

**ISP FINANCE SERVICES LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**ISP FINANCE SERVICES LIMITED  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

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**CONTENTS**

	<b>Page (s)</b>
Independent Auditor's Report	1 - 6
Statement of Financial Position	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-34
List of Top Ten Shareholders	



## INDEPENDENT AUDITOR'S REPORT

### To the members of ISP FINANCE SERVICES LIMITED

#### Report on the Audit of Financial Statements

#### Opinion

We have audited the accompanying financial statements of ISP Finance Services Limited (the "Company"), which comprises the statement of financial position as at December 31, 2016, 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 ISP Finance Services Limited (the "Company") as at December 31, 2016, 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.

#### 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 (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Cont. /2

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

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**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*****Provisions 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.

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

- Examining a sample of loans that had been identified by management as doubtful accounts by checking their payment history in order to form our own judgement as to whether it was appropriate.
- Testing the completeness of management's listing of doubtful accounts by reperforming the process using management's credit and collection policy.
- Evaluating the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events such non-payments and any other adverse events which may have occurred subsequent to the year end.

***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(s) 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.
- Developing 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 reperforming calculations of interest income. This included loans which have been settled early during the year.

Cont. /3

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

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**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 to the Board of Directors.

**Responsibilities of management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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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 Jamaican Companies Act**

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

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

*Crichton Mullings & Assoc.*  
Crichton Mullings & Associates  
Chartered Accountants

Kingston, Jamaica  
March 31, 2017

Cont. /5

**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.

**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, 2016**

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	4	20,808,297	11,480,580
Deferred tax assets	5	1,499,351	3,429,949
		<u>22,307,648</u>	<u>14,910,529</u>
<b>Current Assets</b>			
Loans, net of provisions for credit losses	6	313,270,283	240,984,716
Securities purchased under agreement to resell	7	30,413,630	-
Other receivables	8	7,908,710	9,778,969
Deposit		350,000	2,244,282
Due from related party	9	5,000,000	-
Due from director	10	-	5,000,000
Cash and cash equivalents	11	81,855,463	66,973,001
		<u>438,798,086</u>	<u>324,980,968</u>
<b>TOTAL ASSETS</b>		<u><u>461,105,734</u></u>	<u><u>339,891,497</u></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	12	195,903,128	5,000,000
Revaluation surplus	13	9,806,243	-
Accumulated surplus / (deficit)		28,309,622	(11,932,599)
		<u>234,018,993</u>	<u>(6,932,599)</u>
<b>Non-current Liabilities</b>			
Secured corporate bond	14	139,753,814	-
Notes payable to related company	15	-	194,045,491
Notes payable	19	71,192,331	93,192,331 *
Bank loans	17	-	1,573,056
		<u>210,946,145</u>	<u>288,810,878</u>
<b>Current Liabilities</b>			
Accounts payables and other payables	16	13,411,691	16,066,842
Current portion of bank loan	17	1,573,056	9,438,336
Bank overdraft	18	-	30,103,806
Taxation payable	20	1,155,849	2,404,234
		<u>16,140,596</u>	<u>58,013,218</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>461,105,734</u></u>	<u><u>339,891,497</u></u>

