



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

3RD QUARTER ENDED SEPTEMBER 30, 2018



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2018**

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**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 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 3rd Quarter ended September 30, 2018.


The Company's net profit for the 3rd Quarter of 2018 was \$6.9 million a reduction of \$5.1million over the same period last year. The year to date September 2018 net profits stood at \$26.4 million a decrease of \$4.2 million.

Earnings per share stood at \$0.251 at the end of the 3rd Quarter of 2018 compared to \$0.291 at the end of the 3rd Quarter of 2017.


The Total assets of the Company grew by \$46.6 million to \$534.8 million which represents a 9.5% increase over the comparative period with the Company's gross loan portfolio growing by 18.3% over the review period, moving from \$499.2 million at September 30 2017 to \$590.4 million at the end of September 30, 2018. The Company has embarked on a strategy to target new markets using an aggressive pricing strategy to grow loan volumes.

Operating expenses for the 3rd Quarter ended September 30, 2018 stood at \$56.5 million a decrease of \$0.9 million over the same period in 2017 of \$55.6 million. The Company continues to strengthen its organizational and staff resources to satisfy the anticipated customer service demands. A Sales and Marketing manager has been recruited to build out a customer sales contact center to focus on the development of new products and markets across several delivery channels. In support of the growth of business opportunities, the Company raise additional funding in the amount of \$75 million.

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



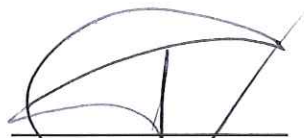
ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2018

	Unaudited Three Months Ended September 30, 2018 \$	Unaudited Three Months Ended September 30, 2017 \$	Unaudited Nine Months Ended September 30, 2018 \$	Unaudited Nine Months Ended September 30, 2017 \$	Audited Twelve Months Ended December 31, 2017 \$
OPERATING INCOME					
Interest income from loans	69,531,295	74,590,798	213,490,170	208,783,840	287,273,283
Interest income from banks and other receivables	95,075	321,109	269,371	1,917,772	1,465,671
Total interest income	<u>69,626,370</u>	<u>74,911,907</u>	<u>213,759,541</u>	<u>210,701,612</u>	<u>288,738,954</u>
Interest expenses	<u>5,701,529</u>	<u>6,336,551</u>	<u>16,922,410</u>	<u>18,643,127</u>	<u>24,452,590</u>
Net interest income	63,924,841	68,575,356	196,837,131	192,058,485	264,286,364
Commission expenses on loans	<u>(930,978)</u>	<u>(632,206)</u>	<u>(2,352,932)</u>	<u>(2,367,537)</u>	<u>(3,256,518)</u>
	62,993,863	67,943,150	194,484,199	189,690,948	261,029,846
Other operating income					
Foreign exchange gain	388,299	(411,369)	458,505	1,230,881	934,543
Gain/(Loss) on sale of fixed assets	-	53,462	-	(54,871)	(44,871)
Service fees	-	-	1,747,500	-	-
Other income	<u>750</u>	<u>300</u>	<u>1,234</u>	<u>33,501</u>	<u>33,851</u>
	389,049	(357,607)	2,207,239	1,209,511	923,523
	<u>63,382,912</u>	<u>67,585,543</u>	<u>196,691,438</u>	<u>190,900,459</u>	<u>261,953,369</u>
OPERATING EXPENSES					
Staff costs	30,128,410	27,328,749	86,559,933	81,086,894	104,971,229
Allowance for credit losses	7,500,000	8,111,987	22,435,376	15,738,847	23,299,210
Depreciation expense	1,167,461	1,222,485	4,098,231	4,034,514	5,333,519
Other operating expenses	<u>17,668,030</u>	<u>18,924,704</u>	<u>57,151,777</u>	<u>59,374,731</u>	<u>78,367,730</u>
	<u>56,463,901</u>	<u>55,587,925</u>	<u>170,245,317</u>	<u>160,234,986</u>	<u>211,971,688</u>
Profit before taxation	6,919,011	11,997,618	26,446,121	30,665,473	49,981,681
Taxation charge	<u>60,831</u>	<u>30,000</u>	<u>60,831</u>	<u>60,000</u>	<u>(12,018)</u>
Net profit	<u>6,858,180</u>	<u>11,967,618</u>	<u>26,385,290</u>	<u>30,605,473</u>	<u>49,993,699</u>
Other comprehensive income that may be reclassified to profit and loss					
Revaluation of property, plant and equipment	-	-	-	-	2,256,865
Total comprehensive income for the year	<u>6,858,180</u>	<u>11,967,618</u>	<u>26,385,290</u>	<u>30,605,473</u>	<u>52,250,564</u>
Earnings per share (\$)	<u>0.065</u>	<u>0.113</u>	<u>0.251</u>	<u>0.291</u>	<u>0.480</u>



