

ISP FINANCE SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**ISP FINANCE SERVICES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the members of ISP FINANCE SERVICES LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of ISP Finance Services Limited (the “Company”), which comprises the statement of financial position as at December 31, 2017, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Jamaican Companies Act (the “Act”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements section of our report*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (cont'd)

**To the members of
ISP FINANCE SERVICES LIMITED****Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters**Provision for credit losses on loans receivable**

The adequacy of the provision for credit losses on the Company's loans receivable involves a high degree of estimation and judgement as the loans are unsecured and the industry carries a high risk of delinquency.

Our audit procedures to address the key matter relating to the provision for credit losses included, amongst others:

- Examining a sample of loans that had been identified by management as doubtful accounts by checking their payment history in order to form our own judgement as to whether the provision for credit losses was appropriate.
- We tested the completeness of management's listing of doubtful accounts by reperforming the process of identifying doubtful accounts using management's credit and collection policy.
- We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events such as non-payments and any other adverse events which may have occurred subsequent to the year end.

Revenue recognition

The recognition of revenue, including the appropriate recognition of interest income relating to early settlement of loans, unearned income and proper cut off procedures involve significant risk.

Our audit procedures to address the key matter relating to the appropriate recognition of interest income included, amongst others:

- Reviewing the appropriateness of the revenue recognition policy and documenting any changes in applying those policies from previous periods.
- Developing an analysis for interest income based on the loan categories and average interest rate and following up on variances from our analysis.
- Testing the existence of interest income recognition by selecting a sample of loans and verifying the terms of these loans to signed agreements. The accuracy of the interest income recognition was tested by re-performing calculations of interest income on the loans using the interest rate, principal amount outstanding and other terms of the loans. This included loans which have been settled early in the year.

Independent Auditor's Report (cont'd)

**To the members of
ISP FINANCE SERVICES LIMITED**

Other information

Management is responsible for the other information. The other information comprises information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate with the Board of Directors.

Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (cont'd)

**To the members of
ISP FINANCE SERVICES LIMITED**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the appendix to this auditor's report. This description, which is located at pages 5-6, forms part of our auditor's report.

Report on additional matters as required by the Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Rohan Crichton.

Crichton Mullings & Assoc.
CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
March 27, 2018

Cont. /5

Independent Auditor's Report (cont'd)

**To the members of
ISP FINANCE SERVICES LIMITED**

Appendix to the independent auditor's report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report (cont'd)

**To the members of
ISP FINANCE SERVICES LIMITED**

Appendix to the independent auditor's report (cont'd)

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ISP FINANCE SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	2017 \$	2016 \$
ASSETS			
Non-current Assets			
Property, plant and equipment	4	18,071,298	20,808,297
Deferred tax assets	5	1,571,369	1,499,351
		<u>19,642,667</u>	<u>22,307,648</u>
Current Assets			
Loans, net of provisions for credit losses	6	437,507,073	313,270,283
Securities purchased under agreement to resell	7	-	30,413,630
Other receivables	8	10,956,887	7,908,710
Deposit		375,000	350,000
Due from related parties	9	6,273,200	5,000,000
Due from director	10	1,500,000	-
Cash and cash equivalents	11	31,436,990	81,855,463
		<u>488,049,150</u>	<u>438,798,086</u>
TOTAL ASSETS		<u><u>507,691,817</u></u>	<u><u>461,105,734</u></u>
EQUITY AND LIABILITIES			
Share capital	12 (a)	195,903,128	195,903,128
Revaluation surplus	4,13	10,385,598	9,806,243
Accumulated surplus		79,980,831	28,309,622
		<u>286,269,557</u>	<u>234,018,993</u>
Non-current Liabilities			
Secured corporate bond	14	143,559,245	139,753,814
Notes payable	17	63,439,432	71,192,331
		<u>206,998,677</u>	<u>210,946,145</u>
Current Liabilities			
Accounts and other payables	15	14,423,583	13,411,691
Current portion of bank loan	16	-	1,573,056
Taxation payable	18	-	1,155,849
		<u>14,423,583</u>	<u>16,140,596</u>
TOTAL EQUITY AND LIABILITIES		<u><u>507,691,817</u></u>	<u><u>461,105,734</u></u>