APPROVED, on behalf of the Board on March 31, 2017

Clifton Cameron  
Chairman

Dennis Smith  
Chief Executive Officer

\*- Reclassified to conform to 2016 presentation

The accompanying notes form an integral part of the financial statements

**ISP FINANCE SERVICES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2016**

	Note	2016 ₹	2015 ₹
<b>OPERATING INCOME:</b>			
Interest income from loans	3(c)	230,590,777	206,179,938 *
Interest income from other receivables		<u>1,213,316</u>	<u>-</u>
Total interest income		231,804,093	206,179,938
Interest expense		<u>24,266,587</u>	<u>34,033,865 *</u>
Net interest income		207,537,506	172,146,073
Commission expenses on loans		<u>(2,587,162)</u>	<u>(2,459,008) *</u>
		204,950,344	169,687,065
Other operating income:			
Foreign exchange gain		6,765,741	474,955 *
Other income		<u>2,554,203</u>	<u>3,095,545 *</u>
		9,319,944	3,570,500
		<u>214,270,288</u>	<u>173,257,565</u>
<b>OPERATING EXPENSES:</b>			
Staff costs	23	91,278,914	84,422,760 *
Allowance for credit losses		10,346,931	18,654,658 *
Depreciation expense		4,444,843	2,879,120 *
Other operating expenses	21	<u>64,810,932</u>	<u>36,556,441 *</u>
		170,881,620	142,512,979
Profit before taxation	22	43,388,668	30,744,586
Taxation charge	24	<u>3,146,447</u>	<u>3,424,136</u>
Net profit, being total comprehensive income for the year		<u>40,242,221</u>	<u>27,320,450</u>
Earnings per share (\$)	12(b)	<u>0.46</u>	<u>5.46</u>

\*- Reclassified to conform to 2016 presentation

The accompanying notes form an integral part of the financial statements

**ISP FINANCE SERVICES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2016**

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus/(Deficit) \$	Total \$
Balance at December 31, 2014	5,000,000	-	(39,253,049)	(34,253,049)
Net profit, being total comprehensive income for the year	-	-	27,320,450	27,320,450
Balance at December 31, 2015	5,000,000	-	(11,932,599)	(6,932,599)
<b>Transactions with owners:</b>				
Issued share capital	200,000,000	-	-	200,000,000
Share issue cost (see note 12)	(9,096,872)	-	-	(9,096,872)
<b>Other comprehensive income:</b>				
Revaluation of property, plant and equipment (see note 13)	-	9,806,243	-	9,806,243
Net profit, being total comprehensive income for the year	-	-	40,242,221	40,242,221
<b>Balance at December 31, 2016</b>	<b><u>195,903,128</u></b>	<b><u>9,806,243</u></b>	<b><u>28,309,622</u></b>	<b><u>234,018,993</u></b>

The accompanying notes form an integral part of the financial statements

**ISP FINANCE SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before interest and taxation (Note 25)	65,724,657	63,818,549
<b>Adjustments for items not affecting cash resources:</b>		
Depreciation on property, plant and equipment	4,444,843	2,879,120
Unrealized foreign exchange gain	(6,527,651)	(474,955)
Deferred taxation	1,930,598	959,902
	<u>65,572,447</u>	<u>67,182,616</u>
<b>(Increase) / decrease in operating assets:</b>		
Loans and other receivables	(63,887,657)	9,137,507
Securities purchased under agreement to resell	(30,413,630)	-
Deposit	1,894,282	(70,000)
Due from related party	(5,000,000)	-
Due from director	5,000,000	4,046,957
<b>Decrease in operating liabilities:</b>		
Accounts payables and other payables	(3,412,655)	(52,693,183)
Cash (used in) / provided by operating activities	(30,247,213)	27,603,897
Interest paid	(23,509,083)	(30,336,021)
Taxation paid	(2,464,234)	(750,000)
Net cash used in operating activities	<u>(56,220,530)</u>	<u>(3,482,124)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(3,966,317)	(2,023,929)
Net cash used in investing activities	<u>(3,966,317)</u>	<u>(2,023,929)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans received from related company	-	10,000,000
Repayment of loan from related company	(92,010,491)	-
Repayment of bank loans	(9,438,336)	(55,421,196)
Proceeds from bank loans	-	33,157,500
Proceeds from issuance of bond	139,753,814	-
Proceeds from issue of shares, net	88,868,128	-
Repayment of notes payable	(22,000,000)	(24,000,000)
Net cash provided by / (used in) financing activities	<u>105,173,115</u>	<u>(36,263,696)</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>44,986,268</b>	<b>(41,769,749)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of the year</b>	<b>36,869,195</b>	<b>78,638,944</b>
<b>CASH AND CASH EQUIVALENTS - End of the year</b>	<b><u>81,855,463</u></b>	<b><u>36,869,195</u></b>
<b>REPRESENTED BY:</b>		
Cash and cash equivalents	81,855,463	66,973,001
Bank overdraft	-	(30,103,806)
	<u>81,855,463</u>	<u>36,869,195</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, 2016**

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**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 ("JSEJM"). 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 JSEJM.

