



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

4th QUARTER ENDED DECEMBER 31, 2016



**DIRECTORS REPORT TO STOCKHOLDERS
THREE MONTHS ENDED DECEMBER 31, 2016**

The Board of Directors of ISP Finance Services Limited is pleased to present the Company's unaudited financial results for the 4th Quarter Ended December 31, 2016.

The 4th quarter ended December 31, 2016 recorded Revenues of J\$ 67,307,334 representing an increase of 17.6% over the J\$ 57,239,993 recorded in the 4th Quarter of 2015. The Company made a Gross Profit of J\$ 60,657,340 in the Quarter compared with J\$53,727,691 in the comparative period of 2015 representing an increase of 12.9%.

Operating Expenses for the Quarter recorded J\$ 43,956,546 compared with J\$ 34,617,375 in 2015. The Company made a Net Profit of J\$ 16,700,794 in the quarter compared with J\$ 15,184,672 in the 4th Quarter of 2015.

Revenues for the year ended December 31, 2016 were J\$ 238,092,502 representing a 13.8% increase compared with J\$209,275,483 recorded in 2015. Gross profit recorded J\$ 221,383,859 for the year compared with J\$ 187,914,798 in 2015 representing an increase of 17.8%.

The company made a Net Profit of J\$ 39,160,330 for the year ended December 2016 compared with J\$ 27,320,450 in 2015 representing an increase of 43.3%.

The Company wishes to thank the investing public for its support of the Company's IPO and Bond Issue in 2016 and its customers and staff for their loyal support throughout the past year.

A handwritten signature in blue ink, appearing to be 'C. Cameron', written over a horizontal line.

CLIFTON CAMERON
CHAIRMAN

A handwritten signature in blue ink, appearing to be 'D. Smith', written over a horizontal line.

DENNIS SMITH
CHIEF EXECUTIVE OFFICER / DIRECTOR



**UNAUDITED FINANCIAL STATEMENT
YEAR ENDED DECEMBER 31, 2016**

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FINANCE SERVICES LTD.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2016

	<u>Unaudited</u> 3 Months Ended December 31, 2016	<u>Unaudited</u> 3 Months Ended December 31, 2015	<u>Unaudited</u> Year Ended December 31, 2016	<u>Audited</u> Year Ended December 31, 2015
	\$	\$	\$	\$
REVENUES	67,307,334	57,239,993	238,092,502	209,275,483
INTEREST & COMMISSION EXPENSE	<u>6,649,994</u>	<u>3,512,302</u>	<u>16,708,643</u>	<u>21,326,889</u>
GROSS PROFIT	60,657,340	53,727,691	221,383,859	187,948,594
<u>LESS: OPERATING EXPENSES</u>				
OPERATING COSTS	42,811,116	23,816,248	158,249,649	120,249,150
ALLOWANCE FOR CREDIT LOSSES	(1,068,161)	6,258,958	10,346,932	18,654,658
DEPRECIATION	895,916	749,780	3,421,841	2,879,120
BANK CHARGES & INTEREST	<u>1,317,675</u>	<u>3,792,389</u>	<u>10,145,106</u>	<u>15,421,082</u>
TOTAL OPERATING EXPENSES	43,956,546	34,617,375	182,163,528	157,204,010
PROFIT / (LOSS) BEFORE TAX	16,700,794	19,110,316	39,220,330	30,744,584
TAXATION (CREDIT) / CHARGE	<u>-</u>	<u>3,925,644</u>	<u>60,000</u>	<u>3,424,135</u>
NET (LOSS) / PROFIT being				
COMPREHENSIVE (EXPENSE)				
/ INCOME FOR THE YEAR	16,700,794	15,184,672	39,160,330	27,320,450
Earnings per Share (Note 8)	\$ 0.1591c	\$ 0.1446c	\$ 0.4428c	\$ 0.3089c



FINANCE SERVICES LTD.

