



# **FINANCE SERVICES LTD.**

**UNAUDITED FINANCIAL STATEMENTS**

**4<sup>th</sup> QUARTER ENDED DECEMBER 31, 2019**



**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2019**

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**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 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 4<sup>th</sup> Quarter ended December 31, 2019.

The Company's Interest Income decreased by 1.7% or \$1.6 million to \$91.2 million in the reporting period over the corresponding fourth quarter in 2018.

The Company's net profit for the 4<sup>th</sup> Quarter of 2019 was \$17.1 million, a decrease of \$0.164 million over the same period last year or a decrease of 1.0%.

The Company's net profit for the twelve month period ended December 31, 2019 reflected an increase of \$13.9m or 32.1% over the J\$43.7m recorded for the corresponding twelve month period in 2018.

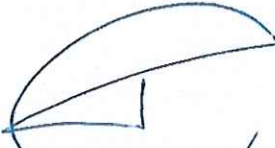
Earnings per share stood at \$0.55 at the end of the 4<sup>th</sup> Quarter of 2019 compared to \$0.42 at the end of the 4<sup>th</sup> Quarter of 2018 reflecting an improvement of 32.1%.

The total assets of the Company grew by \$91.1 million to \$703.7 million which represents a 14.9% increase over the comparative period. The growth was attributable to the Company's loan portfolio which increased by 16.8% over the review period moving to \$643.7 million at December 31, 2019 from \$551.1 million at the end of Dec 31, 2018.

Operating expenses for the 4<sup>th</sup> Quarter ended December 31, 2019 amounted to \$57.7 million, a decrease of 10.8% or \$6.9 million over the corresponding period in 2018 of \$64.7 million.

The Company raised further financing from VM Wealth Management to pay out Sygnus Capital in October 2019. The loan loss provision is subject to IFRS 9 review by the auditors

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, 2019**

	<b>Unaudited Three Months Ended December 31, 2019 \$</b>	<b>Unaudited Three Months Ended December 31, 2018 \$</b>	<b>Unaudited Twelve Months Ended December 31, 2019 \$</b>	<b>Audited Twelve Months Ended December 31, 2018 \$</b>
<b>OPERATING INCOME</b>				
Interest income from loans	91,217,872	92,696,898	367,064,150	306,187,068
Interest income from banks and other receivables	96	111,307	270	380,677
Total interest income	91,217,968	92,808,205	367,064,420	306,567,745
Interest expenses	15,362,298	7,656,597	37,726,661	24,579,008
Net interest income	75,855,670	85,151,608	329,337,759	281,988,737
Commission expenses on loans	(950,820)	(1,047,504)	(2,716,750)	(3,400,436)
	74,904,850	84,104,104	326,621,009	278,588,301
Other operating income				
Foreign exchange gain /(loss)	(124,654)	64,610	(33,867)	523,116
Service fees	-	104,573	-	1,852,073
Other income	1,750	130,374	18,050	131,608
	(122,904)	299,557	(15,817)	2,506,797
	74,781,946	84,403,660	326,605,192	281,095,098
<b>OPERATING EXPENSES</b>				
Staff costs	19,403,513	27,545,424	122,054,788	114,105,359
Allowance for credit losses	8,775,640	13,323,192	46,360,007	35,758,568
Depreciation expense	1,330,861	1,306,692	5,216,331	5,404,922
Other operating expenses	28,196,372	22,521,912	95,352,917	79,673,688
	57,706,386	64,697,220	268,984,043	234,942,537
<b>Profit before taxation</b>	17,075,560	19,706,440	57,621,149	46,152,561
<b>Taxation charge</b>	-	(2,466,306)	-	2,527,137
<b>Net profit</b>	17,075,560	17,240,134	57,621,149	43,625,424
<b>Other comprehensive income that may be reclassified to profit and loss</b>				
Revaluation of property, plant and equipment	-	666,815	-	666,815
<b>Total comprehensive income for the year</b>	17,075,560	17,906,949	57,621,149	44,292,239
Earnings per share (\$)	0.16	0.16	0.55	0.42



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**TWELVE MONTHS ENDED DECEMBER 31, 2019**

	<b>Unaudited Twelve Months Ended December 31, 2019 \$</b>	<b>Audited Twelve Months December 31, 2018 \$</b>
<b>ASSETS</b>		
Cash and cash equivalents	22,692,183	16,483,905
Loans net of provisions for credit losses	643,618,482	551,096,009
Other receivables	7,112,446	13,007,626
Deposit	496,600	395,000
Due from related party	5,017,700	5,017,700
Due from director	-	1,032,379
Deferred tax assets	-	-
Property, plant and equipment	24,723,435	25,510,218
<b>TOTAL ASSETS</b>	<b><u>703,660,846</u></b>	<b><u>612,542,837</u></b>
 <b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES :</b>		
Accounts payable and other liabilities	22,030,960	17,572,347
Secured corporate bond and promissory note		219,384,953
Investment Bond Victoria Mutual	225,875,000	-
Bank Loan – Current Portion	30,000,000	-
Notes payable	46,846,381	54,298,181
Deferred tax liabilities	895,768	895,768
	325,648,109	292,151,249
<b>EQUITY</b>		
Share capital	195,903,128	195,903,128
Revaluation surplus	11,052,413	11,052,413
Accumulated surplus	171,057,196	113,436,047
	378,012,737	320,391,588
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>703,660,846</u></b>	<b><u>612,542,837</u></b>

