



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

3rd QUARTER ENDED SEPTEMBER 30, 2019



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2019**

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**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2019**

DIRECTORS' 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, 2019.

The Company's Interest Income increased by 34.9% or \$24.2 million to \$93.8 million in the reporting period over the corresponding third quarter in 2018.

The Company's net profit for the 3rd Quarter of 2019 was \$11.9 million, an increase of \$5.0 million over the same period last year or an increase of 73.5%.

The Company's net profit for the nine month period ended September 30, 2019 reflected an increase of \$14.1m or 53.7% over the J\$26.38m recorded for the corresponding nine month period in 2018.


Earnings per share stood at \$0.386 at the end of the 3rd Quarter of 2019 compared to \$0.251 at the end of the 3rd Quarter of 2018 reflecting an improvement of 53.7%.

The total assets of the Company grew by \$129.4 million to \$664.2 million which represents a 24.6% increase over the comparative period. The growth was attributable to the Company's loan portfolio which increased by 22.5% over the review period moving to \$602.4 million at September 30, 2019 from \$491.5 million at the end of Sept 30, 2018.

Operating expenses excluding allowance for credit losses for the 3rd Quarter ended September 30, 2019 amounted to \$63.5 million, an increase of 29.6% or \$14.5 million over the corresponding period in 2018 of \$56.5 million. The Company has maintained its cost of operations while meeting greater customer demands. The newly established customer sales contact center is contributing to the business development thrust aggressively promoting the Company's most recent back-to-school loan initiative.

The Company successfully refinanced the Corporate Bond of \$150m which matured on Sept 20, 2019.

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



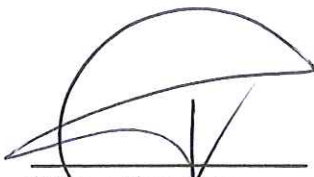
ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2019

	Unaudited Three Months Ended September 30, 2019 \$	Unaudited Three Months Ended September 30, 2018 \$	Unaudited Nine Months Ended September 30, 2019 \$	Unaudited Nine Months Ended September 30, 2018 \$	Audited Twelve Months Ended December 31, 2018 \$
OPERATING INCOME					
Interest income from loans	93,819,971	69,531,295	275,846,278	213,490,170	306,187,068
Interest income from banks and other receivables	0	95,075	174	269,371	380,677
Total interest income	93,819,971	69,626,370	275,846,452	213,759,541	306,567,745
Interest expenses	7,227,345	5,701,529	22,364,363	16,922,410	24,579,008
Net interest income	86,592,626	63,924,841	253,482,089	196,837,131	281,988,737
Commission expenses on loans	(659,300)	(930,978)	(1,765,930)	(2,352,932)	(3,400,436)
	85,933,326	62,993,863	251,716,159	194,484,199	278,588,301
Other operating income					
Foreign exchange gain /(loss)	(3,322)	388,299	90,787	458,505	523,116
Service fees	-	0	-	1,747,500	1,852,073
Other income	15,200	750	16,300	1,234	131,608
	11,878	389,049	107,087	2,207,239	2,506,797
	85,945,204	63,382,912	251,823,247	196,691,438	281,095,098
OPERATING EXPENSES					
Staff costs	37,553,567	30,128,410	102,651,275	86,559,933	114,105,359
Allowance for credit losses	10,588,224	7,500,000	37,584,367	22,435,376	35,758,568
Depreciation expense	1,288,403	1,167,461	3,885,471	4,098,231	5,404,922
Other operating expenses	24,615,187	17,668,030	67,156,545	57,151,777	79,673,688
	74,045,382	56,463,901	211,277,658	170,245,317	234,942,537
Profit before taxation	11,899,823	6,919,011	40,545,589	26,446,121	46,152,561
Taxation charge	-	(60,831)	-	(60,831)	2,527,137
Net profit	11,899,823	6,858,180	40,545,589	26,385,290	43,625,424
Other comprehensive income that may be reclassified to profit and loss					
Revaluation of property, plant and equipment	-	-	-	-	666,815
Total comprehensive income for the year	11,899,823	6,858,180	40,545,589	26,385,290	44,292,239
Earnings per share (\$)	0.113	0.065	0.386	0.251	0.420



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
NINE MONTHS ENDED SEPTEMBER 30, 2019