APPROVED, on behalf of the Board on

Clifton Cameron
Chairman

27 March 2018

Dennis Smith
Chief Executive Officer

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2017

	Note	2017 \$	2016 \$
OPERATING INCOME:			
Interest income from loans	3(c)	287,273,283	230,590,777
Interest income from financial institutions and other receivables		<u>1,465,671</u>	<u>2,069,988</u> *
Total interest income		288,738,954	232,660,765
Interest expense		<u>24,452,590</u>	<u>18,829,394</u> *
Net interest income		264,286,364	213,831,371
Commission expenses on loans		<u>(3,256,518)</u>	<u>(2,587,162)</u>
		261,029,846	211,244,209
Other operating income:			
Foreign exchange gain		934,543	6,765,741
Loss on sale of property, plant and equipment		(44,871)	-
Other income		<u>33,851</u>	<u>1,697,531</u> *
		<u>923,523</u>	<u>8,463,272</u>
		<u>261,953,369</u>	<u>219,707,481</u>
OPERATING EXPENSES:			
Staff costs	21	104,971,229	91,278,914
Allowance for credit losses		23,299,210	10,346,931
Depreciation expense	4	5,333,519	4,444,843
Other operating expenses	19	<u>78,367,730</u>	<u>70,248,125</u> *
		<u>211,971,688</u>	<u>176,318,813</u>
Profit before taxation	20	49,981,681	43,388,668
Taxation (credit) / charge	22	<u>(12,018)</u>	<u>3,146,447</u>
Net profit for the year		49,993,699	40,242,221
Other comprehensive income that may be reclassified to profit or loss:			
Revaluation of property, plant and equipment	4	<u>2,256,865</u>	<u>9,806,243</u> *
Total comprehensive income for the year		<u><u>52,250,564</u></u>	<u><u>50,048,464</u></u>
Earnings per share (\$)	12(b)	<u><u>0.48</u></u>	<u><u>0.46</u></u>

*- Restated to conform to 2017 presentation

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2017

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus / (Deficit) \$	Total \$
Balance at December 31, 2015	5,000,000	-	(11,932,599)	(6,932,599)
Transactions with owners:				
Issued share capital	200,000,000	-	-	200,000,000
Share issue cost (see note 12)	(9,096,872)	-	-	(9,096,872)
Total transactions with owners	190,903,128	-	-	190,903,128
Total comprehensive income:				
Other comprehensive income:				
Revaluation of property, plant and equipment (see note 4, 13)	-	9,806,243	-	9,806,243
Net profit for the year	-	-	40,242,221	40,242,221
Total comprehensive income for the year	-	9,806,243	40,242,221	50,048,464
Balance at December 31, 2016	195,903,128	9,806,243	28,309,622	234,018,993
Total comprehensive income:				
Other comprehensive income:				
Revaluation of property, plant and equipment (see note 4, 13)	-	579,355	1,677,510	2,256,865
Net profit for the year	-	-	49,993,699	49,993,699
Total comprehensive income for the year	-	579,355	51,671,209	52,250,564
Balance at December 31, 2017	195,903,128	10,385,598	79,980,831	286,269,557