**UNAUDITED STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2016**

	<u>Unaudited</u> Year Ended December 31, 2016 \$	<u>Audited</u> 12 Months Ended December 31, 2015 \$
ASSETS		
Non-Current Assets		
Property Plant & Equipment	20,808,297	11,480,580
Deferred Tax Assets	<u>3,429,949</u>	<u>3,429,949</u>
	<u>24,238,246</u>	<u>14,910,529</u>
Current Assets		
Loans, net of provisions for credit losses	316,853,588	240,984,716
Other Receivables	11,390,985	9,778,969
Deposits & Prepaid Expenses	1,526,741	2,244,282
Due from Directors	-	5,000,000
Cash & Cash Equivalents	<u>105,725,278</u>	<u>66,973,001</u>
	<u>435,496,592</u>	<u>324,980,968</u>
TOTAL ASSETS	<u>459,734,838</u>	<u>339,891,497</u>
EQUITY AND LIABILITIES		
Issued Share Capital	195,903,128	5,000,000
Capital Reserves	9,207,000	-
Accumulated Surplus / (Deficit)	<u>27,227,731</u>	<u>(11,932,599)</u>
SHAREHOLDERS EQUITY	<u>232,337,859</u>	<u>(6,932,599)</u>
Non-Current Liabilities		
Notes Payable to Related Company	-	194,045,491
10% Secured Corporate Bond	139,753,814	-
Notes Payable	71,192,331	93,192,331
Bank Loans	<u>-</u>	<u>-</u>
	<u>210,946,145</u>	<u>287,237,822</u>
Current Liabilities		
Accrued Liabilities	14,877,778	16,066,842
Current Portion of Bank Loan	1,573,056	11,011,392
Bank Overdraft	-	30,103,806
Taxation Payable	<u>-</u>	<u>2,404,234</u>
	<u>16,450,834</u>	<u>59,586,274</u>
TOTAL EQUITY AND LIABILITIES	<u>459,734,838</u>	<u>339,891,497</u>



**UNAUDITED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2016**

	<u>Share Capital</u>	<u>Capital Reserves</u>	<u>Accumulated Deficit</u>	<u>TOTAL</u>
	\$	\$	\$	\$
Balance at December 31, 2015	5,000,000	-	(11,932,599)	(6,932,599)
Issue of Shares	190,903,128	-	-	190,903,128
Capitalization of Leasehold Motor Vehicles	-	9,207,000	-	9,207,000
Net Profit, being Comprehensive Income for the Period	-	-	39,160,330	39,160,330
Balance as at December 31, 2016	195,903,128	9,207,000	27,227,731	232,337,859
Balance as at December 31, 2014	5,000,000	-	(39,253,049)	(34,253,049)
Net Profit, being Comprehensive Income for the Period	-	-	27,320,450	27,320,450
Balance as at December 31, 2015	5,000,000	-	(11,932,599)	(6,932,599)



FINANCE SERVICES LTD.

UNAUDITED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>Unaudited</u> Year Ended December 31, 2016 \$	<u>Audited</u> 12 Months Ended December 31, 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Interest & Taxation	53,281,811	48,652,495
Adjustments for items not affecting cash resources		
Depreciation	3,421,841	2,879,120
Unrealized foreign exchange losses	(435,268)	(474,955)
Deferred Taxation	-	959,902
	56,268,384	52,016,562
Increase / (Decrease) in Operating Liabilities		
Loans and Other Receivables	(77,480,888)	9,137,507
Deposit	717,541	(70,000)
Due from Directors	5,000,000	4,046,957
(Decrease) / Increase in Operating Liabilities		
Accrued Liabilities	(1,189,064)	(52,693,183)
Cash provided by Operating activities	(16,684,027)	12,437,843
Interest Paid	(12,806,991)	(15,169,967)
Taxation Paid	<u>(3,484,135)</u>	<u>(750,000)</u>
Net Cash (used in) provided By Operating Activities	(32,975,153)	(3,482,124)



FINANCE SERVICES LTD.

STATEMENT OF CASH FLOWS (CONT'D)
YEAR ENDED DECEMBER 31, 2016

	<u>Unaudited</u> Year Ended December 31, 2016 \$	<u>Audited</u> Year Ended December 31, 2015 \$
CASH FLOWS FROM		
 INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	(1,642,560)	(2,023,929)
Net Cash used in Investing activities	<u>(1,642,560)</u>	<u>(2,023,929)</u>
CASH FLOWS FROM		
 FINANCING ACTIVITIES		
Proceeds of Share Issue	190,903,128	-
Bond Issue	140,458,729	-
Loans received from related company	-	10,000,000
Repayment of Bank loans	(11,842,570)	(55,421,196)
Proceeds from Bank Loans	-	33,157,500
Repayment of Related Company	(194,045,491)	-
Repayment of Notes Payable	<u>(22,000,000)</u>	<u>(24,000,000)</u>
Net Cash Generated / (Used) in Financing Activities	<u>103,473,796</u>	<u>(36,263,696)</u>
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS	68,856,083	(41,769,749)
CASH & CASH EQUIVALENTS – Beginning of the Quarter / Year	<u>36,869,195</u>	<u>78,638,944</u>
CASH & CASH EQUIVALENTS – End of the Quarter / Year	<u>105,725,278</u>	<u>36,869,195</u>
REPRESENTED BY:		
Cash and Cash Equivalents	105,725,278	66,973,001
Bank Overdraft	<u>-</u>	<u>(30,103,806)</u>
	<u>105,725,278</u>	<u>36,869,195</u>