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 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.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(b) Changes in accounting standards and interpretations**

The Company has identified the following revised or new International Financial Reporting Standards or Interpretations which have been issued but are not yet effective, and which have not been adopted early. Those that are not considered relevant to the Company's operations are:

- *IFRS 2 'Share-based Payment - Amendment', issued June 2016*  
Effective for periods commencing on or after 1 January 2018
- *IAS 40 'Investment Property - Amendments', issued December 2016*  
Effective for periods commencing on or after 1 January 2018
- *IAS 28 'Investments in Associates and Joint Ventures - Amendments', issued December 2016*  
Effective for periods commencing on or after 1 January 2018
- *IFRS 12 'Disclosure of Interests in Other Entities - Amendments', issued December 2016*  
Effective for periods commencing on or after 1 January 2017

Those which may be relevant to the Company's operations are as follows:

- *IFRS 9 'Financial Instruments', Amendment', issued September 2016*  
Effective for periods commencing on or after 1 January 2018
- *IFRS 15 'Revenue from Contracts with Customers', issued April 2016*  
Effective for periods commencing on or after 1 January 2018
- *IAS 7 'Statement of Cash Flows - Amendment', issued January 2016*  
Effective for periods commencing on or after 1 January 2017
- *IAS 12 'Income Taxes - Amendment', issued January 2016*  
Effective for periods commencing on or after 1 January 2017
- *IFRIC 22 'Foreign Currency Transactions and Advance Consideration', issued December 2016*  
Effective for periods commencing on or after 1 January 2018
- *IFRS 16 'Leases - Amendment', issued January 2016*  
Effective for periods commencing on or after 1 January 2019

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.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(c) Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that may affect the application of policies and the reported amounts of, and disclosures related to assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period then ended. Actual amounts could differ from these estimates.

**(d) Key sources of estimation uncertainty**

The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**(i) 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) exists 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).  
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).
- Level 3

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.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(d) Key sources of estimation uncertainty (cont'd)**

**(i) Fair value estimation (cont'd)**

Transfer of items between levels are recognized in the period they occur.

The Company measures financial instruments (note 27) at fair value.

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 amortized cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

**(ii) Allowance for impairment losses on loan receivables**

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from loan receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

**(iii) 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 the statement of comprehensive income through impairment or adjusted depreciation provisions.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**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.

With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets.

The rates of depreciation in use are:

Leasehold Improvements	20%
Furniture and Equipment	10%
Computer Software and Equipment	20%
Motor Cars	20%
Motor Bikes	20%

**(b) Loans and other receivables**

**Loans**

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

**Other receivables**

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

A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. In instances where it is determined that there will be significant delays in the settlement of the recoverable amounts and the effect is material, an impairment provision is also made, being the difference between the carrying amount and the recoverable amounts being the present value of expected cash flows discounted at the Company's overdraft interest rate.

Bad debts are written off when identified.

**(c) Revenues**

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.

**(d) Accounts payables and other payables**

Accounts payables and other payables are stated at amortized cost.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(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 re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items and on the retranslation, of monetary items, are included in the statement of comprehensive income 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.

**(h) Leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the terms of the relevant lease.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(i) Impairment**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

**(j) Financial instruments**

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets include cash and cash equivalents, loans receivable, securities purchased under agreement to resell other current assets except any prepayments.

Financial liabilities include notes payable, secured corporate bond, bank loan and current liabilities except accruals and income tax payable. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are discussed in Note 27.

**(k) Comparative information**

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) 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.