The accompanying notes form an integral part of the financial statements

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

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before interest and taxation	Note 23 74,506,289	60,287,464 *
Adjustments for items not affecting cash resources:		
Depreciation on property, plant and equipment	5,333,519	4,444,843
Loss on sale of property, plant and equipment	44,871	-
Amortization on bond	3,805,431	-
Unrealized foreign exchange loss/(gain)	68,304	(6,527,651)
Deferred taxation	(72,018)	1,930,598
	83,686,396	60,135,254
(Increase) / decrease in operating assets:		
Loans and other receivables	(127,353,271)	(63,887,657)
Securities purchased under agreement to resell	30,413,630	(30,413,630)
Deposit	(25,000)	1,894,282
Due from related parties	(1,273,200)	(5,000,000)
Due from directors	(1,500,000)	5,000,000
Decrease in operating liabilities:		
Accounts and other payables	72,930	(3,412,655)
Cash used in operating activities	(15,978,515)	(35,684,406)
Interest paid	(23,513,627)	(18,071,890) *
Taxation paid	(1,215,849)	(2,464,234)
Net cash used in operating activities	(40,707,991)	(56,220,530)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,421,527)	(3,966,317)
Proceeds from sale of property, plant and equipment	3,037,000	-
Net cash used in investing activities	(384,527)	(3,966,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan from related company	-	(92,010,491)
Repayment of bank loans	(1,573,056)	(9,438,336)
Proceeds from issue of bond	-	139,753,814
Proceeds from issue of shares, net	-	88,868,128
Repayment of notes payable	(7,752,899)	(22,000,000)
Net cash (used in) / provided by financing activities	(9,325,955)	105,173,115
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(50,418,473)	44,986,268
CASH AND CASH EQUIVALENTS - Beginning of the year	81,855,463	36,869,195
CASH AND CASH EQUIVALENTS - End of the year	31,436,990	81,855,463
REPRESENTED BY:		
Cash and cash equivalents	31,436,990	81,855,463

The accompanying notes form an integral part of the financial statements

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR 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. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Act.

The financial statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, unless otherwise indicated.

The preparation of financial statements in conformity with IFRS and the Act requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Changes in accounting standards and interpretations

The Company has identified the following revised or new International Financial Reporting Standards or Interpretations which have been issued but are not yet effective, and which have not been adopted early. Those that are not considered relevant to the Company's operations are:

- *IFRS 2 'Share-based Payment - Amendment', issued June 2016*
Effective for periods commencing on or after 1 January 2018
- *IFRS 3 and IFRS 11 'Joint Operation - Amendment', issued December 2017*
Effective for periods commencing on or after 1 January 2019
- *IFRS 17 'Insurance Contracts', issued May 2017*
Effective for periods commencing on or after 1 January 2021
- *IAS 40 'Investment Property - Amendments', issued December 2016*
Effective for periods commencing on or after 1 January 2018
- *IAS 28 'Investments in Associates and Joint Ventures - Amendments', issued December 2016*
Effective for periods commencing on or after 1 January 2018

Those which may be relevant to the Company's operations are as follows:

- *IFRS 9 'Financial Instruments', Amendment', issued September 2016*
Effective for periods commencing on or after 1 January 2018
- *IFRS 15 'Revenue from Contracts with Customers', issued April 2016*
Effective for periods commencing on or after 1 January 2018
- *IFRIC 22 'Foreign Currency Transactions and Advance Consideration', issued December 2016*
Effective for periods commencing on or after 1 January 2018
- *IFRIC 23 'Uncertainty Over Income Tax Treatments', issued June 2017*
Effective for periods commencing on or after 1 January 2019
- *IFRS 16 'Leases - Amendment', issued January 2016*
Effective for periods commencing on or after 1 January 2019
- *IAS 12 'Income Tax - Amendment', issued December 2017*
Effective for periods commencing on or after 1 January 2019
- *IAS 23 'Borrowings - Amendment', issued December 2017*
Effective for periods commencing on or after 1 January 2019

The Board of directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant to the Company in future periods is unlikely to have any material impact on the financial statements.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that may affect the application of policies and the reported amounts of, and disclosures related to assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period then ended. Actual amounts could differ from these estimates.

(d) Key sources of estimation uncertainty

The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Fair value estimation

The Company's motor cars are measured at fair value in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exist as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique are utilized.

IFRS requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(d) Key sources of estimation uncertainty (cont'd)

(i) Fair value estimation (cont'd)

Transfer of items between levels are recognized in the period they occur.

The Company measures financial instruments (note 25) at fair value.

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

- The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, loans and advances and payables.
- The carrying values of long term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(ii) Allowance for impairment losses on loan receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from loan receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

3. 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 the 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 into the statement of comprehensive income.

Cost includes expenditure that are 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 is 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 & 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) Interest 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.

(d) Accounts and other payables

Accounts and other payables are stated at amortized cost.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Taxation

Income tax expense represents the sum of current year's income tax expense and deferred tax.

(i) Current income tax

Current income tax is the expected tax on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(f) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign current is not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in profit or loss for the period.

