



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

3rd QUARTER ENDED SEPTEMBER 30, 2017



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017**

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**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017**

DIRECTOR'S REPORT TO STOCKHOLDERS

The Board of Directors of ISP Finance Services Limited (ISP) is pleased to present the Company's unaudited financial results for the 3rd Quarter ended September 30 2017.

The Company recorded net profits of \$12 million in the 3rd Quarter of 2017 compared to \$13.8 million in the 3rd quarter of 2016, a reduction of \$1.8 million or 13%. The Year-to-date profits for the period ended September 30 2017 was \$30.6 million, compared to \$22.5 million, which represents an increase of \$8.1 million or 36% over the same period last year.

Earnings per share stood at \$0.291 at the end of the 3rd Quarter of 2017 compared to \$0.271 at the end of the 3rd Quarter of 2016 an increase of 7.4%.

The net assets of the Company grew by \$39.4 million to \$488.1 million which represents a 8.8% increase over the comparative period with the Company's loan portfolio growing by 52.4% over the review period, moving from \$327.6 million at September 30 2016 to \$499.2 million at the end of September 30 2017. This demonstrates a strong and positive response from both new and existing customers to ISP's loan promotions and product offerings.

Our consistent loan growth and source of funding diversification and stability over the reporting period continues to be fueled by the funding of \$150 million raised in September 2016 through an offering of a corporate bond issue. Net interest income increased by 14.9% moving to \$68.6 million for the quarter compared with \$59.7 million in the comparative period for 2016.

Operating expenses up to September 2017 recorded an increase of \$26.6 million over the same period in 2016, in keeping with the Company's policies we have increased our allowance for credit losses by \$4.2 million. The Company continues to strengthen its organizational and staff resources to satisfy the anticipated customer service demands.

The Company would like to thank all our members of staff for their commitment, our customers for their loyalty and our shareholders for their continued show of confidence.

A handwritten signature in black ink, appearing to read 'Clifton Cameron', written over a horizontal line.

Clifton Cameron
Chairman

A handwritten signature in black ink, appearing to read 'Dennis Smith', written over a horizontal line.

Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2017

	Unaudited Three Months Ended September 30, 2017 \$	Unaudited Three Months Ended September 30, 2016 \$	Unaudited Nine Months Ended September 30, 2017 \$	Unaudited Nine Months Ended September 30, 2016 \$	Audited Year Ended December 31, 2016 \$
OPERATING INCOME					
Interest income from loans	74,590,798	64,291,400	208,783,840	167,399,613	* 230,590,777
Interest income from banks and other receivables	321,109	102,070	1,917,772	1,397,159	* 1,213,316
Total interest income	<u>74,911,907</u>	<u>64,393,470</u>	<u>210,701,612</u>	<u>168,796,772</u>	<u>231,804,093</u>
Interest expenses	6,336,551	4,645,921	18,643,127	13,209,657	* 24,266,587
Net interest income	<u>68,575,356</u>	<u>59,747,549</u>	<u>192,058,485</u>	<u>155,587,115</u>	<u>207,537,506</u>
Commission expenses on loans	(632,206)	(480,978)	(2,367,537)	(1,463,934)	* (2,587,162)
	<u>67,943,150</u>	<u>59,266,571</u>	<u>189,690,948</u>	<u>154,123,181</u>	<u>204,950,344</u>
Other operating income					
Foreign exchange gain	(411,369)	-	1,230,881	-	6,765,741
Gain/(Loss) on sale of fixed assets	53,462	-	(54,871)	-	-
Other income	300	392,190	33,501	1,988,396	* 2,554,203
	<u>(357,607)</u>	<u>392,190</u>	<u>1,209,511</u>	<u>1,988,396</u>	<u>9,319,944</u>
	<u>67,585,543</u>	<u>59,658,761</u>	<u>190,900,459</u>	<u>156,111,577</u>	<u>214,270,288</u>
OPERATING EXPENSES					
Staff costs	27,328,749	23,370,407	81,086,894	70,917,923	* 91,278,914
Allowance for credit losses	8,111,987	3,869,387	15,738,847	11,415,093	* 10,346,931
Depreciation expense	1,222,485	1,086,357	4,034,514	2,525,925	* 4,444,843
Other operating expenses	18,924,704	17,453,647	59,374,731	48,733,100	* 64,810,932
	<u>55,587,925</u>	<u>45,779,798</u>	<u>160,234,986</u>	<u>133,592,041</u>	<u>170,881,620</u>
Profit before taxation	<u>11,997,618</u>	<u>13,878,963</u>	<u>30,665,473</u>	<u>22,519,536</u>	<u>43,388,668</u>
Taxation charge	30,000	30,000	60,000	60,000	3,146,447
Net profit, being total comprehensive income for the year	<u>11,967,618</u>	<u>13,848,963</u>	<u>30,605,473</u>	<u>22,459,536</u>	<u>40,242,221</u>
Earnings per share (\$)	<u>0.113</u>	<u>0.132</u>	<u>0.291</u>	<u>0.271</u>	<u>0.460</u>