**(m) 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.

**(n) Segment reporting**

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

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

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**4. PROPERTY, PLANT AND EQUIPMENT**

	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Motor Bikes</u>	<u>Motor Cars</u>	<u>Computer Software and Equipment</u>	<u>Total</u>
<b>At Cost/Valuation:</b>						
Balance at January 1, 2015	17,910,801	9,558,657	550,000	-	25,651,573	53,671,031
Additions	327,000	442,304	-	-	1,254,625	2,023,929
Balance at December 31, 2015	18,237,801	10,000,961	550,000	-	26,906,198	55,694,960
Balance at January 1, 2016	18,237,801	10,000,961	550,000	-	26,906,198	55,694,960
Additions	-	978,777	-	2,323,757	663,783	3,966,317
Revaluation (i)	-	-	-	9,806,243	-	9,806,243
Balance at December 31, 2016	<b>18,237,801</b>	<b>10,979,738</b>	<b>550,000</b>	<b>12,130,000</b>	<b>27,569,981</b>	<b>69,467,520</b>
<b>Accumulated Depreciation:</b>						
Balance at January 1, 2015	17,570,665	3,005,284	139,791	-	20,619,520	41,335,260
Charge for year	191,635	973,139	110,000	-	1,604,346	2,879,120
Balance at December 31, 2015	17,762,300	3,978,423	249,791	-	22,223,866	44,214,380
Balance at January 1, 2016	17,762,300	3,978,423	249,791	-	22,223,866	44,214,380
Charge for year	191,640	1,080,872	110,004	1,213,002	1,849,325	4,444,843
Balance at December 31, 2016	<b>17,953,940</b>	<b>5,059,295</b>	<b>359,795</b>	<b>1,213,002</b>	<b>24,073,191</b>	<b>48,659,223</b>
<b>Net Book Value</b>						
Balance at December 31, 2014	340,136	6,553,373	410,209	-	5,032,053	12,335,771
Balance at December 31, 2015	475,501	6,022,538	300,209	-	4,682,332	11,480,580
Balance at December 31, 2016	<b>283,861</b>	<b>5,920,443</b>	<b>190,205</b>	<b>10,916,998</b>	<b>3,496,790</b>	<b>20,808,297</b>

(i) The Company's motor cars were revalued on July 1, 2016 by independent appraisers Orion Loss Adjusters Limited. Accordingly, the Company recognized a net increase of \$9,806,243 which was directly credited to the revaluation surplus. Had the assets not been revalued, the carrying amount at the reporting date would be \$2,091,381 for motor cars.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**5. DEFERRED TAX ASSETS**

Certain deferred tax assets and liabilities 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:

	2016	2015
	\$	\$
Deferred tax assets	<u>1,499,351</u>	<u>3,429,949</u>
	<u>1,499,351</u>	<u>3,429,949</u>

Deferred tax assets and liabilities are attributable to the following:

	2016	2015
	\$	\$
Depreciation and capital allowances	2,941,887	2,624,227
Accrued interest	189,377	924,461
Foreign exchange gain	<u>(1,631,913)</u>	<u>(118,739)</u>
	<u>1,499,351</u>	<u>3,429,949</u>

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

	2016	2015
	\$	\$
Balance at the beginning of the year	3,429,949	4,389,851
Movement during the year	<u>(1,930,598)</u>	<u>(959,902)</u>
Balance at the end of the year	<u>1,499,351</u>	<u>3,429,949</u>

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

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

	2016	2015
	\$	\$
Loans	367,005,700	303,943,355
Less: Provision for credit losses	<u>(53,735,417)</u>	<u>(62,958,639)</u>
	<u>313,270,283</u>	<u>240,984,716</u>

**7. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL**

	2016	2015
	\$	\$
Securities purchased under agreement to resell	<u>30,413,630</u>	<u>-</u>

The Company entered into reverse repurchase ("resale") agreement with a major financial institution. These resale agreements are collateralized by Government of Jamaica securities and are liquidated by surrendering the collateral evidencing the claim, on a specified date and at a specified price.

**8. OTHER RECEIVABLES**

	2016	2015
	\$	\$
Other receivables	5,769,727	5,568,439
Deposit on motor vehicle	-	1,900,000
Prepaid expenses	1,176,741	797,083
Staff advances	268,000	716,985
Miscellaneous receivables	694,242	796,462
	<u>7,908,710</u>	<u>9,778,969</u>

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**9. DUE FROM RELATED PARTY**

	2016	2015
	\$	\$
Due from related party	<u>5,000,000</u>	<u>-</u>

This represents amounts advanced by the Company to a related party. These amounts are unsecured and interest free. The amounts are due for repayment by December 31, 2017.