(g) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(h) Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the terms of the relevant lease.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(j) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets include cash and cash equivalents, loans receivable, securities purchased under agreement to resell other current assets except any prepayments.

Financial liabilities include notes payable, secured corporate bond, bank loan and current liabilities except accruals and income tax payable. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair value of the financial instruments are discussed in Note 25.

(k) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(m) Related party identification

A party is related to the Company if:

- (i) directly or indirectly the party:
 - controls, is controlled by, or is under common control with the Company;
 - has an interest in the Company that gives it significant influence over the Company;
 - or
 - has joint control over the Company.
- (ii) the party is an associate of the Company
- (iii) the party is a joint venture in which the Company is a venture;
- (iv) the party is a member of the key management personnel of the Company
- (v) the party is a close member of the family of an individual referred to in (i) or (iv) above
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant costing power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above.
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, parties, regardless of whether a price is charged.

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn and incur expenses whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") who decides about the resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the Company are considered as one operating unit.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

4. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold Improvements</u>	<u>Furniture & Equipment</u>	<u>Motor Bikes</u>	<u>Motor Cars</u>	<u>Computer Software & Equipment</u>	<u>Total</u>
At Cost/Valuation:						
Balance at January 1, 2016	18,237,801	10,000,961	550,000	-	26,906,198	55,694,960
Additions	-	978,777	-	2,323,757	663,783	3,966,317
Revaluation (i)	-	-	-	9,806,243	-	9,806,243
Balance at December 31, 2016	18,237,801	10,979,738	550,000	12,130,000	27,569,981	69,467,520
Balance at January 1, 2017	18,237,801	10,979,738	550,000	12,130,000	27,569,981	69,467,520
Additions	480,697	942,692	-	716,875	1,281,263	3,421,527
Disposals	-	-	(550,000)	(3,650,000)	-	(4,200,000)
Revaluation (i)	-	-	-	2,256,865	-	2,256,865
Balance at December 31, 2017	18,718,498	11,922,430	-	11,453,740	28,851,244	70,945,912
Accumulated Depreciation:						
Balance at January 1, 2016	17,762,300	3,978,423	249,791	-	22,223,866	44,214,380
Charge for year	191,640	1,080,872	110,004	1,213,002	1,849,325	4,444,843
Balance at December 31, 2016	17,953,940	5,059,295	359,795	1,213,002	24,073,191	48,659,223
Balance at January 1, 2017	17,953,940	5,059,295	359,795	1,213,002	24,073,191	48,659,223
Charge for year	180,167	1,250,624	55,000	2,094,073	1,753,655	5,333,519
Disposals	-	-	(414,795)	(703,333)	-	(1,118,128)
Balance at December 31, 2017	18,134,107	6,309,919	-	2,603,742	25,826,846	52,874,614
Net Book Value						
Balance at December 31, 2015	475,501	6,022,537	300,209	-	4,682,332	11,480,580
Balance at December 31, 2016	283,861	5,920,443	190,205	10,916,998	3,496,790	20,808,297
Balance at December 31, 2017	584,391	5,612,511	-	8,849,998	3,024,398	18,071,298

(i) The Company's motor cars were revalued at the year end by independent appraisers Orion Loss Adjusters Limited. Accordingly, the Company recognized a net increase of \$2,256,865 (2016: \$9,806,243) which was directly credited to the revaluation surplus. Had the assets not been revalued, the carrying amount at the reporting date would be \$903,898 (2016: \$2,091,381) for motor cars.

5. DEFERRED TAX ASSETS

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for the purposes of this statement of financial position:

	2017 \$	2016 \$
Deferred tax assets	<u>1,571,369</u>	<u>1,499,351</u>
	<u>1,571,369</u>	<u>1,499,351</u>
Deferred tax assets and liabilities are attributable to the following:		
	2017 \$	2016 \$
Depreciation and capital allowances	1,130,176	2,941,887
Accrued interest	424,117	189,377
Foreign exchange gain	17,076	(1,631,913)
	<u>1,571,369</u>	<u>1,499,351</u>

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

5. DEFERRED TAX ASSETS (CONT'D)

The movement during the year in the Company's deferred tax position was as follows:

	2017	2016
	\$	\$
Balance at the beginning of the year	1,499,351	3,429,949
Movement during the year	<u>72,018</u>	<u>(1,930,598)</u>
Balance at the end of the year	<u><u>1,571,369</u></u>	<u><u>1,499,351</u></u>

6. LOANS, NET OF PROVISION FOR CREDIT LOSSES

(a) Loans consist of unsecured notes due from the Company's clients.