*Reclassified to conform to 2017 presentation



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
NINE MONTHS ENDED SEPTEMBER 30, 2017

	Unaudited Nine Months Ended September 30, 2017 \$	Unaudited Nine Months Ended September 30, 2016 \$	Audited Year Ended December 31, 2016 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	16,388,785	22,202,434	20,808,297
Deferred tax assets	1,499,351	3,429,949	1,499,351
	<u>17,888,136</u>	<u>25,632,383</u>	<u>22,307,648</u>
Current Assets			
Loans net of provisions for credit losses	430,193,810	253,340,539	313,270,283
Securities Purchased under agreement to resell	-	-	30,413,630
Other receivables	13,891,376	9,366,458	7,908,710
Deposit	841,275	1,189,395	350,000
Due from related party	6,304,900	5,000,000	5,000,000
Cash and cash equivalents	19,000,656	154,213,672	81,855,463
	<u>470,232,017</u>	<u>423,110,064</u>	<u>438,798,086</u>
TOTAL ASSETS	<u>488,120,153</u>	<u>448,742,447</u>	<u>461,105,734</u>
EQUITY AND LIABILITIES			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	9,806,243	10,230,000	9,806,243
Accumulated surplus	58,915,095	10,526,937	28,309,622
	<u>264,624,466</u>	<u>216,660,065</u>	<u>234,018,993</u>
Non-Current Liabilities			
Secured corporate bond	142,639,138	140,458,729	139,753,814
Notes payable	65,372,081	71,192,331	71,192,331
	<u>208,011,219</u>	<u>211,651,060</u>	<u>210,946,145</u>
Current Liabilities			
Accounts payable and other liabilities	15,484,468	16,498,682	13,411,691
Current portion of bank loans	-	3,932,640	1,573,056
Bank overdraft	-	-	-
Taxation payable	-	-	1,155,849
	<u>15,484,468</u>	<u>20,431,322</u>	<u>16,140,596</u>
TOTAL EQUITY AND LIABILITIES	<u>488,120,153</u>	<u>448,742,447</u>	<u>461,105,734</u>



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2017

	Share Capital	Revaluation Surplus	Accumulated (Deficit)/ Surplus	Total
	\$	\$	\$	\$
Balance as at December 31, 2016	195,903,128	9,806,243	28,309,622	234,018,993
Net profit, being total comprehensive income for the period	-	-	30,605,473	30,605,473
Balance as at September 30, 2017	<u>195,903,128</u>	<u>9,806,243</u>	<u>58,915,095</u>	<u>264,624,466</u>
Balance as at December 31, 2015	5,000,000	-	(11,932,599)	(6,932,599)
Transactions with owners:				
Issued share capital	190,903,128	-	-	190,903,128
Capitalization of leasedhold Motor Vehicles	-	10,230,000	-	10,230,000
Net profit, being total comprehensive income for the period	-	-	22,459,536	22,459,536
Balance as at September 30, 2016	<u>195,903,128</u>	<u>10,230,000</u>	<u>10,526,937</u>	<u>216,660,065</u>