**10. DUE FROM DIRECTOR**

	2016	2015
	\$	\$
Due from director	<u>-</u>	<u>5,000,000</u>

This represents amounts owed by director for advances made by the Company on behalf of the director.

**11. CASH AND CASH EQUIVALENTS**

	2016	2015
	\$	\$
Term deposits - USD (i)	63,644,903	57,101,087
Cash at bank and cash in hand	<u>18,210,560</u>	<u>9,871,914</u>
	<u>81,855,463</u>	<u>66,973,001</u>

(i) These are US dollar term deposits with Bank of Nova Scotia which earn interest of 0.35% - 0.45% (2015: 0.55%) per annum and mature in March 2017 (2015: March 2016).

**12. SHARE CAPITAL**

	2016	2015
	<u>Number</u> <u>('000)</u>	<u>Number</u> <u>('000)</u>
<u>Authorized share capital:</u>		
Ordinary shares [a (i)]	<u>105,000</u>	<u>5,000</u>
	2016	2015
	\$	\$
<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	-
<u>Additional share issue:</u>		
48,982,500 Ordinary shares at \$2 per share [a (ii)]	97,965,000	-
Less: Share issue costs	<u>(9,096,872)</u>	<u>-</u>
	<u>195,903,128</u>	<u>5,000,000</u>



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**12. SHARE CAPITAL (CONT'D)**

- (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 satisfied by offsetting against the \$102,035,000 debt owed to him by the Company, through a related entity.

- (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 JSEJM. Transaction costs of \$9,096,872 were incurred for the initial public offering. All ordinary shares carry the same voting rights.

**(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. The weighted average number of shares in issue for the year was 88,444,536 (2015: 5,000,000). For comparative purposes, the earnings per share for 2015, using the weighted average number of ordinary shares as at the end of the 2016 financial year, would be \$0.31.

**13. REVALUATION SURPLUS**

	2016	2015
	\$	\$
Revaluation surplus on motor cars	<u>9,806,243</u>	<u>-</u>

This represents surplus on motor car acquired and revalued during the year (see note 4).

**14. SECURED CORPORATE BOND**

	2016	2015
	\$	\$
10% Corporate bond at par value	150,000,000	-
Less: Deferred bond issue costs	<u>(10,246,186)</u>	<u>-</u>
	<u>139,753,814</u>	<u>-</u>

During the year ended December 31, 2016, the Company issued a secured bond. The bond attracts an interest rate of 10% per annum. Interest is paid on a quarterly basis. The bond matures on September 20, 2019. The bond is secured by the fixed and floating assets of the Company.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**15. NOTES PAYABLE TO RELATED COMPANY**

This represents long term loans received from the related company. These loans are unsecured, bear no interest. The loans were repaid during the year.

	2016	2015
	\$	\$
Balance at beginning of year	194,045,491	184,045,491
Repayments	<u>(194,045,491)</u>	<u>-</u>
	-	184,045,491
Additional loans received	<u>-</u>	<u>10,000,000</u>
	<u>-</u>	<u>194,045,491</u>

**16. ACCOUNTS PAYABLES AND OTHER PAYABLES**

	2016	2015
	\$	\$
Interest accrued	757,505	3,697,844
Statutory liabilities	2,110,848	2,456,648
Accounts payables	6,859,680	5,130,585 *
Other payables	1,777,323	1,874,847 *
Other accruals	<u>1,906,335</u>	<u>2,906,918 *</u>
	<u>13,411,691</u>	<u>16,066,842</u>