The notes bear stated interest rate ranging from 50% - 65% for the years ended December 31, 2017 and 2016.

	2017	2016
	\$	\$
Loans	514,056,297	367,005,700
Less:		
Provision for credit losses	<u>(76,549,224)</u>	<u>(53,735,417)</u>
	<u><u>437,507,073</u></u>	<u><u>313,270,283</u></u>

(b) Analysis of loans by class of business and sector are as follows:

	2017	2016
	\$	\$
Personal loans	<u>382,438,834</u>	<u>285,922,762</u>
Business loans:		
Agriculture	24,550	24,550
Services	127,080,574	76,349,256
Trading	977,488	977,488
Manufacturing	<u>3,534,851</u>	<u>3,731,644</u>
	<u><u>131,617,463</u></u>	<u><u>81,082,938</u></u>
	<u><u>514,056,297</u></u>	<u><u>367,005,700</u></u>

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

6. LOANS, NET OF PROVISION FOR CREDIT LOSSES (CONT'D)

(c) Loans are comprised of, and mature as follows:

Remaining term of maturity

	2017	2016
	\$	\$
Due in 1 month	222,335,229	297,187,059
1 - 3 months	48,973,248	11,685,854
3 - 12 months	231,127,605	23,673,731
over 12 months	<u>11,620,215</u>	<u>34,459,056</u>
	514,056,297	367,005,700
Less: Provision for credit losses	<u>(76,549,224)</u>	<u>(53,735,417)</u>
	<u><u>437,507,073</u></u>	<u><u>313,270,283</u></u>

(d) Impairment losses on loans and advances

The ageing of loans and advances and the related impairment allowances at the reporting date were as follows:

	2017	
	Gross	Impairment
	\$	\$
Current	235,142,181	-
1 to 3 months past due	75,733,423	-
3 to 12 months past due	126,149,166	16,682,742
over 12 months past due	<u>77,031,527</u>	<u>59,866,482</u>
	<u><u>514,056,297</u></u>	<u><u>76,549,224</u></u>
	2016	
	Gross	Impairment
	\$	\$
Current	229,876,001	-
1 to 3 months past due	54,004,805	-
3 to 12 months past due	29,975,361	7,246,954
over 12 months past due	<u>53,149,533</u>	<u>46,488,463</u>
	<u><u>367,005,700</u></u>	<u><u>53,735,417</u></u>

7. SECURITIES PURCHASED UNDER AGREEMENT

TO RESELL

	2017	2016
	\$	\$
Securities purchased under agreement to resell	<u><u>-</u></u>	<u><u>30,413,630</u></u>

The Company entered into reverse repurchase ("resale") agreements with a major financial institution in 2016. These resale agreements were collateralized by Government of Jamaica securities and were liquidated by surrendering the collateral evidencing the claim, on a specified date and at a specified price.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

8. OTHER RECEIVABLES

	2017 \$	2016 \$
Other receivables	6,675,070	5,769,727
Deposit on fixed asset	416,275	-
Prepaid expenses	1,501,516	1,176,741
Staff advances	1,344,800	268,000
Withholding tax	445,635	71,009 *
Other	573,591	623,233 *
	<u>10,956,887</u>	<u>7,908,710</u>

9. DUE FROM RELATED PARTIES

	2017 \$	2016 \$
Due from related parties	<u>6,273,200</u>	<u>5,000,000</u>

This represents amounts advanced by the Company to related parties. These amounts are unsecured, interest free with no fixed repayment terms.

10. DUE FROM DIRECTOR

	2017 \$	2016 \$
Due from director	<u>1,500,000</u>	<u>-</u>

This represents amounts advanced by the Company on behalf of a director.

