



# FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

1<sup>ST</sup> QUARTER ENDED MARCH 31, 2018



**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2018**

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**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2018**

**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 1<sup>st</sup> Quarter ended March 31 2018.

The Company recorded net profits of \$9.2 million in the 1<sup>st</sup> Quarter of 2018 compared to \$8.2 million in the 1<sup>st</sup> Quarter of 2017, an increase of \$1.0 million or 12.2%.

Earnings per share stood at \$0.087 at the end of the 1<sup>st</sup> Quarter of 2018 compared to \$0.079 at the end of the 1<sup>st</sup> Quarter of 2017 an increase of 10.1%.

The Total assets of the Company grew by \$53.2 million to \$517.0 million which represents an 11.5% increase over the comparative period with the Company's gross loan portfolio growing by 36.5% over the review period, moving from \$388.4 million at March 31 2017 to \$530.2 million at the end of March 31 2018. 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 9.5% moving to \$64.8 million for the quarter compared with \$59.2 million in the comparative period for 2017.

Operating expenses for the 1<sup>st</sup> Quarter ended March 31 2018 stood at \$54.9 million an increase of \$3.6 million over the same period in 2017 of \$51.3 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 purple ink, appearing to read 'Clifton Cameron', written over a horizontal line.

**Clifton Cameron**  
Chairman

A handwritten signature in blue 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**  
**THREE MONTHS ENDED MARCH 31, 2018**

	<b>Unaudited Three Months Ended March 31, 2018</b>	<b>Unaudited Three Months Ended March 31, 2017</b>	<b>Audited Twelve Months Ended December 31, 2017</b>
	\$	\$	\$
<b>OPERATING INCOME</b>			
Interest income from loans	70,375,899	64,279,669	287,273,283
Interest income from banks and other receivables	86,185	1,248,284	1,465,671
Total interest income	<u>70,462,084</u>	<u>65,527,953</u>	<u>288,738,954</u>
Interest expenses	5,630,525	6,329,264	24,452,590
Net interest income	<u>64,831,559</u>	<u>59,198,689</u>	<u>264,286,364</u>
Commission expenses on loans	<u>(966,976)</u>	<u>(880,129)</u>	<u>(3,256,518)</u>
	63,864,583	58,318,560	261,029,846
Other operating income			
Foreign exchange gain	141,226	1,231,198	934,543
Loss on sale of fixed assets	-	-	(44,871)
Other income	350	11,081	33,851
	<u>141,576</u>	<u>1,242,279</u>	<u>923,523</u>
	<u>64,006,159</u>	<u>59,560,839</u>	<u>261,953,369</u>
<b>OPERATING EXPENSES</b>			
Staff costs	27,155,759	26,718,294	104,971,229
Allowance for credit losses	7,500,000	3,834,633	23,299,210
Depreciation expense	1,396,269	1,457,421	5,333,519
Other operating expenses	18,801,481	19,305,944	78,367,730
	<u>54,853,509</u>	<u>51,316,292</u>	<u>211,971,688</u>
<b>Profit before taxation</b>	<u>9,152,650</u>	<u>8,244,546</u>	<u>49,981,681</u>
<b>Taxation charge</b>	-	-	(12,018)
<b>Net profit</b>	<u>9,152,650</u>	<u>8,244,546</u>	<u>49,993,699</u>
<b>Other comprehensive income that may be reclassified to profit and loss</b>			
Revaluation of property, plant and equipment	-	-	2,256,865
<b>Total comprehensive income for the year</b>	<u>9,152,650</u>	<u>8,244,546</u>	<u>52,250,564</u>
Earnings per share (\$)	<u>0.087</u>	<u>0.079</u>	<u>0.480</u>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**THREE MONTHS ENDED MARCH 31, 2018**