\*-Reclassified to conform to 2016 presentation

**17. BANK LOANS**

	2016	2015
	\$	\$
Loan balance at beginning of year - (i)	-	33,275,088
Loan balance at beginning of year - (ii)	11,011,392	-
Loan received during the year - (ii)	-	33,157,500
Loan repayments during the year	<u>(9,438,336)</u>	<u>(55,421,196)</u>
	1,573,056	11,011,392
Current portion of bank loan	<u>(1,573,056)</u>	<u>(9,438,336)</u>
Non-current portion of bank loan	<u>-</u>	<u>1,573,056</u>

(i) During the year ended December 31, 2013, the Company negotiated a non-revolving loan of \$47 million with Sagikor Bank Jamaica Limited for working capital purposes. The loan attracts an interest rate of base plus 13% per annum. The loan was repaid during the prior year.

(ii) This represents a non-revolving loan from the Bank of Nova Scotia Jamaica Limited with interest rates of 12% per annum. The principal sum is repayable over 18 months ending February 24, 2017.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

<b>18. BANK OVERDRAFT</b>	<b>2016</b>	<b>2015</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
Bank of Nova Scotia Jamaica Limited (i)	<u>-</u>	<u>30,103,806</u>

(i) The Company has an overdraft facility of \$50 million which attracts interest rate of 12.75% per annum and it is secured by a guarantee of USD\$400,000 by the Company's term deposit [see note 11 (i)]. The amount for 2015 represents the portion of the facility which was utilized during the year.

**19. NOTES PAYABLE**

Notes payable consist of unsecured loans payable by the Company.

The notes bear interest ranging from 11% - 13% for the years ended December 31, 2016 and 2015. The notes mature in June 2018 and are renewable.

	<b>2016</b>	<b>2015</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
<b>Balances at the beginning of year</b>	<b>93,192,331</b>	<b>117,192,331</b>
Additional loans received	<u>-</u>	<u>-</u>
	<b>93,192,331</b>	<b>117,192,331</b>
Repayments	<u><b>(22,000,000)</b></u>	<u><b>(24,000,000)</b></u>
<b>Balances at the end</b>	<u><b>71,192,331</b></u>	<u><b>93,192,331</b></u>

Interest expense charged on these loans during the current year totaled \$9,995,363 (2015 - \$12,292,391). At year end, interest expense accrued totaled \$757,505 (2015 - \$3,697,844).

**20. TAXATION PAYABLE**

Taxation payable is based on profits for the year, adjusted for taxation purposes, subject to the agreement of the Tax Administration Jamaica, and is calculated at 25% (2015: 25%).

	<b>2016</b>	<b>2015</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
<b>Balance at beginning of year</b>	<b>2,404,234</b>	<b>690,000</b>
Current year charge [see note 24(a), (b)]	<u><b>1,215,849</b></u>	<u><b>2,464,234</b></u>
	<b>3,620,083</b>	<b>3,154,234</b>
Payments made in the current year	<u><b>(2,464,234)</b></u>	<u><b>(750,000)</b></u>
<b>Balance at end of year</b>	<u><b>1,155,849</b></u>	<u><b>2,404,234</b></u>

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**21. OTHER OPERATING EXPENSES**

	2016	2015
	<u>\$</u>	<u>\$</u>
Directors' fees	480,000	-
Amortization of bond issue costs	795,106	-
Tax interest and penalty	-	306,481
Consultancy fees	6,400,000	600,000
Office rental	8,729,309	4,225,338
Telephone	4,436,977	3,446,652
Electricity	1,847,345	1,846,686
Water	342,576	450,991
Computer expenses	5,146,026	4,930,961
Audit fees	1,077,625	929,670
Printing, stationery and postage	1,041,591	1,100,559
Repairs and maintenance	3,331,179	1,372,225
Professional and legal fees	4,893,733	4,146,805
Travelling and transportation	906,501	158,861
Motor vehicle expenses	6,887,106	9,719,716
Donation	60,500	66,500
Office expenses	1,356,316	3,155,911
Security	217,014	236,139
Cleaning and sanitation	372,400	185,650
Subscriptions and dues	700,304	666,716
Advertising and promotion	9,921,112	5,493,182
Insurance	592,405	883,260
Reversal of accrued insurance (i)	-	(12,308,384)
Entertainment	5,075,807	4,732,522
Assets tax and annual returns	200,000	210,000
	<u>64,810,932</u>	<u>36,556,441</u>