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
NINE MONTHS ENDED SEPTEMBER 30, 2018

	Unaudited Nine Months Ended September 30, 2018 \$	Unaudited Nine Months Ended September 30, 2017 \$	Audited Twelve Months December 31, 2017 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	20,094,392	16,388,785	18,071,298
Deferred tax assets	1,571,369	1,499,351	1,571,369
	<u>21,665,761</u>	<u>17,888,136</u>	<u>19,642,667</u>
Current Assets			
Loans net of provisions for credit losses	491,520,937	430,193,810	437,507,073
Other receivables	15,064,953	13,891,376	10,956,887
Deposit	395,000	841,275	375,000
Due from director	-	-	1,500,000
Due from related party	5,017,700	6,304,900	6,273,200
Cash and cash equivalents	1,105,266	19,000,656	31,436,990
	<u>513,103,856</u>	<u>470,232,017</u>	<u>488,049,150</u>
TOTAL ASSETS	<u>534,769,617</u>	<u>488,120,153</u>	<u>507,691,817</u>
EQUITY AND LIABILITIES			
Share capital			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	10,385,598	9,806,243	10,385,598
Accumulated surplus	106,366,121	58,915,095	79,980,831
	<u>312,654,847</u>	<u>264,624,466</u>	<u>286,269,557</u>
Non-Current Liabilities			
Secured corporate bond	146,319,568	142,639,138	143,559,245
Notes payable	56,924,082	65,372,081	63,439,432
	<u>203,243,650</u>	<u>208,011,219</u>	<u>206,998,677</u>
Current Liabilities			
Accounts payable and other liabilities	18,871,120	15,484,468	14,423,583
Taxation payable	-	-	-
	<u>18,871,120</u>	<u>15,484,468</u>	<u>14,423,583</u>
TOTAL EQUITY AND LIABILITIES	<u>534,769,617</u>	<u>488,120,153</u>	<u>507,691,817</u>


Clifton Cameron
 Chairman


Dennis Smith
 Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 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
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	-	-
Net profit for the period	-	-	26,385,290	26,385,290
Total comprehensive income	-	-	26,385,290	26,385,290
Balance as at September 30, 2018	195,903,128	10,385,598	106,366,121	312,654,847
Balance as at December 31, 2016	195,903,128	9,806,243	28,309,622	234,018,993
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	-	-
Net profit for the period	-	-	30,605,473	30,605,473
Total comprehensive income	-	-	30,605,473	30,605,473
Balance as at September 30, 2017	195,903,128	9,806,243	58,915,095	264,624,466