11. CASH AND CASH EQUIVALENTS

	2017 \$	2016 \$
Term deposits - USD (i)	-	63,644,903
Cash at bank and cash in hand	<u>31,436,990</u>	<u>18,210,560</u>
	<u>31,436,990</u>	<u>81,855,463</u>

(i) These were US dollar term deposits with Bank of Nova Scotia which earned interest of 0.076% - 0.15% (2016: 0.35% - 0.45%) per annum and was liquidated in August 2017.

12. SHARE CAPITAL

	2017 <u>Number ('000)</u>	2016 <u>Number ('000)</u>
<u>Authorized share capital:</u>		
Ordinary shares [a (i)]	<u>105,000</u>	<u>105,000</u>

*-Reclassified to conform to 2017 presentation

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

12. SHARE CAPITAL (CONT'D)

	2017	2016
	<u>\$</u>	<u>\$</u>
<u>Issued and fully paid:</u>		
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000
51,017,500 Ordinary shares at \$2 per share [a (i)]	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share [a (ii)]	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>

(a) (i) 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 to satisfy the \$102,035,000 debt owed to him by a related entity of the Company.

(ii) 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.

(b) 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 year as at the reporting date. The weighted average number of shares in issue for 2017 was 105,000,000 (2016: 88,444,536).

13. REVALUATION SURPLUS

	2017	2016
	<u>\$</u>	<u>\$</u>
Revaluation surplus on motor cars	<u>10,385,598</u>	<u>9,806,243</u>

This represents surplus on motor cars acquired that were revalued during the year (see note 4).

14. SECURED CORPORATE BOND

	2017	2016
	<u>\$</u>	<u>\$</u>
10% Corporate bond at par value	150,000,000	150,000,000
Less: Deferred bond issue costs	<u>(6,440,755)</u>	<u>(10,246,186)</u>
	<u>143,559,245</u>	<u>139,753,814</u>

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.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

15. ACCOUNTS AND OTHER PAYABLES

	2017	2016
	\$	\$
Interest accrued	1,696,468	757,505
Statutory liabilities	2,158,750	2,110,848
Accounts payable	4,172,529	6,859,680
Other payables	3,495,131	1,777,323
Other accruals	<u>2,900,705</u>	<u>1,906,335</u>
	<u><u>14,423,583</u></u>	<u><u>13,411,691</u></u>

16. BANK LOANS

	2017	2016
	\$	\$
Loan balance at beginning of year - (i)	-	11,011,392
Loan repayments during the year	<u>-</u>	<u>(9,438,336)</u>
	-	1,573,056
Current portion of bank loan	<u>-</u>	<u>(1,573,056)</u>
	-	-
Non-current portion of bank loan	<u><u>-</u></u>	<u><u>-</u></u>

- (i) This represented a non-revolving loan from the Bank of Nova Scotia Jamaica Limited with interest rates of 12% per annum. The loan was repaid during 2017.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

17. NOTES PAYABLE

Notes payable consist of unsecured loans payable by the Company.

The notes bear interest ranging from 11% - 13% for the years ended December 31, 2017 and 2016. The Company exercised the option to extend the maturity date of the notes to June 2020 and the notes continue to have a renewable option.

	2017 \$	2016 \$
Balances at the beginning of year	71,192,331	93,192,331
Additional loans received	<u>-</u>	<u>-</u>
	71,192,331	93,192,331
Repayments	<u>(7,752,899)</u>	<u>(22,000,000)</u>
Balances at the end	<u>63,439,432</u>	<u>71,192,331</u>

Interest expense charged on these loans during the current year totalled \$8,455,401 (2016 - \$9,995,363). At year end, interest expense accrued totalled \$1,244,413 (2016 - \$757,505).

18. TAXATION PAYABLE

Taxation payable is calculated at 25% (2016: 25%) of profits for the year, adjusted for taxation purposes, subject to the agreement of the Tax Administration Jamaica.