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2017

	Unaudited Nine Months Ended September 30, 2017 \$	Unaudited Nine Months Ended September 30, 2016 \$	Audited Year Ended December 31, 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	49,308,601	35,669,194	* 65,724,657
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	4,034,514	2,525,925	4,444,843
Loss on sale of fixed assets	54,871		
Unrealized foreign exchange gain	(1,230,881)	-	(6,527,651)
Bond amortization	2,885,324	-	-
Deferred taxation	-	-	1,930,598
	<u>55,052,429</u>	<u>38,195,119</u>	<u>65,572,447</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(121,675,311)	(23,678,115)	(63,887,657)
Securities purchased under agreement to resell	30,413,630	-	(30,413,630)
Deposit	(491,275)	(2,201,949)	1,894,282
Due from related party	(1,304,900)	-	(5,000,000)
Due from director	-	5,000,000	5,000,000
Increase/(decrease) in operating liabilities:			
Accounts payables and other payables	760,802	4,899,836	(3,412,655)
Cash (used in)/provided by operating activities	<u>(37,244,625)</u>	<u>22,214,891</u>	<u>(30,247,213)</u>
Interest paid	(17,331,153)	(9,894,904)	* (23,509,083)
Taxation paid	(1,215,849)	(2,404,234)	(2,464,234)
Net cash (used in)/provided by operating activities	<u>(55,791,627)</u>	<u>9,915,753</u>	<u>(56,220,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(2,696,874)	(764,240)	(3,966,317)
Net cash used in investing activities	<u>(2,696,874)</u>	<u>(764,240)</u>	<u>(3,966,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of fixed assets	3,027,000	-	-
Repayment of loan from related company	-	(194,045,491)	(92,010,491)
Repayment of bank loans	(1,573,056)	(7,123,402)	(9,438,336)
Proceeds from issuance of bond	-	140,458,729	139,753,814
Proceeds from issue of shares, net	-	190,903,128	88,868,128
Repayment of notes payable	(5,820,250)	(22,000,000)	(22,000,000)
Net cash (used in)/ provided by financing activities	<u>(4,366,306)</u>	<u>108,192,964</u>	<u>105,173,115</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS -	(62,854,807)	117,344,477	44,986,268
CASH AND CASH EQUIVALENTS -Beginning of the year	81,855,463	36,869,195	36,869,195
CASH AND CASH EQUIVALENTS - End of the quarter	<u>19,000,656</u>	<u>154,213,672</u>	<u>81,855,463</u>
REPRESENTED BY:			
Cash and cash equivalents	19,000,656	154,213,672	81,855,463
Bank overdraft	-	-	-
	<u>19,000,656</u>	<u>154,213,672</u>	<u>81,855,463</u>

*Reclassified to conform to 2017 presentation



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2017

1. IDENTIFICATION

ISP Finance Services Limited (the "Company") is incorporated in Jamaica under the Jamaican Companies Act (the Act).

On March 30, 2016, ISP Finance Services Limited became a public listed entity on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income taxes for the first five (5) years and fifty percent (50%) remission for the following 5 years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

The Company is domiciled in Jamaica, with its registered office at 17 Phoenix Avenue, Kingston 10.

The principal activity of the Company is the granting of commercial loans and personal short term loans.

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act. There have been no changes in accounting policies since the most recent audited accounts as at December 31, 2016.

The financial Statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, un-less otherwise indicated.

3. SUMMARY OF 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 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.



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Property, plant and equipment (Cont'd)

Cost includes expenditure that is 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) Income

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.



