

Information Services Corporation

FORM 51-102F4

Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Information Services Corporation (“ISC” or the “Company”)
Suite 300, 10 Research Drive
Regina, Saskatchewan
S4S 7J7

1.2 Executive Officer

The following executive officer of the Company is knowledgeable about the acquisition of Paragon Inc. and 2408761 Ontario Inc. and this report:

Shawn B. Peters, CPA, CA, ICD.D
Executive Vice-President and CFO
Telephone: +1 (306) 798-8760

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On July 31st, 2020, ISC’s Services segment, through its wholly owned subsidiary ESC Corporate Services Ltd. (“ESC”), acquired substantially all of the assets used in the business of Paragon Inc. and 2408761 Ontario Inc. (collectively referred to as “Paragon” or the “Paragon Business”). The primary focus of the Paragon Business is the facilitation and coordination of asset recovery on behalf of many of Canada’s major banks.

This acquisition is consistent with ISC’s long-term strategy of acquiring companies with competencies or operations in its industry space. The Company’s Services segment is positioned to support the growing needs of financial institutions and legal firms to outsource key business processes associated with credit due diligence, protection and asset recovery solutions.

2.2 Acquisition Date

July 31st, 2020

2.3 Consideration

CAD\$70.0 million, subject to customary purchase price adjustments, was paid in cash on closing.

2.4 Effect on Financial Position

The pro forma effect of Paragon on the financial position and operations of ISC is described in the unaudited pro forma consolidated statement of financial position of ISC as at June 30, 2020 and the unaudited consolidated statements of comprehensive income for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, attached to this Business Acquisition Report.

There are no current proposals or plans for material changes in the business affairs of ISC or Paragon which may have a significant effect on the results of operations and financial position of ISC, other than those resulting from the contribution of the results of operations of the assets of Paragon to the consolidated financial position of ISC for the reporting periods ending after the acquisition date.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The Paragon acquisition was not a transaction with an informed person, associate or affiliate of ISC.

2.7 Date of Report

October 14, 2020.

Item 3 Financial Statements and Other Information

The following financial statements, as required by Part 8 of the National Instrument 51-102, attached as schedules as indicated are included in this Business Acquisition Report:

- The unaudited pro forma consolidated statement of financial position of ISC as at June 30, 2020. (Schedule A)
- The unaudited pro forma consolidated statements of comprehensive income of ISC for the six-month period ended June 30, 2020 and for the year ended December 31, 2019. (Schedule A)
- The unaudited condensed interim financial statements of Paragon as at June 30, 2020 and 2019, and for the three-month periods then ended. (Schedule B)
- The audited financial statements of Paragon as at March 31, 2020 and 2019. (Schedule C)

Notice

The financial statements of Paragon have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"), which are Canadian accounting standards for private enterprises in Part II of the Handbook. The recognition, measurement and disclosure requirements of Canadian GAAP applicable to private enterprises differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards ("IFRS") incorporated into the Handbook.

The pro forma financial statements included in this Business Acquisition Report include adjustments relating to Paragon's business and present pro forma information prepared using principles that are consistent with the accounting principles used by ISC.

All amounts referenced in this Business Acquisition Report are in Canadian dollars.

Forward-Looking Information

This Business Acquisition Report may contain forward-looking information within the meaning of applicable Canadian securities legislation, including statements related to the expectations regarding the acquisition, integration and growth. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to changes in economic, market and business conditions, including those arising from public health concerns, identification of viable growth opportunities, implementation of our growth strategy, integration, competition and other risks detailed from time to time in the filings made by the Company including those detailed in ISC's Annual Information Form dated March 17, 2020 and ISC's Unaudited Consolidated Interim Financial Statements and Notes and Management's Discussion and Analysis for the six months ended June 30, 2020, copies of which are filed on SEDAR at www.sedar.com.

The forward-looking information in this Business Acquisition Report is made as of the date hereof and, except as required under applicable securities legislation, ISC assumes no obligation to update or revise such information to reflect new events or circumstances.

SCHEDULE 'A'

Unaudited Pro Forma Consolidated Statement of Financial Position of
ISC as at June 30, 2020

Unaudited Pro Forma Consolidated Statements of Comprehensive Income of
ISC for the Six Months Ended June 30, 2020
and the Year Ended December 31, 2019



UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020
and for the year ended December 31, 2019

Information Services Corporation
Pro Forma Consolidated Statement of Financial Position
As at June 30, 2020

(thousands of CAD dollars, unaudited)

	ISC	Paragon	Pro Forma Adjustments	Note 3	Pro Forma Consolidated
ASSETS					
Current assets					
Cash	\$ 24,572	\$ 1,925	\$ (12,125)	(a),(b),(e)	\$ 14,372
Short-term investments	50	-	-		50
Trade and other receivables	14,298	466	1,804	(a),(e)	16,568
Contract assets	946	-	69	(l)	1,015
Income tax recoverable	814	-	-		814
Prepaid expenses and deposits	4,345	110	-		4,455
Total current assets	45,025	2,501	(10,252)		37,274
Non-current assets					
Property, plant and equipment	2,598	21	(18)	(a),(e)	2,601
Right-of-use assets	8,310	-	10	(l)	8,320
Intangibles	37,889	-	35,380	(a),(c)	73,269
Goodwill	45,705	-	34,182	(a),(d)	79,887
Deferred tax asset	28,834	-	-		28,834
Total non-current assets	123,336	21	69,554		192,911
TOTAL ASSETS	\$ 168,361	\$ 2,522	\$ 59,302		\$ 230,185
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 15,746	\$ 2,689	\$ 1,210	(a),(e)	\$ 19,645
Contract liabilities	1,721	-	-		1,721
Lease obligations – current portion	1,894	-	10	(l)	1,904
Income tax payable	929	-	-		929
Long-term debt – current portion	2,000	-	-		2,000
Provisions	191	-	-		191
Total current liabilities	22,481	2,689	1,220		26,390
Non-current liabilities					
Lease obligations	7,654	-	-		7,654
Deferred tax liability	7,008	-	-	(a)	7,008
Long-term debt	15,000	-	59,800	(b)	74,800
Other liabilities	419	-	-		419
Total non-current liabilities	30,081	-	59,800		89,881
SHAREHOLDERS' EQUITY					
Share capital	19,955	-	-	(f)	19,955
Equity settled employee benefit reserve	2,296	-	-		2,296
Accumulated other comprehensive income	445	-	-		445
Retained earnings	93,103	(167)	(1,718)	(g),(k)	91,218
Total shareholders' equity	115,799	(167)	(1,718)		113,914
Total liabilities and shareholders' equity	\$ 168,361	\$ 2,522	\$ 59,302		\$ 230,185

