



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

4th QUARTER ENDED DECEMBER 31, 2017



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2017**

TABLE OF CONTENTS

| | PAGE NO. |
|----------------------------------------------------------------------------------|-----------------|
| Director's Report to Stockholders | 3 |
| Unaudited Statement of Comprehensive Income | 4 |
| Unaudited Statement of Financial Position | 5 |
| Unaudited Statement of Changes in Equity | 6 |
| Unaudited Statement of Cash Flows | 7 |
| Notes to the Unaudited Financial Statements | 8 -12 |
| | |
| Schedule of Top Ten (10) Stockholders | 13 |
| Schedule of Shareholdings of Directors, Senior Managers and Connected Parties | 13 |



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 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 4th Quarter ended December 31 2017.

The Company recorded net profits of \$17.9 million in 4th Quarter of 2017 compared to \$17.8 million in the 4th quarter of 2016, an increase of \$0.1 million or 0.6%. The Year-to-date profits for the period ended December 31 2017 was \$48.5 million, compared to \$40.2 million, which represents an increase of \$8.3 million or 20.6% over the same period last year.

Earnings per share stood at \$0.462 at the end of the 4th Quarter of 2017 compared to \$0.46 at the end of the 4th Quarter of 2016 an increase of 0.4%.

The total assets of the Company grew by \$46.2 million to \$507.3 million which represents a 10.0% increase over the comparative period with the Company's loan portfolio growing by 40.4% over the review period, moving from \$367.0 million at December 31 2016 to \$515.2 million at the end of December 31 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 has resulted in Net interest income to increase by 38.3% moving to \$71.8 million for the quarter compared with \$51.9 million in the comparative period for 2016. Year to date net interest income was \$263.9 million as at December 2017 an increase of \$56.3 million or 27.2% over the same period last year.

Operating expenses up to December 2017 recorded an increase of \$42.1 million over the same period in 2016; in keeping with the Company's policies we have increased our allowance for credit losses by \$13 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.



Clifton Cameron
Chairman



Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
TWELVE MONTHS ENDED DECEMBER 31, 2017

| | Unaudited Three Months Ended December 31, 2017 \$ | Audited Three Months Ended December 31, 2016 \$ | Unaudited Twelve Months Ended December 31, 2017 \$ | Audited Twelve Months Ended December 31, 2016 \$ |
|------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|
| OPERATING INCOME | | | | |
| Interest income from loans | 78,489,443 | 63,191,164 | 287,273,283 | 230,590,777 |
| Interest income from banks and other receivables | (851,242) | (183,844) | 1,066,530 | 1,213,316 |
| Total interest income | 77,638,201 | 63,007,320 | 288,339,813 | 231,804,093 |
| Interest expenses | 5,809,463 | 11,056,930 | 24,452,590 | 24,266,587 |
| Net interest income | 71,828,738 | 51,950,390 | 263,887,223 | 207,537,506 |
| Commission expenses on loans | (888,981) | (1,123,228) | (3,256,518) | (2,587,162) |
| | 70,939,757 | 50,827,162 | 260,630,705 | 204,950,344 |
| Other operating income | | | | |
| Foreign exchange gain | (296,338) | 6,765,741 | 934,543 | 6,765,741 |
| Gain/(loss) on sale of fixed assets | 10,000 | - | (44,871) | - |
| Other income | 349 | 565,808 | 33,850 | 2,554,203 |
| | (285,989) | 7,331,549 | 923,522 | 9,319,944 |
| | 70,653,768 | 58,158,711 | 261,554,227 | 214,270,288 |
| OPERATING EXPENSES | | | | |
| Staff costs | 26,844,945 | 20,360,991 | 107,931,839 | 91,278,914 |
| Allowance for credit losses | 7,560,363 | (1,068,161) | 23,299,210 | 10,346,931 |
| Depreciation expense | 1,299,004 | 1,918,918 | 5,333,518 | 4,444,843 |
| Other operating expenses | 17,071,597 | 16,077,834 | 76,446,328 | 64,810,932 |
| | 52,775,909 | 37,289,582 | 213,010,895 | 170,881,620 |
| Profit before taxation | 17,877,859 | 20,869,129 | 48,543,332 | 43,388,668 |
| Taxation charge | - | 3,086,447 | 60,000 | 3,146,447 |
| Net profit | 17,877,859 | 17,782,682 | 48,483,332 | 40,242,221 |
| Other Comprehensive Income Items that may not be recycled to profit and loss | | | | |
| Revaluation surplus on de-recognized property plant and equipment | 1,677,510 | - | 1,677,510 | - |
| Other Comprehensive Income, net of tax | 1,677,510 | - | 1,677,510 | - |
| Total Comprehensive Income for the year | 19,555,369 | 17,782,682 | 50,160,842 | 40,242,221 |
| Earnings per share (\$) | 0.171 | 0.169 | 0.462 | 0.460 |