	<b>Unaudited Three Months Ended March 31, 2018 \$</b>	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Audited Twelve Months December 31, 2017 \$</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19,676,014	19,552,282	18,071,298
Deferred tax assets	1,571,369	1,499,351	1,571,369
	<u>21,247,383</u>	<u>21,051,633</u>	<u>19,642,667</u>
<b>Current Assets</b>			
Loans net of provisions for credit losses	446,184,525	330,872,949	437,507,073
Other receivables	11,503,951	10,946,596	10,956,887
Deposit	375,000	350,000	375,000
Due from director	1,500,000	-	1,500,000
Due from related party	5,017,700	5,000,000	6,273,200
Cash and cash equivalents	31,178,561	95,543,386	31,436,990
	<u>495,759,737</u>	<u>442,712,931</u>	<u>488,049,150</u>
<b>TOTAL ASSETS</b>	<b><u>517,007,120</u></b>	<b><u>463,764,564</u></b>	<b><u>507,691,817</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital</b>			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	10,385,598	9,806,243	10,385,598
Accumulated surplus	89,133,481	36,554,168	79,980,831
	<u>295,422,207</u>	<u>242,263,539</u>	<u>286,269,557</u>
<b>Non-Current Liabilities</b>			
Secured corporate bond	144,479,353	140,798,923	143,559,245
Notes payable	61,537,182	69,261,831	63,439,432
	<u>206,016,535</u>	<u>210,060,754</u>	<u>206,998,677</u>
<b>Current Liabilities</b>			
Accounts payable and other liabilities	15,568,378	11,440,271	14,423,583
Taxation payable	-	-	-
	<u>15,568,378</u>	<u>11,440,271</u>	<u>14,423,583</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>517,007,120</u></b>	<b><u>463,764,564</u></b>	<b><u>507,691,817</u></b>

  
**Clifton Cameron**  
 Chairman

  
**Dennis Smith**  
 Chief Executive Officer



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**THREE MONTHS ENDED MARCH 31, 2018**

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus \$	Total \$
Balance as at December 31, 2017	195,903,128	10,385,598	79,980,831	286,269,557
<b>Other comprehensive income</b>				
Revaluation of property, plant and equipment	-	-	-	-
Net profit for the period	-	-	9,152,650	9,152,650
Total comprehensive income	-	-	9,152,650	9,152,650
<b>Balance as at March 31, 2018</b>	<b><u>195,903,128</u></b>	<b><u>10,385,598</u></b>	<b><u>89,133,481</u></b>	<b><u>295,422,207</u></b>
Balance as at December 31, 2016	195,903,128	9,806,243	28,309,622	234,018,993
<b>Other comprehensive income</b>				
Revaluation of property, plant and equipment	-	-	-	-
Net profit for the period	-	-	8,244,546	8,244,546
Total comprehensive income	-	-	8,244,546	8,244,546
<b>Balance as at March 31, 2017</b>	<b><u>195,903,128</u></b>	<b><u>9,806,243</u></b>	<b><u>36,554,168</u></b>	<b><u>242,263,539</u></b>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2018**

	Unaudited Three Months Ended March 31, 2018	Unaudited Three Months Ended March 31, 2017	Audited Twelve Months Ended December 31, 2017
	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before interest and taxation	14,783,175	14,573,810	74,506,289
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	1,396,269	1,457,421	5,333,519
Loss on sale of fixed assets	-	-	44,871
Unrealized foreign exchange gain	(141,226)	(1,231,198)	68,304
Bond amortization	920,108	1,045,109	3,805,431
Deferred taxation	-	-	(72,018)
	<u>16,958,326</u>	<u>15,845,142</u>	<u>83,686,396</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(10,583,291)	(19,409,353)	(127,353,271)
Securities purchased under agreement to resell	-	30,413,630	30,413,630
Deposit	-	-	(25,000)
Due from related party	1,255,500	-	(1,273,200)
Due from director	1,500,000	-	(1,500,000)
(Decrease)/increase in operating liabilities:			
Accounts payables and other payables	(579,808)	(2,780,407)	72,930
Cash provided by/(used in) operating activities	<u>8,550,727</u>	<u>24,069,012</u>	<u>(15,978,515)</u>
Interest paid	(3,905,922)	(5,520,277)	(23,513,627)
Taxation paid	-	(1,155,849)	(1,215,849)
Net cash provided by/(used in) operating activities	<u>4,644,805</u>	<u>17,392,886</u>	<u>(40,707,991)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	(3,000,984)	(201,407)	(3,421,527)
Proceeds from the sale of property, plant and equipment	-	-	3,037,000
Net cash provided by/(used in) investing activities	<u>(3,000,984)</u>	<u>(201,407)</u>	<u>(384,527)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bank loans	-	(1,573,056)	(1,573,056)
Repayment of notes payable	(1,902,250)	(1,930,500)	(7,752,899)
Net cash used in financing activities	<u>(1,902,250)</u>	<u>(3,503,556)</u>	<u>(9,325,955)</u>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS -</b>	<b>(258,429)</b>	<b>13,687,923</b>	<b>(50,418,473)</b>
<b>CASH AND CASH EQUIVALENTS -Beginning of the year</b>	<b>31,436,990</b>	<b>81,855,463</b>	<b>81,855,463</b>
<b>CASH AND CASH EQUIVALENTS - End of the quarter</b>	<b>31,178,561</b>	<b>95,543,386</b>	<b>31,436,990</b>
 <b>REPRESENTED BY:</b>			
Cash and cash equivalents	<u>31,178,561</u>	<u>95,543,386</u>	<u>31,436,990</u>