See accompanying Notes

Information Services Corporation
Pro Forma Consolidated Statement of Comprehensive Income
For the six months ended June 30, 2020

(thousands of CAD dollars, unaudited)	ISC	Paragon (Note 2)	Pro Forma Adjustments	Note 3	Pro Forma Consolidated
Revenue	\$ 60,589	\$ 5,996	\$ (187)	(l)	\$ 66,398
Expenses					
Wages and salaries	19,508	1,296	-		20,804
Cost of goods sold	14,273	4,006	(28)	(l)	18,251
Depreciation and amortization	5,511	2	2,190	(h)	7,703
Information technology services	3,866	-	-		3,866
Occupancy costs	1,332	247	(143)	(l)	1,436
Professional and consulting services	2,500	55	-		2,555
Financial services	1,338	-	-		1,338
Other	785	295	-		1,080
Total expenses	49,113	5,901	2,019		57,033
Net income before items noted below	11,476	95	(2,206)		9,365
Finance (expense) income					
Interest income	90	-	(83)	(i)	7
Interest expense	(622)	-	(1,297)	(i)	(1,919)
Net finance expense	(532)	-	(1,380)		(1,912)
Income before tax	10,944	95	(3,586)		7,453
Income tax expense	(2,969)	(16)	956	(j)	(2,029)
Net income	7,975	79	(2,630)		5,424
Other comprehensive income					
<i>Items that may be subsequently reclassified to net income</i>					
Unrealized (loss) gain on translation of financial statements of foreign operations	466	-	-		466
Changes in fair value of marketable securities, net of tax	(26)	-	-		(26)
Other comprehensive (loss) income	440	-	-		440
Total comprehensive income	\$ 8,415	\$ 79	\$ (2,630)		\$ 5,864

See accompanying Notes

Information Services Corporation
Pro Forma Consolidated Statement of Comprehensive Income
For the year ended December 31, 2019

(thousands of CAD dollars, unaudited)	ISC	Paragon (Note 2)	Pro Forma Adjustments	Note 3	Pro Forma Consolidated
Revenue	\$ 132,968	\$ 11,847	\$ 405	(l)	\$ 145,220
Expenses					
Wages and salaries	41,689	2,433	-		44,122
Cost of goods sold	31,171	8,519	130	(l)	39,820
Depreciation and amortization	11,400	3	4,439	(h)	15,842
Information technology services	8,796	-	-		8,796
Occupancy costs	3,485	578	(423)	(l)	3,640
Professional and consulting services	4,281	66	-		4,347
Financial services	2,138	-	-		2,138
Other	2,382	584	-		2,966
Total expenses	105,342	12,183	4,146		121,671
Net Income before items noted below	27,626	(336)	(3,741)		23,549
Other income	-	33	-		33
Finance (expense) income					
Interest income	283	-	(166)	(i)	117
Interest expense	(1,529)	(2)	(2,607)	(i)	(4,138)
Net finance expense	(1,246)	(2)	(2,773)		(4,021)
Income before tax	26,380	(305)	(6,514)		19,561
Income tax expense	(6,980)	(5)	1,737	(j)	(5,248)
Net income	19,400	(310)	(4,777)		14,313
Other comprehensive income					
<i>Items that may be subsequently reclassified to net income</i>					
Unrealized (loss) gain on translation of financial statements of foreign operations	(538)	-	-		(538)
Changes in fair value of marketable securities, net of tax	29	-	-		29
Other comprehensive (loss) income	(509)	-	-		(509)
Total comprehensive income	\$ 18,891	\$ (310)	\$ (4,777)		\$ 13,804

See accompanying Notes

INFORMATION SERVICES CORPORATION
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019
(unaudited)

1 ACQUISITION OF PARAGON BUSINESS

On July 31st, 2020, Information Services Corporation's ("ISC" or the "Company") Services segment, through its wholly owned subsidiary ESC Corporate Services Ltd. ("ESC"), acquired substantially all of the assets used in the business of Paragon Inc. and 2408761 Ontario Inc. (collectively referred to as "Paragon" or the "Paragon Business"). The primary focus of the Paragon Business is the facilitation and coordination of asset recovery on behalf of many of Canada's major banks. Asset recovery comprises the identification, retrieval and disposition of movable assets such as automobiles, boats, aircraft and other forms of portable physical assets used as collateral security for primarily consumer focused credit transactions. CAD\$70 million, subject to customary purchase price adjustments, was paid in cash on closing.

This acquisition is consistent with ISC's long-term strategy of acquiring companies with competencies or operations in its industry space. The Company's Services segment is positioned to support the growing needs of financial institutions and legal firms to outsource key business processes associated with credit due diligence, protection and default solutions.

2 BASIS OF PRESENTATION

The unaudited pro forma consolidated statement of financial position as at June 30, 2020, the unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2020, and the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2019 (collectively, the "**unaudited pro forma consolidated financial statements**"), have been prepared by management of ISC for illustrative purposes only and give effect to the acquisition of substantially all of the assets used in the business of Paragon. The unaudited pro forma consolidated financial statements have been prepared on the basis of the assumptions and adjustments described below and in subsequent notes.

In the opinion of management, the accounting policies used in the unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transaction in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and incorporate the significant accounting policies expected to be used to prepare the Company's consolidated financial statements. In addition, the pro forma financial statements includes adjustments relating to the Paragon acquisition which were prepared in accordance with Canadian accounting standards for private enterprises ("**ASPE**"), as adjusted into IFRS to conform with the principles that are consistent with the accounting principles used by ISC.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position that would have prevailed and operating results that would have been obtained if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. The unaudited pro forma consolidated financial statements are not a forecast or projection of future results. The actual financial position and results of operations of the Company for any period following the closing of the Paragon acquisition will vary from the amounts set forth in the unaudited pro forma consolidated financial statements and such variation may be material. The actual purchase price allocation will reflect the fair value, at the purchase date, of the assets acquired and liabilities assumed based on the Company's evaluation of such assets and liabilities following the close of the transaction on the date of acquisition and, accordingly, the final purchase price allocation may differ significantly from the results herein.