	Unaudited Nine Months Ended September 30, 2019 \$	Unaudited Nine Months Ended September 30, 2018 \$	Audited Twelve Months December 31, 2018 \$
ASSETS			
Cash and cash equivalents	10,807,891	1,105,266	16,483,905
Loans net of provisions for credit losses	602,354,706	491,520,937	551,096,009
Other receivables	15,633,733	15,064,953	13,007,626
Deposit	496,600	395,000	395,000
Due from related party	5,017,700	5,017,700	5,017,700
Due from director	6,848,039	-	1,032,379
Deferred tax assets	-	1,571,369	-
Property, plant and equipment	25,081,796	20,094,392	25,510,218
TOTAL ASSETS	<u>666,240,465</u>	<u>534,769,617</u>	<u>612,542,837</u>
LIABILITIES AND EQUITY			
LIABILITIES :			
Accounts payable and other liabilities	30,577,160	18,871,120	17,572,347
Secured corporate bond and promissory note	225,000,000	146,319,568	219,384,953
Notes payable	48,830,360	56,924,082	54,298,181
Deferred tax liabilities	895,768	-	895,768
	305,303,288	222,114,770	292,151,249
EQUITY			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	11,052,413	10,385,598	11,052,413
Accumulated surplus	153,981,636	106,366,121	113,436,047
	360,937,177	312,654,847	320,391,588
TOTAL EQUITY AND LIABILITIES	<u>666,240,465</u>	<u>534,769,617</u>	<u>612,542,837</u>


Clifton Cameron
 Chairman


Dennis Smith
 Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share Capital	Revaluation Surplus	Accumulated Surplus	Total
	\$	\$	\$	\$
Balance as at December 31, 2018	195,903,128	11,052,413	113,436,047	320,391,588
Other comprehensive income				
Net profit for the period	-	-	40,545,589	40,545,589
Total comprehensive income	-	-	40,545,589	40,545,589
Balance as at Sept 30, 2019	<u>195,903,128</u>	<u>11,052,413</u>	<u>153,981,636</u>	<u>360,937,177</u>
Balance as at December 31, 2017	195,903,128	10,385,598	79,980,831	286,269,557
Other comprehensive income				
Net profit for the period	-	-	26,385,290	26,385,290
Total comprehensive income	-	-	26,385,290	26,385,290
Balance as at Sept 30, 2018	<u>195,903,128</u>	<u>10,385,598</u>	<u>106,366,121</u>	<u>312,654,847</u>



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2019

	Unaudited Nine Months Ended September 30, 2019 \$	Unaudited Nine Months Ended September 30, 2018 \$	Audited Twelve Months Ended December 31, 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	62,909,952	43,368,532	68,264,432
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	3,885,471	4,098,230	5,404,922
Loss on sale of fixed assets	-	-	-
Unrealized foreign exchange gain	(90,787)	(458,506)	(523,116)
Bond amortization	5,615,047	2,760,323	3,939,950
Deferred taxation	-	-	2,467,137
	<u>72,319,683</u>	<u>49,768,579</u>	<u>79,553,325</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(53,794,017)	(57,663,426)	(124,994,766)
Deposit	(101,600)	(20,000)	20,000
Due from related party	-	1,255,500	(1,255,500)
Due from director	(5,815,660)	1,500,000	(467,621)
Increase /(decrease) in operating liabilities:			
Accounts payables and other payables	12,203,456	2,566,278	3,148,763
Cash provided by/(used in) operating activities	24,811,862	(2,593,069)	(43,995,799)
Interest paid	(21,563,005)	(15,041,151)	(24,579,008)
Taxation paid	-	(60,831)	(60,000)
Net cash used in operating activities	<u>3,248,857</u>	<u>(17,695,051)</u>	<u>(68,634,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(3,457,048)	(6,121,323)	(12,177,027)
Proceeds from the sale of property, plant and equipment	-	-	-
Net cash used in investing activities	<u>(3,457,048)</u>	<u>(6,121,323)</u>	<u>(12,177,027)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the secured promissory note	-	-	75,000,000
Repayment of notes payable	(5,467,821)	(6,515,350)	(9,141,251)
Net cash used in financing activities	<u>(5,467,821)</u>	<u>(6,515,350)</u>	<u>65,858,749</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS -	(5,676,012)	(30,331,724)	(14,953,085)
CASH AND CASH EQUIVALENTS -Beginning of the year	16,483,905	31,436,990	31,436,990
CASH AND CASH EQUIVALENTS - End of the quarter	<u>10,807,891</u>	<u>1,105,266</u>	<u>16,483,905</u>
REPRESENTED BY:			
Cash and cash equivalents	<u>10,807,891</u>	<u>1,105,266</u>	<u>16,483,905</u>



ISP FINANCE SERVICES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

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 2018 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, 2018.