	2017 \$	2016 \$
Balance at beginning of year	1,155,849	2,404,234
Current year charge [see note 22(a), (b)]	-	1,215,849
Minimum business tax	<u>60,000</u>	<u>-</u>
	1,215,849	3,620,083
Payments made in the current year	<u>(1,215,849)</u>	<u>(2,464,234)</u>
Balance at end of year	<u>-</u>	<u>1,155,849</u>

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

19. OTHER OPERATING EXPENSES

	2017 \$	2016 \$	
Directors' fees	1,840,000	480,000	
Bank charges	8,894,319	5,437,193	*
Amortization of bond issue costs	3,805,431	795,106	
Consulting fees	4,575,000	6,400,000	
Building rental	11,959,591	8,729,309	
Telephone	5,047,963	4,436,977	
Electricity	2,221,020	1,847,345	
Water	385,489	342,576	
Computer expenses	5,180,083	5,146,026	
Audit fees	1,300,000	1,077,625	
Printing, stationery and postage	1,498,726	1,041,591	
Repairs and maintenance	1,154,849	3,331,179	
Professional fees	7,188,508	2,723,644	*
Legal fees	938,412	2,170,089	*
Trustee fees	1,531,365	-	
Travelling and transportation	814,612	906,501	
Motor vehicle expenses	4,078,425	6,887,106	
Donation	69,500	60,500	
Office expenses	3,184,995	1,356,316	
Security	535,984	217,014	
Cleaning and sanitation	407,860	372,400	
Subscriptions and dues	760,774	700,304	
Advertising and promotion	5,909,424	9,921,112	
Insurance	467,422	592,405	
Entertainment	4,385,478	5,075,807	
Assets tax and annual returns	232,500	200,000	
	78,367,730	70,248,125	

* Restated to conform to 2017 presentation

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

20. PROFIT BEFORE TAXATION

Stated after charging the following:

	2017	2016
	\$	\$
	<u>49,981,681</u>	<u>43,388,668</u>
Auditor's remuneration	<u>1,300,000</u>	<u>1,077,625</u>

21. STAFF COSTS

The number of employees at the end of the year was as follows:

	2017	2016
Permanent	<u>40</u>	<u>39</u>

The aggregate payroll costs for these persons were as follows:

	2017	2016
	\$	\$
Salaries and profit related pay	93,041,003	80,555,273
Statutory payroll contributions	7,483,024	6,574,604
Other staff benefits	4,447,202	4,149,037
	<u>104,971,229</u>	<u>91,278,914</u>

22. TAXATION (CREDIT) / CHARGE

- (a) Income tax charge in 2016 was computed based on the three (3) months profits ended March 31, 2016, as a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective March 30, 2016, which entitles the Company to full remission from income tax for the first 5 years and fifty percent (50%) remission for the following 5 years, providing that it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market.

Income tax is computed at 25% (2016: 25%) of the pre-tax profit for the year, as adjusted for taxation purposes. Deferred taxation is computed at 25% for the financial year (2016: 25%) based on the applicable income tax rate for unregulated companies with effective date from January 1, 2013. The taxation charge is made up as follows:

	2017	2016
	\$	\$
Current:		
Provision for charge on current profit [see note 22 (a), (b)]	-	1,215,849
Minimum business tax expense	60,000	-
Deferred:		
Origination and reversal of temporary differences	<u>(72,018)</u>	<u>1,930,598</u>
	<u>(12,018)</u>	<u>3,146,447</u>

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

22. TAXATION (CREDIT) / CHARGE (CONT'D)

(b) Reconciliation of effective tax rate and charge:

	2017		2016	
	\$	%	\$	%
Profit before taxation	<u>49,981,681</u>		<u>43,388,668</u>	
Computed tax charge	12,495,420	25%	10,847,167	25%
Employment tax credit	(4,080,275)	-8%	(2,728,809)	-6%
Minimum business tax	60,000	0%	-	0%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	1,711,932	3%	2,260,427	5%
Remission of income taxes	(10,056,781)	-20%	(5,151,373)	-12%
Other Adjustments	<u>(142,314)</u>	0%	<u>(2,080,965)</u>	-5%
Actual (credit) /charge and rate	<u>(12,018)</u>	0%	<u>3,146,447</u>	7%

Remission of income tax:

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 remains listed on the Jamaica Stock Exchange Junior Market during this period in order to benefit from the tax exemptions.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Subject to agreement with the Ministry of Finance and Planning, the income tax payable for which remission will be sought is \$10,056,781 (2016: \$5,151,373).