INFORMATION SERVICES CORPORATION
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019
(unaudited)

The unaudited pro forma consolidated financial statements have been derived from and should be read in conjunction with the following financial statements:

- Audited consolidated financial statements of ISC for the year ended December 31, 2019, prepared in accordance with IFRS.
- Unaudited condensed consolidated interim financial statements of ISC for the six months ended June 30, 2020, prepared in accordance with IFRS.
- Audited financial statements of Paragon for the year ended March 31, 2020, prepared in accordance with ASPE, with notes reconciling into IFRS.
- Unaudited interim financial statements of Paragon for the three-month periods ended June 30, 2020, prepared in accordance with ASPE, with notes reconciling into IFRS.

The adjustments and assumptions outlined below to give effect to pro forma events that are directly attributable to the Paragon acquisition.

The unaudited pro forma consolidated statement of financial position as at June 30, 2020 gives effect to the Paragon acquisition as if it had occurred on June 30, 2020 and has been prepared using the following:

- The unaudited interim consolidated statements of financial position of ISC as at June 30, 2020.
- The unaudited interim statement of financial position of the Paragon as at June 30, 2020.
- The adjustments and assumptions outlined below.

The unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2020 gives effect to the Paragon acquisition as if it had occurred on January 1, 2020 and has been prepared using the following:

- The unaudited interim consolidated statements of comprehensive income of ISC for the six months ended June 30, 2020.
- The unaudited interim statement of comprehensive income and retained earnings of Paragon for the six months ended June 30, 2020.
- The adjustments and assumptions outlined below.

The unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2019 gives effect to the Paragon acquisition as if it had occurred on January 1, 2019 and has been prepared using the following:

- The audited consolidated statements of comprehensive income of ISC for the year ended December 31, 2019.
- The unaudited statements of comprehensive income of Paragon for the twelve months ended December 31, 2019.
- The adjustments and assumptions outlined below.

The unaudited pro forma consolidated financial statements were prepared using the acquisition method of accounting in accordance with IFRS 3, Business Combinations ("IFRS 3"). ISC is considered the legal and accounting acquirer. The unaudited pro forma consolidated financial statements were based on the historical financial statements of ISC and Paragon. Certain reclassifications have been made to the historical financial statements in preparation of the unaudited pro forma consolidated financial statements to conform to the financial statements presentation currently adopted by ISC.

There are no material transactions between ISC and Paragon during the periods presented in the unaudited pro forma consolidated financial statements that would need to be eliminated. See notes to the pro forma consolidated financial statements below.

Management has determined on a preliminary basis that no pro forma material adjustments to the financial statements of Paragon are required to comply with the accounting policies used by ISC in the preparation of its consolidated financial statements.

INFORMATION SERVICES CORPORATION
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019
(unaudited)

The unaudited pro forma consolidated financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the Paragon acquisition, the costs to integrate the operations of ISC and Paragon, or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

Under acquisition accounting, the measurement of the fair value of the consideration issued and of the assets and liabilities assumed is dependent upon certain valuations and other studies. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma consolidated financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma consolidated financial statements and ISC's future results of operations and financial position.

The assets acquired and liabilities assumed of Paragon will be recorded as of the completion of the Paragon acquisition, primarily at their respective fair values and added to those of ISC. The results of operations of Paragon will be included in the financial statements of the combined company as of the date of the completion of the Paragon acquisition, except as disclosed herein.

3 PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

The unaudited pro forma consolidated financial statements include pro forma assumptions and adjustments in connection with the Paragon acquisition, to give effect to the acquisition as if it had occurred on:

- June 30, 2020, for the purposes of the unaudited pro forma consolidated statement of financial position as at June 30, 2020.
- January 1, 2020, for the purposes of the unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2020.
- January 1, 2019, for the purposes of the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2019.

The financial statements of the acquired business used to prepare the pro forma financial statements were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements of the acquired business included elsewhere in the business acquisition report.

The historical financial statements of Paragon have been adjusted to reclassify line items to conform to ISC's expected presentation. Additional reclassifications may be necessary once the financial statement presentation for ISC is finalised.

INFORMATION SERVICES CORPORATION
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019
(unaudited)

- (a) If the acquisition of Paragon had occurred on June 30, 2020, the estimated preliminary fair values of the identifiable assets and liabilities of Paragon and the purchase consideration would be as follows:

(thousands of CAD dollars)	June 30, 2020
ASSETS	
Trade and other receivables	\$ 357
Prepaid expenses and deposits	110
Property, Plant and Equipment	3
Intangible assets	35,380
	35,850
Trade and other payables	(1,945)
	34,182
Goodwill arising on acquisition	34,182
Estimated total purchase consideration	\$ 68,087

The Paragon acquisition has been accounted for using the acquisition method. The allocation of the purchase price was based on a provisional assessment of the fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisition, with the excess of the purchase price over the fair value being allocated to goodwill. The Company engaged independent valuers to determine the fair value allocated to intangible assets. However, given the timing of the acquisition, the independent valuers have not completed the valuations of certain assets, and therefore the allocation of the purchase price is based on the Company's best estimate and is currently considered preliminary. As a result, the purchase price allocation is preliminary and is subject to change once the final valuation of the identifiable assets acquired and liabilities assumed is completed.

Goodwill arising on acquisition is attributable to the anticipated future revenue and cash flow from the Paragon services, as well as expected synergies and other benefits from the acquisition.

The Company paid cash of \$70.0 million, subject to customary purchase price adjustments, on the date of acquisition as consideration for Paragon. The preliminary working capital adjustment and redundant assets of \$1,913 thousand was calculated based on the estimated net working capital and redundant assets as at July 31st, 2020 as if the Paragon Acquisition had occurred on June 30, 2020 and has been recorded as an accounts receivable for pro forma purposes. The final working capital adjustment and purchase consideration is subject to change and will be determined upon completion of customary post-closing activities.