  
**Clifton Cameron**  
 Chairman

  
**Dennis Smith**  
 Chief Executive Officer



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**TWELVE MONTHS ENDED DECEMBER 31, 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
<b>Other comprehensive income</b>				
Net profit for the period	-	-	57,621,149	57,621,149
Total comprehensive income	-	-	57,621,149	57,621,149
<b>Balance as at December 31, 2019</b>	<b>195,903,128</b>	<b>11,052,413</b>	<b>171,057,196</b>	<b>378,012,737</b>
Balance as at December 31, 2017	195,903,128	10,385,598	69,810,623	276,099,349
<b>Other comprehensive income</b>				
Revaluation of property, plant & equipment		666,815		666,815
Net profit for the period	-	-	43,625,424	43,625,424
Total comprehensive income	-	666,815	43,625,424	44,292,239
<b>Balance as at December 31, 2018</b>	<b>195,903,128</b>	<b>11,052,413</b>	<b>113,436,047</b>	<b>320,391,588</b>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2019**

	<b>Unaudited Twelve Months Ended December 31, 2019 \$</b>	<b>Audited Twelve Months Ended December 31, 2018 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before interest and taxation	95,347,810	68,264,432
Adjustments for items not affecting cash resources:		
Depreciation on property, plant and equipment	5,216,331	5,404,922
Loss on sale of fixed assets		
Unrealized foreign exchange gain	33,867	(523,116)
Bond amortization	6,490,047	3,939,950
Deferred taxation	-	2,467,137
	<u>107,088,055</u>	<u>79,553,325</u>
(Increase) /decrease in operating assets:		
Loans and other receivables	(86,661,160)	(124,994,766)
Deposit	(101,600)	20,000
Due from related party	-	(1,255,500)
Due from director	1,032,379	(467,621)
Increase /(decrease) in operating liabilities:		
Accounts payables and other payables	<u>3,516,047</u>	<u>3,148,763</u>
Cash provided by/(used in) operating activities	24,873,721	(43,995,799)
Interest paid	(36,784,095)	(24,579,008)
Taxation paid	-	(60,000)
Net cash used in operating activities	<u>11,910,374</u>	<u>(68,634,807)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(4,429,548)	(12,177,027)
Proceeds from the sale of property, plant and equipment	-	-
Net cash used in investing activities	<u>(4,429,548)</u>	<u>(12,177,027)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the secured promissory note	-	75,000,000
Proceeds from bank loan	30,000,000	
Repayment of notes payable	(7,451,800)	(9,141,251)
Net cash used in financing activities	<u>22,548,200</u>	<u>65,858,749</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS -</b>		
<b>EQUIVALENTS -</b>	6,208,280	(14,953,085)
<b>CASH AND CASH EQUIVALENTS -Beginning of the year</b>	<u>16,483,905</u>	<u>31,436,990</u>
<b>CASH AND CASH EQUIVALENTS - End of the quarter</b>	<u>22,692,183</u>	<u>16,483,905</u>
<b>REPRESENTED BY:</b>		
Cash and cash equivalents	<u>22,692,183</u>	<u>16,483,905</u>



# **ISP FINANCE SERVICES LIMITED**

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

### **NINE MONTHS ENDED DECEMBER 31, 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 DECEMBER 31, 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 DECEMBER 31, 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

	<b>Unaudited Twelve Months Ended December 31, 2019</b>	<b>Audited Twelve Months Ended December 31, 2018</b>
Loans	\$ 761,880,391	\$ 673,354,532
Less:		
Provision for credit losses	<u>(118,261,909)</u>	<u>(122,258,523)</u>
	<u>643,618,481</u>	<u>551,096,009</u>

**5. SHARE CAPITAL**

	<b>Unaudited Twelve Months Ended December 31, 2019 Number ( '000)</b>	<b>Audited Twelve Months Ended December 31, 2018 Number ( '000)</b>
Authorized share capital:		
Ordinary shares	<u>105,000</u>	<u>105,000</u>

	<b>Unaudited Twelve Months Ended December 31, 2019 \$</b>	<b>Audited Twelve Months Ended December 31, 2018 \$</b>
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	<u>(9,096,872)</u>	<u>(9,096,872)</u>
	<u>195,903,128</u>	<u>195,903,128</u>



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED DECEMBER 31, 2019**

**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 \$232m 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. 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 DECEMBER 31, 2019**

**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 Twelve Months Ended December 31, 2019</b>	<b>Audited Twelve Months Ended December 31, 2018</b>
Net profit	\$	<u>57,621,149</u>	<u>43,625,424</u>
Weighted average number of shares	No	<u>105,000,000</u>	<u>105,000,000</u>
Earnings per share	\$	<u>0.55</u>	<u>0.42</u>

**9. PROFIT BEFORE INTEREST AND TAXATION**

	<b>Unaudited Twelve Months Ended December 31, 2019</b>	<b>Audited Twelve Months Ended December 31, 2018</b>
	\$	\$
Net profit for the period	57,621,149	43,625,424
Current year taxation charge	<u>-</u>	<u>60,000</u>
Profit before interest	57,621,149	43,685,424
Interest expense	<u>37,726,661</u>	<u>24,579,008</u>
Profit before interest and taxation	<u>95,347,810</u>	<u>68,264,432</u>



**ISP FINANCE SERVICES LIMITED**  
**TWELVE MONTHS ENDED DECEMBER 31, 2019**

**SCHEDULE OF TOP TEN (10) STOCKHOLDERS**

	<b><u>SHAREHOLDER</u></b>	<b><u>UNITS</u></b>
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**

<b><u>Directors</u></b>	<b><u>Shareholding</u></b>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	34,350
Rosemary Thwaites	5,000
<b><u>Senior Managers</u></b>	
Seymour Smith	75,000
<b><u>Connected Parties</u></b>	
Gencorp Limited	50,517,500
Sunfisher Corporation	45,832,500