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
TWELVE MONTHS ENDED DECEMBER 31, 2017

| | Unaudited Twelve Months Ended December 31, 2017 \$ | Audited Twelve Months December 31, 2016 \$ |
|------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 18,071,299 | 20,808,297 |
| Deferred tax assets | 1,499,351 | 1,499,351 |
| | <u>19,570,650</u> | <u>22,307,648</u> |
| Current Assets | | |
| Loans net of provisions for credit losses | 438,678,299 | 313,270,283 |
| Securities Purchased under agreement to resell | - | 30,413,630 |
| Other receivables | 12,098,209 | 7,908,710 |
| Deposit | 375,000 | 350,000 |
| Due from related party | 6,273,200 | 5,000,000 |
| Cash and cash equivalents | 30,335,860 | 81,855,463 |
| | <u>487,760,568</u> | <u>438,798,086</u> |
| TOTAL ASSETS | <u>507,331,218</u> | <u>461,105,734</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 195,903,128 | 195,903,128 |
| Revaluation surplus | 10,385,598 | 9,806,243 |
| Accumulated surplus | 78,470,464 | 28,309,622 |
| | <u>284,759,190</u> | <u>234,018,993</u> |
| Non-Current Liabilities | | |
| Secured corporate bond | 143,559,245 | 139,753,814 |
| Notes payable | 64,070,081 | 71,192,331 |
| | <u>207,629,326</u> | <u>210,946,145</u> |
| Current Liabilities | | |
| Accounts payable and other liabilities | 14,942,702 | 13,411,691 |
| Current portion of bank loans | - | 1,573,056 |
| Taxation payable | - | 1,155,849 |
| | <u>14,942,702</u> | <u>16,140,596</u> |
| TOTAL EQUITY AND LIABILITIES | <u>507,331,218</u> | <u>461,105,734</u> |



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
TWELVE MONTHS ENDED DECEMBER 31, 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, | - | - | 48,483,332 | 48,483,332 |
| Other comprehensive income | | | | |
| Revaluation of property, plant and equipment | | 2,256,865 | | 2,256,865 |
| Revaluation surplus on derecognized assets | - | (1,677,510) | 1,677,510 | - |
| Total Other Comprehensive income | - | 579,355 | 1,677,510 | 2,256,865 |
| | - | 579,355 | 50,160,842 | 50,740,197 |
| Balance as at December 31, 2017 | <u>195,903,128</u> | <u>10,385,598</u> | <u>78,470,464</u> | <u>284,759,190</u> |
| | | | | |
| Balance as at December 31, 2015 | 5,000,000 | - | (11,932,599) | (6,932,599) |
| Transactions with owners: | | | | |
| Issued share capital, net | 190,903,128 | - | - | 190,903,128 |
| Other Comprehensive Income | | | | |
| Revaluation of property, plant and equipment | - | 9,806,243 | - | 9,806,243 |
| Net profit, being total comprehensive income for the period | - | - | 40,242,221 | 40,242,221 |
| Balance as at December 31, 2016 | <u>195,903,128</u> | <u>9,806,243</u> | <u>28,309,622</u> | <u>234,018,993</u> |