Other pro forma assumptions and adjustments are as follows:

- (b) The company financed the transaction by external borrowing of CAD \$59.8M, with the remainder being cash on hand. The cash balance and long-term liability have been adjusted to reflect the consideration paid.
- (c) Intangible assets have been adjusted to a preliminary estimate of fair value of existing customer relationships, brand, technology, and workforce by adding the preliminary fair value of intangible assets acquired of \$35.4 million.
- (d) Goodwill has been adjusted to the preliminary estimated Paragon acquisition related goodwill of \$34.2 million, as described above.

INFORMATION SERVICES CORPORATION
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019
(unaudited)

- (e) Assets and liabilities specifically excluded under the acquisition arrangement have been adjusted out of the pro forma, including but not limited to Paragon's investments not relating to its businesses, licenses, tax refund, certain insurance policies, etc.
- (f) Share capital has been adjusted to eliminate the historical Paragon equity.
- (g) Retained earnings have been adjusted to eliminate the historical Paragon retained earnings.
- (h) Depreciation and amortization expenses have been adjusted as follows:

(thousands of CAD dollars)	Six months ended June 30, 2020	Year ended December 31, 2019
Adjustment to record the impact of depreciation for Right-of-use assets	\$ 177	\$ 412
Adjustment to record the preliminary estimated depreciation calculated on a straight-line basis based on the preliminary estimate of fair value of intangible assets	2,013	4,027
Total	\$ 2,190	\$ 4,439

The preliminary useful lives used for amortizing intangible assets are between 3 to 9 years.

- (i) Interest income and expense has been adjusted as follows:

(thousands of CAD dollars)	Six months ended June 30, 2020	Year ended December 31, 2019
Lower interest income due to cash purchase of Paragon	\$ (83)	\$ (166)
Interest expense related to the long-term borrowing for acquisition of Paragon	(1,297)	(2,607)
Total	\$ (1,380)	\$ (2,773)

For the purposes of the unaudited pro forma consolidated statement of income for the six months ended June 30, 2020, it was assumed that cash on hand would be decreased, to give effect to the acquisition as if it had occurred on January 1, 2020.

- (j) Tax effect on the pro forma adjustments has been recorded using an estimated effective tax rate of 26.75% for adjustments relating to ISC and Paragon. The actual effective tax rate of the consolidated company could be significantly different than the estimated effective tax rate assumed for purposes of preparing these pro forma consolidated financial statements as a result of a variety of factors, including post-acquisition activities.

INFORMATION SERVICES CORPORATION
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019
(unaudited)

- (k) Costs associated with the acquisition, in particular, professional fees and legal fees incurred in relation to the Paragon acquisition, are estimated at approximately \$1.9 million. These costs have been included as a pro forma adjustment to retained earnings on the unaudited pro forma consolidated statement of financial position as opposed to being reflected in the unaudited proforma consolidated statement of comprehensive income on the basis that these expenses are directly incremental to the acquisition and are non-recurring in nature.
- (l) Pro forma adjustments relating to the reconciliation of ASPE to IFRS for the acquired businesses

Adjustments have been made to the historical consolidated financial statements of Paragon to convert those financial statements, prepared in accordance with ASPE, to IFRS for all material measurement and classification differences and to conform the accounting policies used to those of ISC. Such material differences include:

1. A change in revenue and cost of goods sold to reflect the difference in recognition basis between ASPE and IFRS due to recognition of revenue over time by completion of performance obligations within a revenue contract with customer.
2. An increase in right-of-use assets and corresponding lease liability under IFRS 16 for recognition of operating leases previously under ASPE, with corresponding adjustments decreasing rental expenses and increasing depreciation expense over right-of-use assets and interest expense.

4 PRO FORMA EARNINGS PER SHARE

The table below summarizes the calculation of pro forma earnings per share of ISC for the six months ended June 30, 2020 and year ended December 31, 2019.

(thousands of CAD dollars, except number of shares and earnings per share)	Six months ended June 30, 2020	Year ended December 31, 2019
Basic weighted average common shares (as reported)	17,500,000	17,500,000
Basic weighted average common shares (pro forma)	17,500,000	17,500,000
Diluted weighted average common shares (as reported)	17,500,000	17,526,963
Diluted weighted average common shares (pro forma)	17,500,000	17,526,963
Pro forma net earnings	\$ 5,424	\$ 14,313
Pro forma net earnings per share, basic	\$ 0.31	\$ 0.82
Pro forma net earnings per share, diluted	\$ 0.31	\$ 0.82

SCHEDULE 'B'

Unaudited Interim Combined Financial Statements of Paragon
as at and for the three months ended June 30, 2020

PARAGON INC. AND 2408761 ONTARIO INC.
Combined Financial Statements
Three Month Period Ended June 30, 2020
(Unaudited)

NOTICE TO READER

Paragon's independent auditor has not performed a review of these unaudited interim combined financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PARAGON INC. AND 2408761 ONTARIO INC.

Combined Balance Sheet

As at

(Unaudited - See Notice To Reader)

	<i>June 30</i> 2020	<i>March 31</i> 2020
ASSETS		
CURRENT		
Cash and cash equivalent	\$ 1,925,040	\$ 989,544
Accounts receivable	358,090	480,388
Prepaid expenses	109,806	123,606
Future income taxes	-	-
Due from related parties <i>(Note 4)</i>	<u>109,041</u>	<u>21,175</u>
	2,501,977	1,614,713
PROPERTY, PLANT AND EQUIPMENT <i>(Net of accumulated amortization) (Note 3)</i>	<u>20,672</u>	<u>20,671</u>
	\$ 2,522,649	\$ 1,635,384
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Accounts payable	\$ 2,481,069	\$ 2,772,383
Income taxes payable	226	226
Goods and services tax payable	<u>208,096</u>	<u>55,868</u>
	2,689,391	1,822,737
SHAREHOLDERS' DEFICIENCY		
Share capital <i>(Note 6)</i>	2	2
Deficit	<u>(166,744)</u>	<u>(187,355)</u>
	(166,742)	(187,353)
	\$ 2,522,649	\$ 1,635,384