NOTES TO THE UNAUDITED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016

1. IDENTIFICATION

ISP Finance Services Limited (the “Company”) is incorporated in Jamaica under the Jamaican Companies Act. The Company is domiciled in Jamaica with its registered office at 17 Phoenix Avenue, Kingston 10. The principal activity of the Company is granting of commercial loans and personal short term loans.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 and should be read in conjunction with the Company’s financial statements for the Year Ended December 31, 2015 that have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Depreciation

Property, plant and Equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these items. Depreciation is calculated on a straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated lives

The rates of depreciation in use are:

Leasehold Improvements	-	20%
Furniture and Equipment	-	10%
Computers	-	20%
Motor Vehicles	-	20%



(b) Loans

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

(c) Revenue

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

4. LOANS, NET OF PROVISION FOR CREDIT LOSSES

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

	<u>Unaudited</u> December 31, 2016	<u>Audited</u> December 31, 2015
	\$	\$
Loans	370,581,368	303,943,355
Less: Provision for Credit Losses	<u>(53,727,780)</u>	<u>(62,958,639)</u>
Loans, net of provision for Credit Losses	<u>316,853,588</u>	<u>240,984,716</u>

5. ISSUED SHARE CAPITAL

The Company successfully issued 97,982,500 shares by an Initial Public Offering through the Junior Stock Exchange in March 2016 increasing its issued share capital to J\$195,903,128.



FINANCE SERVICES LTD.

6. 10% SECURED CORPORATE BOND

The Bond was issued at 100% of principal face value and is listed on the Junior Exchange. The Bond is due for redemption on September 20, 2019 and is secured on a fixed and floating charge over all the assets of the Company. In accordance with IFRS 9, the debt is carried at fair value as at the date of issue less transaction costs directly attributable to the issue of the debt. The debt issuance costs are amortized over the life of the debt instrument.

7. TAXATION

The successful listing of the Company on the Junior Stock Exchange on March 30, 2016 qualifies it for exemption from Income Tax for a period of five years provided the shares remain listed on the Exchange for at least 15 years.

8. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the period by the weighted average number of shares in issue for the period and highlighted below as follows:

	<u>Unaudited</u> 3 Months Ended December 31, 2016	<u>Unaudited</u> 3 Months Ended December 31, 2015	<u>Unaudited</u> 12 Months Ended December 31, 2016	<u>Audited</u> 12 Months Ended December 31, 2015
NET (LOSS) / PROFIT being				
COMPREHENSIVE (EXPENSE)				
/ INCOME FOR THE YEAR	16,700,784	15,184,672	39,160,330	27,320,450
Weighted Average		**		**
No. of Shares	105,000,000	105,000,000	88,444,536	88,444,536
Earnings per Share (Note 8)	\$ 0.1591c	\$ 0.1446c	\$ 0.4428	\$ 0.3089c

**

Note: Earnings per Share computation for 2015 reporting periods are based on the weighted average number of shares in issue during the comparative period in 2016.



9. RECONCILIATION OF INCOME STATEMENT TO CASH FLOW

	<u>Unaudited</u> December 31, 2016	<u>Audited</u> December 31, 2015
	\$	\$
Net Profit / (Loss) for the period	39,160,330	27,320,450
Minimum Business Tax	-	-
Current Year tax charge	<u>-</u>	<u>2,464,234</u>
Profit / (Loss) before Interest	39,160,330	29,784,684
Interest Expense	<u>14,121,481</u>	<u>18,867,811</u>
Profit before Interest & Tax	<u>53,281,811</u>	<u>48,652,495</u>



ISP FINANCE SERVICES LIMITED

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT DECEMBER 31, 2016

	<u>SHAREHOLDER</u>	<u>UNITS</u>
1.	Gencorp Limited	51,017,500
2.	Sunfisher Corporation	45,832,500
3.	Dennis Smith	3,500,000
4.	Primrose Smith	1,500,000
5.	Valerie Burchenson	321,724
6.	Rezworth Burchenson	290,805
7.	Virgen Advertising Limited	234,494
8.	Mary Angela Robertson	211,689
9.	Ryan Chung	160,862
10.	Lindoll Limited	160,862

SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES AS AT DECEMBER 31, 2016

<u>Directors</u>	<u>Shareholding</u>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	75,000
 <u>Senior Managers</u>	
Seymour Smith	75,000
 <u>Connected Parties</u>	
Gencorp	51,017,500
Sunfisher Corporation	45,832,500