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

4. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES

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

	Unaudited Nine Months Ended September 30, 2017	Unaudited Nine Months Ended September 30, 2016	Audited Year Ended December 31, 2016
Loans	\$ 499,239,249	\$ 327,621,470	\$ 367,005,700
Less:			
Provision for credit losses	(69,045,439)	(74,280,931)	(53,735,417)
	<u>430,193,810</u>	<u>253,340,539</u>	<u>313,270,283</u>

5. SHARE CAPITAL

	Unaudited Nine Months Ended September 30, 2017	Unaudited Nine Months Ended June September 30, 2016	Audited Year Ended December 31, 2016
	Number ('000)	Number ('000)	Number ('000)
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
	Unaudited Nine Months Ended September 30, 2017	Unaudited Nine Months Ended September 30, 2016	Audited Year Ended December 31, 2016
	\$	\$	\$
Issued and fully paid:			
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000	5,000,000
51,017,500 Ordinary shares at \$2 per share	102,035,000	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share	97,965,000	97,965,000	97,965,000
Less: Share issue costs	(9,096,872)	(9,096,872)	(9,096,872)
	<u>195,903,128</u>	<u>195,903,128</u>	<u>195,903,128</u>



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

5. SHARE CAPITAL (CONT'D)

- (a) 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.

- (b) On March 22, 2016, the Company raised additional capital of \$97,965,000 from its initial public offering of 48,982,500 shares for its enlistment on the Jamaica Stock Exchange Junior Market. Transaction costs of \$9,096,872 were incurred for the initial public offering. All ordinary shares carry the same voting rights.

6. SECURED CORPORATE BOND

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.

7. TAXATION

On March 30, 2016, the Company's shares were listed on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income tax for the first five (5) years and fifty percent (50%) remission for the following 5 years, providing that the Company adheres to the rules and regulation of the Jamaica Stock Exchange Junior Market.

The interim financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

8. 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 period as at the reporting date.

		Unaudited Nine Months Ended September 30, 2017	Unaudited Nine Months Ended September 30, 2016	Audited Year Ended December 31, 2016
Net profit, being total comprehensive income for period	\$	<u>30,605,473</u>	<u>22,459,537</u>	<u>40,242,221</u>
Weighted average number of shares	No.	<u>105,000,000</u>	<u>82,885,766</u>	<u>88,444,536</u>
Earnings per share	\$	<u>0.291</u>	<u>0.271</u>	<u>0.460</u>

9. PROFIT BEFORE INTEREST AND TAXATION

		Unaudited Nine Months Ended September 30, 2017	Unaudited Nine Months Ended September 30, 2016	Audited Year Ended December 31, 2016
		\$	\$	\$
Net profit for the year		30,605,473	22,459,537	40,242,221
Current year taxation charge		<u>60,000</u>	<u>-</u>	<u>1,215,849</u>
Profit before interest		<u>30,665,473</u>	<u>22,459,537</u>	<u>41,458,070</u>
Interest expense		<u>18,643,128</u>	<u>13,209,657</u>	<u>24,266,587</u>
Profit before interest and taxation		<u>49,308,601</u>	<u>35,669,194</u>	<u>65,724,657</u>

10. RE-STATEMENT OF SHARE CAPITAL

An adjustment was made to the Share Capital figure reported in the 1st Quarter of 2016 in keeping with IFRS requirements, IPO expenses were reversed in the 2nd Quarter of 2016, with corresponding adjustment to Share Capital for that period – refer to Note 5.



ISP FINANCE SERVICES LIMITED
NINE MONTHS ENDED SEPTEMBER 30, 2017

SCHEDULE OF TOP TEN (10) STOCKHOLDERS

<u>SHAREHOLDER</u>	<u>UNITS</u>
1 Gencorp Limited	50,517,500
2 Sunfisher Corporation	45,832,500
3 Dennis Smith	3,500,000
4 Primrose Smith	1,500,000
5 Rezworth Burhenson - Joint holder -Valerie Burchenson	612,529
6 Virgen Advertising Limited	242,821
7 Ryan Chung	160,862
8 Lindoll Limited	160,862
9 Bridgeton Management Services Limited	140,827
10 Jean Allen	120,000

SCHEDULE OF SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES

<u>Directors</u>	<u>Shareholding</u>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	43,770
Rosemary Thwaites	5,000
 <u>Senior Managers</u>	
Seymour Smith	75,000
 <u>Connected Parties</u>	
Gencorp	50,517,500
Sunfisher Corporation	45,832,500