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.
Combined Statement of Deficit

(Unaudited - See Notice To Reader)

	Three months ended April 1 to June 30 2020	Three months ended April 1 June 30 2019
DEFICIT - BEGINNING OF PERIOD	\$ (187,355)	\$ (258,834)
NET INCOME	<u>20,611</u>	<u>146,766</u>
DEFICIT - END OF PERIOD	<u>\$ (166,744)</u>	<u>\$ (112,068)</u>

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.
Combined Statement of Income

(Unaudited - See Notice To Reader)

	Three months ended April 1 to June 30 2020	Three months ended April 1 to June 30 2019
REVENUES		
Recovery services	\$ 2,349,277	\$ 3,014,652
Commission	124,405	144,110
	2,473,682	3,158,762
COST OF SALES		
Administration operating fee	1,280,000	1,670,000
Direct wages	606,245	646,176
Other direct cost	308,821	407,435
	2,195,066	2,723,611
GROSS PROFIT	278,616	435,151
EXPENSES		
Rental	120,482	141,595
Office	73,484	73,775
Repairs and maintenance	20,400	23,754
Insurance	13,800	13,810
Professional fees	12,201	11,251
Utilities	10,516	9,665
Telephone	4,815	6,306
Travel	1,766	(72)
Sub-contracts	288	856
Interest and bank charges	253	133
Advertising and promotion	-	2,312
	258,005	283,385
INCOME BEFORE INCOME TAXES	20,611	151,766
INCOME TAXES	-	-
NET INCOME	\$ 20,611	\$ 146,766

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.**Combined Statement of Cash Flows****Three Month Period Ended June 30, 2020***(Unaudited - See Notice To Reader)*

	Three months ended April 1 to June 30 2020	Three months ended April 1 to June 30 2019
OPERATING ACTIVITIES		
Net income	\$ 20,611	\$ 146,766
Changes in non-cash working capital:		
Accounts receivable	122,298	(429,000)
Accounts payable	714,426	(750,289)
Prepaid expenses	13,800	(54,737)
Goods and services tax payable	152,228	(58,253)
	1,002,752	(1,292,279)
Cash flow from (used by) operating activities	1,023,363	(1,145,513)
FINANCING ACTIVITY		
Advances from related parties	(87,867)	(114,935)
INCREASE (DECREASE) IN CASH FLOW	935,496	(1,260,448)
Cash - beginning of period	989,544	2,680,714
CASH - END OF PERIOD	\$ 1,925,040	\$ 1,420,266

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.

Notes to Combined Financial Statements

Three Month Period Ended June 30, 2020

(Unaudited - See Notice To Reader)

1. DESCRIPTION OF OPERATIONS

Paragon Inc. and 2408761 Ontario Inc. (the "Companies") are companies domiciled in Canada and incorporated provincially under the Business Corporations Act of Ontario. Paragon Inc's principal business activity is the recovery and related services for secured loan products. 2408761 Ontario Inc.'s principal business is the sale vehicles on behalf of a 3rd party.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The combined financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

(b) Revenue recognition

The Companies recognize revenues from services when the services are completed and the fees are earned.

Recovery services are transaction based fees that are recognized upon performance.

Commission revenue is recognized when the vehicle has been sold, ownership has been transferred and funds were collected from the customer.

Other amounts received from customers in advance of services being provided are recorded as deferred revenue when received and reflected in income when the service has been completed.

(c) Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Motor vehicles	30%	declining balance method
Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method

The Companies regularly review their property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

PARAGON INC. AND 2408761 ONTARIO INC.

Notes to Combined Financial Statements

Three Month Period Ended June 30, 2020

(Unaudited - See Notice To Reader)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Future income taxes

Income taxes are reported using the future income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income taxes assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

(f) Leases

Leases are classified as either capital or operating leases. At the time the Companies enter into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

(g) Financial instruments

The Companies initially measure their financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Companies subsequently measure all their financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity instruments that are quoted in an active market and derivatives, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalent, prepaid expenses and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and government remittances payable.

Transaction costs are recognized in net earnings in the period incurred. However, financing and transaction costs associated with debt are netted against the carrying value and amortized over the term of the related debt.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

PARAGON INC. AND 2408761 ONTARIO INC.

Notes to Combined Financial Statements

Three Month Period Ended June 30, 2020

(Unaudited - See Notice To Reader)

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	June 30, 2020 Net book value	March 31, 2020 Net book value
Motor vehicles	\$ 18,040	\$ -	\$ 18,040	\$ 18,039
Computer equipment	43,979	41,347	2,632	2,632
	<u>\$ 62,019</u>	<u>\$ 41,347</u>	<u>\$ 20,672</u>	<u>\$ 20,671</u>

4. DUE FROM RELATED PARTIES

	June 30, 2020	March 31, 2020
Current portion due from related party Due from Colmvest Holdings Corporation	<u>\$ 109,041</u>	<u>\$ 21,175</u>

Advances from related companies are non-interest bearing and have no set repayment terms. The companies are related by common control. The amount has been classified as current because the Companies expect to collect the funds next fiscal year.

5. RELATED PARTY TRANSACTIONS

The following is a summary of the Companies' related party transactions:

	2020	2019
2323296 Ontario Inc <i>Company under common control</i> Occupancy cost paid during the year	<u>\$ 15,000</u>	<u>\$ 15,000</u>
Colmvest Holdings Corporation <i>Parent company</i> Administration operating fee paid during the year	<u>1,280,000</u>	<u>1,670,000</u>
	<u>\$ 1,295,000</u>	<u>\$ 1,685,000</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. SHARE CAPITAL

Authorized:

Unlimited Common voting shares

Issued:

Common shares

	June 30, 2020	March 31, 2020
	<u>\$ 2</u>	<u>\$ 2</u>

PARAGON INC. AND 2408761 ONTARIO INC.

Notes to Combined Financial Statements

Three Month Period Ended June 30, 2020

(Unaudited - See Notice To Reader)

7. FINANCIAL INSTRUMENTS

The Companies are exposed to various risks through their financial instruments and have a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of June 30, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Companies are exposed to credit risk from customers. In order to reduce its credit risk, the Companies review a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Companies have a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Companies are exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities and government remittances payable.

