000	53,499,772	-	57,999,772
	<b>15,762,500</b>	<b>42,787,500</b>	<b>107,549,772</b>	<b>524,050,000</b>	<b>690,149,772</b>
	<b>2021</b>				
	Within 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	Total
	\$	\$	\$	\$	\$
Secured bond and	5,510,000	246,602,468	-	-	252,112,468
Notes payable	2,250,000	2,250,000	48,459,772	-	52,959,772
	<b>7,760,000</b>	<b>248,852,468</b>	<b>48,459,772</b>	<b>-</b>	<b>305,072,240</b>

**(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:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Financial assets	<b>1,026,154,149</b>	749,860,859
Financial liabilities	<b>(526,125,913)</b>	(308,486,854)
	<b>500,028,236</b>	441,374,005





**(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.

**MICROCREDIT ACT, 2021**

The Microcredit Act ('the Act') was passed in January 2021, with the aim of licencing and regulating microcredit institutions (MCIs) that provide financing to individuals as well as, micro, small and medium sized enterprises.

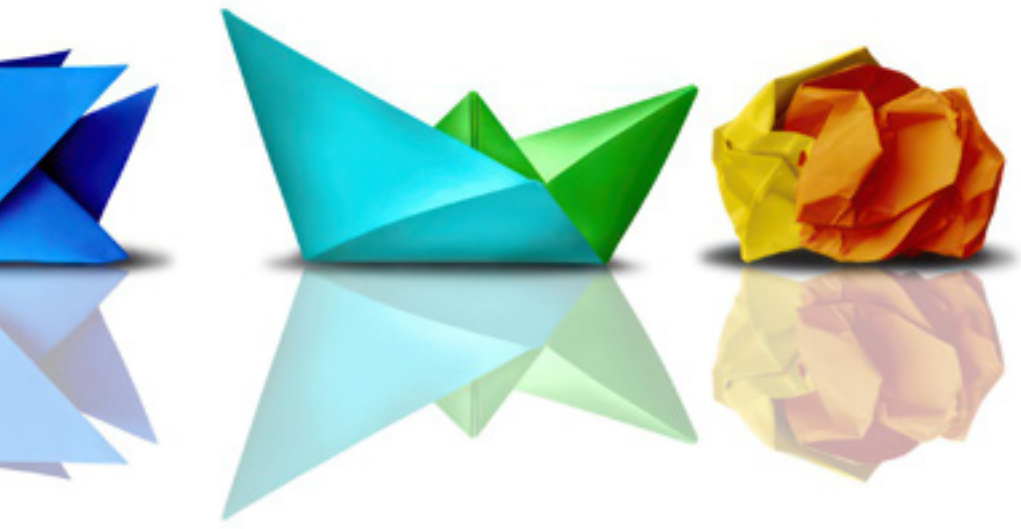
The Act became effective on July 30, 2021, and makes provision for certain sanctions to be applied in the event of breaches or non-compliance. In accordance with section 64 of the Act, a person who, at the commencement date is operating a business which falls within the criteria set out in the Act for a microcredit institution or for the offering of a microcredit service, shall, within twelve months from the commencement date comply with the provisions of this Act and apply to the Supervisor (Bank of Jamaica) for a licence to continue business as a microcredit institution; or cease to carry out such business.

On August 11, 2022, Bank of Jamaica confirmed the receipt of an application dated 29 July 2022 in relation to the Company and declared that it does not object to the continued operations of the Company pending the outcome of the Bank's assessment of this application. At reporting date, Bank of Jamaica has not advised the Company of the outcome of its application to operate as a Microcredit Institution pursuant to the Microcredit (Licence, Form of Application) Rules, 2021. This indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The Company has represented that it is pursuing the application process and expects that the licence will be granted in due course.

# Notes

# Notes



**ISP FINANCE  
SERVICES LIMITED**

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