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, 2019

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.

Allowance for impairment losses on loan receivables

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainly inherent in such estimates.

Under the ECL model, the Company analyses its loan receivables in a matrix by days past due and determined for each age bracket an average rate of ECL. Subsequently, a further analysis is considered on the actual credit loss experienced over the last twelve (12) months and future delinquency is assessed, which is then applied to the balance of the loan receivables..

Bad debts are written off when identified.



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2019

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

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.

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, 2019 \$	Unaudited Nine Months Ended September 30, 2018 \$	Audited Twelve Months Ended December 31, 2018 \$
Loans	713,158,210	590,364,570	673,354,532
Less:			
Provision for credit losses	<u>(110,803,413)</u>	<u>(98,843,633)</u>	<u>(122,258,523)</u>
	<u>602,354,706</u>	<u>491,520,937</u>	<u>551,096,009</u>

5. SHARE CAPITAL

	Unaudited Nine Months Ended September 30, 2019 Number (‘000)	Unaudited Nine Months Ended September 30, 2018 Number (‘000)	Audited Twelve Months Ended December 31, 2018 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, 2019 \$	Unaudited Nine Months Ended September 30, 2018 \$	Audited Twelve Months Ended December 31, 2018 \$
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
NINE MONTHS ENDED SEPTEMBER 30, 2019

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 month of September 2019, the Company successfully refinanced the Corporate Bond of \$150m in the Corporate Bond Market. The bond attracts an interest rate of 9.50% per annum. Interest is paid on a quarterly basis. The bond matures on September 20, 2022. The bond is secured by the fixed and floating assets of the Company.

7. SECURED NOTE

During the quarter ended December 31, 2018, the Company issued a secured note. The note attracts an interest rate of 12% per annum during the period commencing with the Issue Date to August 2019, and thereafter 13% per annum. Interest is paid on a quarterly basis. The note matures on September 03, 2021. The note is secured by the fixed floating assets of the Company.

8. 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, 2019

9. 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 September 30, 2019	Unaudited Three Months Ended September 30, 2018	Unaudited Nine Months Ended September 30, 2019	Unaudited Nine Months Ended September 30, 2018	Audited Twelve Months Ended December 31, 2018
Net profit	\$	<u>11,899,823</u>	<u>6,858,180</u>	<u>40,545,589</u>	<u>26,385,290</u>	<u>43,625,424</u>
Weighted average number of shares	No	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>	<u>105,000,000</u>
Earnings per share	\$	<u>0.113</u>	<u>0.065</u>	<u>0.386</u>	<u>0.251</u>	<u>0.420</u>

10. PROFIT BEFORE INTEREST AND TAXATION

	Unaudited Nine Months Ended September 30, 2019	Unaudited Nine Months Ended September 30, 2018	Audited Twelve Months Ended December 31, 2018
Net profit for the period	\$ 40,545,589	\$ 26,385,290	\$ 43,625,424
Current year taxation charge	-	60,831	60,000
Profit before interest	<u>40,545,589</u>	<u>26,446,121</u>	<u>43,685,424</u>
Interest expense	22,364,363	16,922,411	24,579,008
Profit before interest and taxation	<u>62,909,952</u>	<u>43,368,532</u>	<u>68,264,432</u>



ISP FINANCE SERVICES LIMITED
NINE MONTHS ENDED SEPTEMBER 30, 2019

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 Carissa Gordon – Joint holder Marston Gordon	367,314
7 Bridgeton Management Services Limited	298,547
8 Virgen Advertising Limited	255,116
9 Lindoll Limited	160,862
10 Ryan Chung -Joint holders – Ruel and Ingrid Chung	87,738

**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 Limited	50,517,500
Sunfisher Corporation	45,832,500