Unless otherwise noted, it is management's opinion that the company is not exposed to market risk, currency risk, interest rate risk or significant other price risks arising from these financial instruments.

8. ECONOMIC DEPENDENCE

The Companies generate 90% of their revenue from four major financial institutions. Management is of the opinion that the Companies will be able to continue its operations as a going concern with only one major financial institution.

9. SUBSEQUENT EVENTS

Subsequent to the fiscal year end, the Companies' shareholder agreed to sell all of the assets of the business which is considered to be the core business. The Companies' business activities are anticipated to cease on July 31, 2020.

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
Three Month Period Ended June 30, 2020
(Unaudited – See Notice to Reader)

10. ASPE TO IFRS RECONCILIATION

Substantially all of the assets used in the business of Paragon were acquired by ISC, through its wholly-owned subsidiary ESC, on July 31st, 2020. As a requirement of the acquisition and applicable securities laws, Paragon's financial statements must be included in a Business Acquisition Report ("BAR"). Paragon's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to private enterprises, which are Canadian accounting standards for private enterprises ("ASPE") in Part II of the Chartered Professional Accountants Handbook. The recognition, measurement and disclosure requirements of ASPE differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards ("IFRS") incorporated into the Handbook. The pro forma financial statements included in the document include adjustments related to the acquired business and present pro forma information prepared using principles that are consistent with the accounting principles by ISC. The BAR requires an ASPE to IFRS reconciliation for the combined statements of profit and loss for each period presented. The historical financial statements of Paragon have been adjusted to reclassify line items to conform to ISC's expected presentation. Additional reclassifications may be necessary once the financial statement presentation for ISC is finalised. The period presented in this reconciliation are the three months ended June 30, 2020 and 2019.

Combined statements of Profit and Loss
For the three month period ended June 30, 2020

(CAD dollars, unaudited)	2020 ASPE	Reconciliation to IFRS	2020 IFRS
Revenue	\$ 2,473,682	\$ (143,773)	\$ 2,329,909
Expenses			
Wages and salaries	606,245	-	606,245
Cost of goods sold	1,588,821	(15,926)	1,572,895
Depreciation and amortization	825	69,803	70,628
Information technology services	-	-	-
Occupancy costs	120,482	(37,567)	82,915
Professional and consulting services	12,201	-	12,201
Financial services	-	-	-
Other	124,244	-	124,244
Total expenses	2,452,818	16,310	2,469,128
Net Income before items noted below	20,864	(160,083)	(139,219)
Other income	-	-	-
Finance (expense) income			
Interest income	-	-	-
Interest expense	(253)	(124)	(377)
Net finance expense	(253)	(124)	(377)
Income before tax	20,611	(160,207)	(139,596)
Income tax expense	-	-	-
Net income	\$ 20,611	\$ (160,207)	\$ (139,596)

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
Three Month Period Ended June 30, 2020
(Unaudited – See Notice to Reader)

Combined statements of Profit and Loss
For the three month period ended June 30, 2019

(CAD dollars, unaudited)	2019 ASPE	Reconciliation to IFRS	2019 IFRS
Revenue	\$ 3,158,762	\$ (539)	\$ 3,158,223
Expenses			
Wages and salaries	646,176	-	646,176
Cost of goods sold	2,077,435	410	2,077,845
Depreciation and amortization	825	103,063	103,888
Information technology services	-	-	-
Occupancy costs	141,595	(105,817)	35,778
Professional and consulting services	11,251	-	11,251
Financial services	-	-	-
Other	129,581	-	129,581
Total expenses	3,006,863	(2,344)	3,004,519
Net Income before items noted below	151,899	1,805	153,704
Other income	-	-	-
Finance (expense) income			
Interest income	-	-	-
Interest expense	(133)	(4,305)	(4,438)
Net finance expense	(133)	(4,305)	(4,438)
Income before tax	151,766	(2,500)	149,266
Income tax expense	(5,000)	-	(5,000)
Net income	\$ 146,766	\$ (2,500)	\$ 144,266

(A) IFRS 15 revenue from contracts with customers

Under ASPE, Paragon previously recognised revenue from services when the services are completed, and fees are earned. Under IFRS, revenue from a contract with customer would be recognised as the performance obligations are being satisfied over time or at the point in time of service delivery. As such, a decrease in revenue was adjusted to reflect the differences in recognition basis between ASPE and IFRS. Moreover, amounts recognised in revenue before bills can be issued are recorded as "contract assets". Costs Paragon incurred in relation to the fulfilment of a contract but prior to reaching a performance milestone are recorded as "contract asset" on the Balance Sheet. Once the milestone is achieved, these costs are recorded in the Statement of Income.

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
Three Month Period Ended June 30, 2020
(Unaudited – See Notice to Reader)

(B) IFRS 16 Leases

Under ASPE, Paragon previously recognised operating lease expenses as incurred. Under IFRS, Paragon would recognise right-of-use assets and the corresponding lease liabilities in accordance with IFRS 16. As such, an increase in the depreciation expense for right-of-use assets and corresponding interest expense for lease liabilities were adjusted to reflect the differences in recognition basis between ASPE and IFRS. In addition, the corresponding occupancy costs were reduced.

SCHEDULE 'C'

Audited Combined Financial Statements of Paragon
as at March 31, 2020

PARAGON INC. AND 2408761 ONTARIO INC.
Combined Financial Statements
Year Ended March 31, 2020

PARAGON INC. AND 2408761 ONTARIO INC.
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Year Ended March 31, 2020

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Raskin &
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Paragon Inc. and 2408761 Ontario Inc.

Opinion

We have audited the combined financial statements of Paragon Inc. and 2408761 Ontario Inc. (the Companies), which comprise the combined balance sheets as at March 31, 2020 and 2019, and the combined statements of deficit, income and cash flow for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Companies as at March 31, 2020 and 2019, and its results of operations and its cash flow for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Companies in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Companies's financial reporting process.

(continues)

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 Canadian generally accepted auditing standards 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 combined financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined 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 Companies'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 Companies'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 combined 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 Companies to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario
October 6, 2020

Raskin and Associates

Chartered Professional Accountants
Licensed Public Accountants

PARAGON INC. AND 2408761 ONTARIO INC.