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2018

	Unaudited Nine Months Ended September 30, 2018 \$	Unaudited Nine Months Ended September 30, 2017 \$	Audited Twelve Months Ended December 31, 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	43,368,532	49,308,601	74,506,289
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	4,098,230	4,034,514	5,333,519
Loss on sale of fixed assets	-	54,871	44,871
Unrealized foreign exchange gain	(458,506)	(1,230,881)	68,304
Bond amortization	2,760,323	2,885,324	3,805,431
Deferred taxation	-	-	(72,018)
	<u>49,768,579</u>	<u>55,052,429</u>	<u>83,686,396</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(57,663,426)	(121,675,311)	(127,353,271)
Securities purchased under agreement to resell	-	30,413,630	30,413,630
Deposit	(20,000)	(491,275)	(25,000)
Due from related party	1,255,500	(1,304,900)	(1,273,200)
Due from director	1,500,000	-	(1,500,000)
(Decrease)/increase in operating liabilities:			
Accounts payables and other payables	2,566,278	760,802	72,930
Cash used in operating activities	<u>(2,593,069)</u>	<u>(37,244,625)</u>	<u>(15,978,515)</u>
Interest paid	(15,041,151)	(17,331,153)	(23,513,627)
Taxation paid	(60,831)	(1,215,849)	(1,215,849)
Net cash used in operating activities	<u>(17,695,051)</u>	<u>(55,791,627)</u>	<u>(40,707,991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(6,121,323)	(2,696,874)	(3,421,527)
Proceeds from the sale of property, plant and equipment	-	3,027,000	3,037,000
Net cash (used in)/provided by investing activities	<u>(6,121,323)</u>	<u>330,126</u>	<u>(384,527)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans	-	(1,573,056)	(1,573,056)
Repayment of notes payable	(6,515,350)	(5,820,250)	(7,752,899)
Net cash used in financing activities	<u>(6,515,350)</u>	<u>(7,393,306)</u>	<u>(9,325,955)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS -			
EQUIVALENTS -	(30,331,724)	(62,854,807)	(50,418,473)
CASH AND CASH EQUIVALENTS -Beginning of the year	<u>31,436,990</u>	<u>81,855,463</u>	<u>81,855,463</u>
CASH AND CASH EQUIVALENTS - End of the quarter	<u>1,105,266</u>	<u>19,000,656</u>	<u>31,436,990</u>
REPRESENTED BY:			
Cash and cash equivalents	<u>1,105,266</u>	<u>19,000,656</u>	<u>31,436,990</u>



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 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
NINE MONTHS ENDED SEPTEMBER 30, 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
NINE MONTHS ENDED SEPTEMBER 30, 2018

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, 2018 \$	Unaudited Nine Months Ended September 30, 2017 \$	Audited Twelve Months Ended December 31, 2017 \$
Loans	590,364,570	499,239,249	514,056,297
Less:			
Provision for credit losses	(98,843,633)	(69,045,439)	(76,549,224)
	<u>491,520,937</u>	<u>430,193,810</u>	<u>437,507,073</u>

5. SHARE CAPITAL

	Unaudited Nine Months Ended September 30, 2018 Number (‘000)	Unaudited Nine Months Ended September 30, 2017 Number (‘000)	Audited Twelve Months Ended December 31, 2017 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, 2018 \$	Unaudited Nine Months Ended September 30, 2017 \$	Audited Twelve Months Ended December 31, 2017 \$
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, 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
NINE MONTHS ENDED SEPTEMBER 30, 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.

		Unaudited Nine Months Ended September 30, 2018	Unaudited Nine Months Ended September 30, 2017	Audited Twelve Months Ended December 31, 2017
Net profit	\$	<u>26,385,290</u>	<u>30,605,473</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>0.251</u>	<u>0.291</u>	<u>0.480</u>

9. PROFIT BEFORE INTEREST AND TAXATION

	Unaudited Nine Months Ended September 30, 2018	Unaudited Nine Months Ended September 30, 2017	Audited Twelve Months Ended December 31, 2017
	\$	\$	\$
Net profit for the period	26,385,290	30,605,473	49,993,699
Current year taxation charge	<u>60,831</u>	<u>60,000</u>	<u>60,000</u>
Profit before interest	26,446,121	30,665,473	50,053,699
Interest expense	<u>16,922,411</u>	<u>18,643,128</u>	<u>24,452,590</u>
Profit before interest and taxation	<u>43,368,532</u>	<u>49,308,601</u>	<u>74,506,289</u>



ISP FINANCE SERVICES LIMITED
NINE MONTHS ENDED SEPTEMBER 30, 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 Bridgeton Management Services Limited	205,013
8 Marston Gordon – Joint holder Ann Gordon	161,919
9 Lindoll Limited	160,862
10 Ryan Chung -Joint holders – Ruel and Ingrid Chung	153,093

**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	34,350
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