# **ISP FINANCE SERVICES LIMITED**

## **NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

### **THREE MONTHS ENDED MARCH 31, 2018**

#### **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 2017 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, 2017.

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**  
**THREE MONTHS ENDED MARCH 31, 2018**

**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**  
**THREE MONTHS ENDED MARCH 31, 2018**

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

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

	<b>Unaudited Three Months Ended March 31, 2018 \$</b>	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Audited Twelve Months Ended December 31, 2017 \$</b>
Loans	530,241,069	388,362,146	514,056,297
<b>Less:</b>			
Provision for credit losses	<u>(84,056,544)</u>	<u>(57,489,197)</u>	<u>(76,549,224)</u>
	<u>446,184,525</u>	<u>330,872,949</u>	<u>437,507,073</u>

**5. SHARE CAPITAL**

	<b>Unaudited Three Months Ended March 31, 2018 Number (‘000)</b>	<b>Unaudited Three Months Ended March 31, 2017 Number (‘000)</b>	<b>Audited Twelve Months Ended December 31, 2017 Number (‘000)</b>
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
	<b>Unaudited Three Months Ended March 31, 2018 \$</b>	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Audited Twelve Months Ended December 31, 2017 \$</b>
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	<u>(9,096,872)</u>	<u>(9,096,872)</u>	<u>(9,096,872)</u>
	<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**  
**THREE MONTHS ENDED MARCH 31, 2018**

**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**  
**THREE MONTHS ENDED MARCH 31, 2018**

**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.

		<b>Unaudited Three Months Ended March 31, 2018</b>	<b>Unaudited Three Months Ended March 31, 2017</b>	<b>Audited Twelve Months Ended December 31, 2017</b>
Net profit	\$	<u>9,152,650</u>	<u>8,244,546</u>	<u>49,993,699</u>
Weighted average number of shares	No.	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>
Earnings per share	\$	<u>0.087</u>	<u>0.079</u>	<u>0.480</u>

**9. PROFIT BEFORE INTEREST AND TAXATION**

		<b>Unaudited Three Months Ended March 31, 2018</b>	<b>Unaudited Three Months Ended March 31, 2017</b>	<b>Audited Twelve Months Ended December 31, 2017</b>
	\$		\$	\$
Net profit for the period		9,152,650	8,244,546	49,993,699
Current year taxation charge		-	-	60,000
Profit before interest		<u>9,152,650</u>	<u>8,244,546</u>	<u>50,053,699</u>
Interest expense		<u>5,630,525</u>	<u>6,329,264</u>	<u>24,452,590</u>
Profit before interest and taxation		<u>14,783,175</u>	<u>14,573,810</u>	<u>74,506,289</u>



**ISP FINANCE SERVICES LIMITED**  
**THREE MONTHS ENDED MARCH 31, 2018**

**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	255,116
7 Lindoll Limited	160,862
8 Ryan Chung -Joint holders – Ruel and Ingrid Chung	153,093
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