Combined Balance Sheet

March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalent	\$ 989,544	\$ 2,680,714
Accounts receivable	480,388	349,398
Prepaid expenses	123,606	109,894
Future income taxes	-	16,000
Due from related parties (Note 4)	21,175	-
	<u>1,614,713</u>	3,156,006
CAPITAL ASSETS (Note 3)	<u>20,671</u>	5,932
	<u>\$ 1,635,384</u>	<u>\$ 3,161,938</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Accounts payable	\$ 1,766,643	\$ 2,772,383
Income taxes payable	226	226
Goods and services tax payable	55,868	21,334
Due to related parties (Note 4)	-	637,136
	<u>1,822,737</u>	3,431,079
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	2	2
Deficit	<u>(187,355)</u>	(269,143)
	<u>(187,353)</u>	(269,141)
	<u>\$ 1,635,384</u>	<u>\$ 3,161,938</u>

APPROVED BY SOLE DIRECTOR

_____ Director

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.
Combined Statement of Deficit
Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
DEFICIT - BEGINNING OF YEAR	\$ (269,143)	\$ (258,834)
NET INCOME (LOSS) FOR THE YEAR	<u>81,788</u>	<u>(10,309)</u>
DEFICIT - END OF YEAR	<u>\$ (187,355)</u>	<u>\$ (269,143)</u>

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.

Combined Statement of Income

Year Ended March 31, 2020

	2020	2019
<i>Total value of amounts recovered</i>	\$ 141,624,577	\$ 121,809,853
REVENUES		
Recovery services	12,319,376	10,517,848
Commission	589,483	417,578
	<u>12,908,859</u>	<u>10,935,426</u>
DIRECT COSTS		
Administration operating fee	7,655,000	6,560,000
Direct wages	2,331,834	2,140,131
Other direct cost	1,491,422	1,559,281
	<u>11,478,256</u>	<u>10,259,412</u>
GROSS PROFIT	<u>1,430,603</u>	<u>676,014</u>
EXPENSES		
Rent	481,585	517,018
Office	248,748	198,951
Salaries and wages	240,000	207,017
Repairs and maintenance	136,121	145,845
Insurance	104,936	85,343
Professional fees	72,709	69,102
Utilities	37,186	30,487
Telephone	23,306	21,331
Advertising and promotion	11,739	17,675
Sub-contracts	4,794	5,363
Amortization	3,300	3,000
Interest and bank charges	849	6,185
Travel	280	8,656
Bad debts	62	24
Vehicle	-	326
	<u>1,365,615</u>	<u>1,316,323</u>
INCOME (LOSS) FROM OPERATIONS	64,988	(640,309)
OTHER INCOME	<u>32,800</u>	<u>635,000</u>
INCOME (LOSS) BEFORE INCOME TAXES	97,788	(5,309)
INCOME TAXES	<u>16,000</u>	<u>5,000</u>
NET INCOME (LOSS)	<u>\$ 81,788</u>	<u>\$ (10,309)</u>

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.
Combined Statement of Cash Flow
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Net income (loss)	\$ 81,788	\$ (10,309)
Items not affecting cash:		
Amortization of property, plant and equipment	3,300	3,000
Future income taxes	16,000	5,000
	<u>101,088</u>	<u>(2,309)</u>
Changes in non-cash working capital:		
Accounts receivable	(130,990)	(203,309)
Accounts payable	(1,005,739)	1,195,014
Prepaid expenses	(13,712)	(73,309)
Government remittances payable	34,534	(44,717)
	<u>(1,115,907)</u>	<u>873,679</u>
Cash flow from (used by) operating activities	<u>(1,014,819)</u>	<u>871,370</u>
INVESTING ACTIVITY		
Purchase of short term investments	-	155,678
FINANCING ACTIVITY		
Advances to related parties	(676,351)	(1,597,176)
DECREASE IN CASH FLOW	(1,691,170)	(570,128)
Cash - beginning of year	2,680,714	3,200,695
CASH - END OF YEAR	\$ 989,544	\$ 2,630,567
CASH CONSISTS OF:		
Cash	<u>\$ 989,544</u>	<u>\$ 2,680,714</u>

The accompanying notes form an integral part of these financial statements.

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
Year Ended March 31, 2020

1. DESCRIPTION OF OPERATIONS

Paragon Inc. and 2408761 Ontario Inc. (the "Company") are a companies domiciled in Canada and incorporated provincially under the Business Corporations Act of Ontario. Paragon Inc's principal business activity is the recovery and related services for secured loan products. 2408761 Ontario Inc's principal business is the sale vehicles on behalf of a 3rd party.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The combined financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

(b) Revenue recognition

The Companies recognizes revenues from services when the services are completed and the fees are earned.

Recovery services are transaction based fees that are recognized upon performance.

Commission revenue is recognized when the vehicle has been sold, ownership has been transferred and funds were collected from the customer.

Other amounts received from customers in advance of services being provided are recorded as deferred revenue when received and reflected in income when the service has been completed.

(c) Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Motor vehicles	30%	declining balance method
Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method

The Companies regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Future income taxes

Income taxes are reported using the future income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income taxes assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

(f) Leases

Leases are classified as either capital or operating leases. At the time the Companies enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

(g) Financial instruments policy

The Companies initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Companies subsequently measures all its financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity instruments that are quoted in an active market and derivatives, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalent, prepaid expenses and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and government remittances payable.

Transaction costs are recognized in net earnings in the period incurred. However, financing and transaction costs associated with debt are netted against the carrying value and amortized over the term of the related debt.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
Year Ended March 31, 2020

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Motor vehicles	\$ 18,039	\$ -	\$ 18,039	\$ -
Computer equipment	43,979	41,347	2,632	5,932
	\$ 62,018	\$ 41,347	\$ 20,671	\$ 5,932

4. DUE TO RELATED PARTIES

	2020	2019
Current portion due from related party Due from Colmvest Holdings Corporation	\$ 21,175	\$ -
Current portion due to related party Due to Colmvest Holdings Corporation	\$ -	\$ 637,136

Advances to related companies are non-interest bearing and have no set repayment terms. The companies are related by common control. The amount has been classified as current because the Company is expected to collect the funds next fiscal year.