(i) This represents reversal of accrued insurance premium for 2014, as the policy was cancelled.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**22. PROFIT BEFORE TAXATION**

Stated after charging the following:	2016	2015
	\$	\$
	<u>43,388,668</u>	<u>30,744,586</u>
Auditor's remuneration	<u>1,077,625</u>	<u>929,670</u>

**23. STAFF COSTS**

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

	2016	2015
Permanent	<u>50</u>	<u>36</u>

The aggregate payroll costs for these persons were as follows:

	2016	2015
	\$	\$
Salaries and profit related pay	80,555,273	73,420,939 *
Statutory payroll contributions	6,574,604	6,930,060
Other staff benefits	<u>4,149,037</u>	<u>4,071,761</u> *
	<u>91,278,914</u>	<u>84,422,760</u>

\*-Reclassified to conform to 2016 presentation

**24. TAXATION CHARGE**

- (a) Income tax charge is computed based on the three (3) months profits ended March 31, 2016, as a result of the Company's enlistment on the JSEJM effective March 30, 2016, which entitles the Company to full remission from income tax for the first 5 years and fifty percent (50%) remission for the following 5 years, providing that it adheres to the rules and regulations of the JSEJM.

Income tax is computed at 25% (2015: 25%) of the pre-tax profit for the year, as adjusted for taxation purposes. Deferred taxation is computed at 25% for the financial year (2015: 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:

	2016	2015
	\$	\$
Current:		
Provision for charge on current profit [see note 24 (b)]	1,215,849	2,464,234
Deferred:		
Origination and reversal of temporary differences	<u>1,930,598</u>	<u>959,902</u>
	<u>3,146,447</u>	<u>3,424,136</u>

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**24. TAXATION CHARGE (CONT'D)**

(b) Reconciliation of effective tax rate and charge:

	2016		2015	
	\$	%	\$	%
Profit before taxation	<u>43,388,668</u>		<u>30,744,586</u>	
Computed tax charge	10,847,167	25%	7,686,146	25%
Employment tax credit	(2,728,809)	-6%	(2,197,955)	-7%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	2,260,427	5%	800,048	3%
Remission of income taxes	(5,151,373)	-12%	-	0%
Other Adjustments	(2,080,965)	-5%	574,111	2%
Tax losses utilized	-	0%	(3,438,214)	-11%
Actual charge and rate	<u>3,146,447</u>	7%	<u>3,424,136</u>	11%

**Remission of income tax:**

On March 30, 2016, the Company's shares were listed on the JSEJM. 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 JSEJM 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 \$5,151,373.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**25. PROFIT BEFORE INTEREST AND TAXATION**

	2016	2015
	\$	\$
Net profit for the year	40,242,221	27,320,450
Current year taxation charge [see note 24(a)]	<u>1,215,849</u>	<u>2,464,234</u>
Profit before interest	41,458,070	29,784,684
Interest expense	<u>24,266,587</u>	<u>34,033,865</u>
Profit before interest and taxation	<u>65,724,657</u>	<u>63,818,549</u>

**26. RELATED PARTIES**

The following related party balances are shown separately in the Company's statement of financial position:

	2016	2015
	\$	\$
Due from director	<u>-</u>	<u>5,000,000</u>
Due from related party	<u>5,000,000</u>	<u>-</u>
Amounts due to related company	<u>-</u>	<u>194,045,491</u>
Other receivables	<u>2,734,831</u>	<u>5,568,439</u>

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

	2016	2015
	\$	\$
Transactions with key management personnel:		
- Interest income	(1,213,316)	-
- Directors' remuneration	18,622,500	17,877,600
- Directors' fees	<u>480,000</u>	<u>-</u>

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**27. 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.

**(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 and securities purchased under agreement to resell 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.

**Loans receivable that are past due and not impaired**

As at December 31, 2016, loans receivable of \$80,853,893 (2015: \$61,546,746) were past due but not impaired. These related to independent customers for whom there is no recent history of default.