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
TWELVE ENDED DECEMBER 31, 2017

| | Unaudited Twelve Months Ended December 31, 2017 \$ | Audited Twelve Months Ended December 31, 2016 \$ |
|------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Profit before interest and taxation | 72,995,922 | 65,724,657 |
| Adjustments for items not affecting cash resources: | | |
| Depreciation on property, plant and equipment | 5,333,518 | 4,444,843 |
| Loss on sale of fixed assets | 44,871 | - |
| Unrealized foreign exchange gain | (934,543) | (6,527,651) |
| Bond amortization | 3,805,431 | - |
| Deferred taxation | - | 1,930,598 |
| | <u>81,245,199</u> | <u>65,572,447</u> |
| (Increase) /decrease in operating assets: | | |
| Loans and other receivables | (128,662,969) | (63,887,657) |
| Securities purchased under agreement to resell | 30,413,630 | (30,413,630) |
| Deposit | (25,000) | 1,894,282 |
| Due from related party | (1,273,200) | (5,000,000) |
| Due from director | - | 5,000,000 |
| Increase/(decrease) in operating liabilities: | | |
| Accounts payables and other payables | 465,191 | (3,412,655) |
| Cash used in operating activities | <u>(17,837,149)</u> | <u>(30,247,213)</u> |
| Interest paid | (23,386,771) | (23,509,083) |
| Taxation paid | (1,215,849) | (2,464,234) |
| Net cash used in operating activities | <u>(42,439,769)</u> | <u>(56,220,530)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | <u>(4,138,403)</u> | <u>(3,966,317)</u> |
| Net cash used in investing activities | <u>(4,138,403)</u> | <u>(3,966,317)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from sale of fixed assets | 3,753,875 | - |
| Repayment of loan from related company | - | (92,010,491) |
| Repayment of bank loans | (1,573,056) | (9,438,336) |
| Proceeds from issuance of bond | - | 139,753,814 |
| Proceeds from issue of shares, net | - | 88,868,128 |
| Repayment of notes payable | (7,122,250) | (22,000,000) |
| Net cash (used in)/ provided by financing activities | <u>(4,941,431)</u> | <u>105,173,115</u> |
| NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS - | (51,519,603) | 44,986,268 |
| CASH AND CASH EQUIVALENTS -Beginning of the year | 81,855,463 | 36,869,195 |
| CASH AND CASH EQUIVALENTS - End of the quarter | <u>30,335,860</u> | <u>81,855,463</u> |
| REPRESENTED BY: | | |
| Cash and cash equivalents | <u>30,335,860</u> | <u>81,855,463</u> |



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

TWELVE MONTHS ENDED DECEMBER 31, 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
TWELVE MONTHS ENDED DECEMBER 31, 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
TWELVE MONTHS ENDED DECEMBER 31, 2017

4. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES

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

| | Unaudited Twelve Months Ended December 31, 2017 \$ | Audited Twelve Months Ended December 31, 2016 \$ |
|-----------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Loans | 515,227,522 | 367,005,700 |
| Less: | | |
| Provision for credit losses | (76,549,223) | (53,735,417) |
| | <u>438,678,299</u> | <u>313,270,283</u> |

5. SHARE CAPITAL

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



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 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
TWELVE MONTHS ENDED DECEMBER 31, 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 Three Months Ended December 31, 2017 | Audited Three Months Ended December 31, 2016 | Unaudited Twelve Months Ended December 31, 2017 | Audited Twelve Months Ended December 31, 2016 |
|---------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Net profit, being total comprehensive income for period | \$ 17,877,859 | 17,782,682 | 48,483,332 | 40,242,221 |
| Weighted average number of shares | No. 105,000,000 | 105,000,000 | 105,000,000 | 88,444,536 |
| Earnings per share | \$ 0.171 | 0.169 | 0.462 | 0.460 |

9. PROFIT BEFORE INTEREST AND TAXATION

| | Unaudited Twelve Months Ended December 31, 2017 | Audited Twelve Months Ended December 31, 2016 |
|-------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------|
| | \$ | \$ |
| Net profit for the year | 48,483,332 | 40,242,221 |
| Current year taxation charge | 60,000 | 1,215,849 |
| Profit before interest | 48,543,332 | 41,458,070 |
| Interest expense | 24,452,590 | 24,266,587 |
| Profit before interest and taxation | 72,995,922 | 65,724,657 |

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
TWELVE MONTHS ENDED DECEMBER 31, 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 Burchenson - Joint holder -Valerie Burchenson | 612,529 |
| 6 Virgen Advertising Limited | 245,804 |
| 7 Ryan Chung | 160,862 |
| 8 Lindoll Limited | 160,862 |
| 9 Bridgeton Management Services Limited | 143,327 |
| 10 Marston Gordon - Joint holder – Ann Gordon | 122,918 |

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 |