5. RELATED PARTY TRANSACTIONS

The following is a summary of the Companies's related party transactions:

	2020	2019
2323296 Ontario Inc <i>Company under common control</i> Occupancy cost paid during the year	\$ 60,000	\$ 150,000
Colmvest Holdings Corporation <i>Parent company</i> Administration operating fee paid during the year	\$ 7,655,000	\$ 6,590,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

PARAGON INC. AND 2408761 ONTARIO INC.
Notes to Combined Financial Statements
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6. SHARE CAPITAL

Authorized:

Unlimited Common voting shares

	2020	2019
Issued:		
Common shares Class #1	\$ 2	\$ 2

7. FINANCIAL INSTRUMENTS

The Companies is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Companies's risk exposure and concentration as of March 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Companies is exposed to credit risk from customers. In order to reduce its credit risk, the Companies reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Companies has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Companies is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities and government remittances payable.

Unless otherwise noted, it is management's opinion that the company is not exposed to market risk, currency risk, interest rate risk or significant other price risks arising from these financial instruments.

8. ECONOMIC DEPENDENCE

The Companies generates 90% of its revenue from four major financial institutions. Management is of the opinion that the Company will be able to continue it's operations as a going concern with only one major financial intuition.

9. SUBSEQUENT EVENTS

Subsequent to the fiscal year end, the Company's shareholder agreed to sell all of the assets of the business which is considered to be the core business. The Company's business activities are anticipated to cease on July 31, 2020

PARAGON INC. AND 2408761 ONTARIO INC.
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10. ASPE TO IFRS RECONCILIATION

Substantially all of the assets used in the business of Paragon were acquired by ISC, through its wholly owned subsidiary ESC, on July 31st, 2020. As a requirement of the acquisition and applicable securities laws, Paragon's financial statements must be included in a Business Acquisition Report ("BAR"). Paragon's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to private enterprises, which are Canadian accounting standards for private enterprises ("ASPE") in Part II of the Chartered Professional Accountants Handbook. The recognition, measurement and disclosure requirements of ASPE differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards ("IFRS") incorporated into the Handbook. The pro forma financial statements included in the document include adjustments related to the acquired business and present pro forma information prepared using principles that are consistent with the accounting principles by ISC. The BAR requires an ASPE to IFRS reconciliation for the combined statements of profit and loss for each period presented. The historical financial statements of Paragon have been adjusted to reclassify line items to conform to ISC's expected presentation. Additional reclassifications may be necessary once the financial statement presentation for ISC is finalised. The period presented in this reconciliation are the year ended March 31, 2020 and 2019.

Combined statements of Profit and Loss
For the year ended March 31, 2020

(CAD dollars)	2020 ASPE (audited)	Reconciliation to IFRS (unaudited)	2020 IFRS (unaudited)
Revenue	\$ 12,908,859	\$ 185,417	\$ 13,094,276
Expenses			
Wages and salaries	2,571,834	-	2,571,834
Cost of goods sold	9,146,422	272,176	9,418,598
Depreciation and amortization	3,300	412,252	415,552
Information technology services	-	-	-
Occupancy costs	481,585	(423,268)	58,317
Professional and consulting services	72,709	-	72,709
Financial services	-	-	-
Other	567,172	-	567,172
Total expenses	12,843,022	261,160	13,104,182
Net Income before items noted below	65,837	(75,743)	(9,906)
Other income	32,800	-	32,800
Finance (expense) income			
Interest income	-	-	-
Interest expense	(849)	(10,448)	(11,297)
Net finance expense	(849)	(10,448)	(11,297)
Income before tax	97,788	(86,191)	11,597
Income tax expense	(16,000)	-	(16,000)
Net income	\$ 81,788	\$ (86,191)	\$ (4,403)

PARAGON INC. AND 2408761 ONTARIO INC.
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Combined statements of Profit and Loss
For the year ended March 31, 2019

(CAD dollars)	2019 ASPE <i>(audited)</i>	Reconciliation to IFRS <i>(unaudited)</i>	2019 IFRS <i>(unaudited)</i>
Revenue	\$ 10,935,426	\$ 239,223	\$ 11,174,649
Expenses			
Wages and salaries	2,347,148	-	2,347,148
Cost of goods sold	8,119,281	247,316	8,366,597
Depreciation and amortization	3,300	103,063	106,363
Information technology services	-	-	-
Occupancy costs	517,018	(105,817)	411,201
Professional and consulting services	69,102	-	69,102
Financial services	-	-	-
Other	513,701	-	513,701
Total expenses	11,569,550	244,562	11,814,112
Net Income before items noted below	(634,124)	(5,339)	(639,463)
Other income	635,000	-	635,000
Finance (expense) income			
Interest income	-	-	-
Interest expense	(6,185)	(5,414)	(11,599)
Net finance expense	(6,185)	(5,414)	(11,599)
Income before tax	(5,309)	(10,753)	(16,062)
Income tax expense	(5,000)	-	(5,000)
Net income	\$ (10,309)	\$ (10,753)	\$ (21,062)

(A) IFRS 15 revenue from contracts with customers

Under ASPE, Paragon previously recognised revenue from services when the services are completed, and fees are earned. Under IFRS, revenue from a contract with customer would be recognised as the performance obligations are being satisfied over time or at the point in time of service delivery. As such, a decrease in revenue was adjusted to reflect the differences in recognition basis between ASPE and IFRS. Moreover, amounts recognised in revenue before bills can be issued are recorded as "contract assets". Costs Paragon incurred in relation to the fulfilment of a contract but prior to reaching a performance milestone are recorded as "contract asset" on the Balance Sheet. Once the milestone is achieved, these costs are recorded in the Statement of Income.

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(B) IFRS 16 Leases

Under ASPE, Paragon previously recognised operating lease expenses as incurred. Under IFRS, Paragon would recognise right-of-use assets and the corresponding lease liabilities in accordance with IFRS 16. As such, an increase in the depreciation expense for right-of-use assets and corresponding interest expense for lease liabilities were adjusted to reflect the differences in recognition basis between ASPE and IFRS. In addition, the corresponding occupancy costs were reduced.