**Loans receivable that are past due and impaired**

As of December 31, 2016, the Company had loans receivable of \$53,735,417 (2015: \$62,958,639) that were impaired. The amount of the provision was \$53,735,417 (2015: \$62,958,639). These loans receivable were aged over 180 days.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

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

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

The maximum exposure to credit risk at the reporting date was:

	2016	2015
	\$	\$
Loans receivable	313,270,283	240,984,716
Securities purchased under agreement to resell	30,413,630	-
Cash and cash equivalents	<u>81,855,463</u>	<u>66,973,001</u>
	<u>425,539,376</u>	<u>307,957,717</u>

Movements on the provision for impairment of loans receivable are as follows:

	2016	2015
	\$	\$
At 1 January	62,958,639	44,535,151
Provision for impairment of loans receivable	10,945,513	18,423,488
Loans receivable written off during the year	<u>(20,168,735)</u>	<u>-</u>
At 31 December	<u>53,735,417</u>	<u>62,958,639</u>

The provision for impairment of loans receivable have been included in expenses in the statement of comprehensive income. Amounts charged to the provision for impairment account are carried out in accordance with the Company's policy. Impairment estimates have been adjusted based on actual collection history and available customer information.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

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

**(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.

The following are the contractual maturities of financial liabilities, including interest payments:

	2016				
	Within 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	Total
	\$	\$	\$	\$	\$
Notes payable	2,229,751	6,689,252	75,651,833	-	84,570,836
Bank loan	2,396,561	-	-	-	2,396,561
Secured corporate bond	3,750,000	11,250,000	15,000,000	160,808,219	190,808,219
	<u>8,376,312</u>	<u>17,939,252</u>	<u>90,651,833</u>	<u>160,808,219</u>	<u>277,775,616</u>
	2015				
	Within 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	Total
	\$	\$	\$	\$	\$
Notes payable	2,229,751	6,689,252	8,919,003	75,651,833	93,489,839
Bank loan	2,684,107	7,631,606	2,396,561	-	12,712,274
	<u>4,913,858</u>	<u>14,320,858</u>	<u>11,315,564</u>	<u>75,651,833</u>	<u>106,202,113</u>

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

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

**(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 arise 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:

	2016	2015
	\$	\$
Fixed rate instruments:		
Financial assets	313,270,283	240,984,716
Financial liabilities	<u>(212,519,201)</u>	<u>(298,249,214) *</u>
	<u>100,751,082</u>	<u>(57,264,498)</u>

\*-Reclassified to conform to 2016 presentation

*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.

**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

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

**(iii) Market risk (cont'd):**

*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 cash and cash equivalents and other receivables that are denominated in a currency other than the Jamaican 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 inflows and outflows of foreign currency assets and 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 a 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.

The Company is required to meet the capital requirement of at least \$50 million for listing on the JSEJM. There were no other externally imposed capital requirements and no change in the Company's capital management process during the year.

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

<b><u>SHAREHOLDER</u></b>	<b><u>UNITS (number)</u></b>
1. GenCorp Limited	51,017,500
2. Sunfisher Corporation	45,832,500
3. Dennis Smith	3,500,000
4. Primrose Smith	1,500,00
5. Valerie Burchenson	321,724
6. Rezworth Burchenson	290.805
7. Virgen Advertising Limited	234,494
8. Mary Angela Robertson	221,689
9. Ryan Chung	160,862
10. Lindoll Limited	160,862

**SHAREHOLDING OF DIRECTORS, SENIOR MANAERS AND  
CONNECTED PARTIES AS AT DECEMBER 31, 2016**

<b><u>Directors</u></b>	<b><u>Shareholding</u></b>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	75,000

<b><u>Senior Managers</u></b>	<b><u>Shareholding</u></b>
Seymour Smith	75,000

<b><u>Connected Parties</u></b>	<b><u>Shareholding</u></b>
Gencorp	51,017,500
Sunfisher Corporation	45,832,500