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

23. PROFIT BEFORE INTEREST AND TAXATION

	2017	2016
	\$	\$
Net profit for the year	49,993,699	40,242,221
Current year taxation charge [see note 22(a)]	60,000	1,215,849
Profit before interest	50,053,699	41,458,070
Interest expense	24,452,590	18,829,394
Profit before interest and taxation	74,506,289	60,287,464

24. RELATED PARTIES

The following related party balances are shown separately in the Company's statement of financial position:

	2017	2016
	\$	\$
Due from director	1,500,000	-
Due from related party	6,273,200	5,000,000
Other receivables	4,890,238	2,734,831

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

24. RELATED PARTIES (CONT'D)

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business:

	2017	2016
	\$	\$
Transactions with key management personnel:		
- Interest income	446,070	1,213,316
- Directors' remuneration	18,622,500	18,622,500
- Directors' fees	1,840,000	480,000
- Consultancy fees	4,575,000	6,400,000
- Rental building	<u>4,560,000</u>	<u>-</u>

25. FINANCIAL INSTRUMENTS**(a) Financial risk management:**

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

The Board of Directors, together with senior management, has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

25. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial risk management (cont'd):****(i) Credit risk:**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company monitors its credit risk by evaluating applicants for credit before disbursement and reviewing its loan portfolio with a view to controlling its credit risks. Collateral is obtained for certain loans and most personal loans are collected through salary deductions by employers of the borrowers. Cash and cash equivalents and securities purchased under agreement to resell are held with substantial financial institutions, which are considered to present minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure. The Company has some degree of credit risk concentration associated with loans receivable, as the Company loan portfolio includes mainly personal loans. There are no significant balances with any single entity or group of entities. There was no individual loan balance that exceeded 5% of the total loans owing to the Company at reporting date.

Loans receivable that are past due and not impaired

As at December 31, 2017, loans receivable of \$202,364,871 (2016: \$80,853,893) were past due but not impaired. These related to independent customers for whom there is no recent history of default.

Loans receivable that are past due and impaired

As of December 31, 2017, the Company had loans receivable of \$76,549,224 (2016: \$53,735,417) that were impaired. The amount of the provision was \$76,549,224 (2016: \$53,735,417). These loans receivable were aged over 180 days.

The maximum exposure to credit risk at the reporting date was:

	2017	2016
	\$	\$
Loans receivable	437,507,073	313,270,283
Securities purchased under agreement to resell	-	30,413,630
Cash and cash equivalents	31,436,990	81,855,463
	<u>468,944,063</u>	<u>425,539,376</u>

Movements on the provision for impairment of loans receivable are as follows:

	2017	2016
	\$	\$
At 1 January	53,735,417	62,958,639
Provision for impairment of loans receivable	23,299,210	10,346,931 *
Loans receivable written off during the year	(485,403)	(19,570,153) *
At 31 December	<u>76,549,224</u>	<u>53,735,417</u>

The provision for impairment of loans receivable have been included in expenses in the statement of comprehensive income. Amounts charged to the provision for impairment account are carried out in accordance with the Company's policy. Impairment estimates have been adjusted based on actual collection history and available customer information.

***-Restated to conform to 2017 presentation**

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

25. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial risk management (cont'd):

(ii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation. Prudent liquidity risk management implies maintaining sufficient cash resources and the availability of funding through an adequate amount of committed facilities.

The following are the contractual maturities of financial liabilities, including interest payments:

	2017					
	Within 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$	\$
Notes payable	2,229,751	6,689,252	66,732,830	-	-	75,651,833
Secured corporate bond	3,750,000	11,250,000	15,000,000	145,808,219	-	175,808,219
	5,979,751	17,939,252	81,732,830	145,808,219	-	251,460,052

	2016					
	Within 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$	\$
Notes payable	2,229,751	6,689,252	75,651,833	-	-	84,570,836
Bank loan	2,396,561	-	-	-	-	2,396,561
Secured corporate bond	3,750,000	11,250,000	15,000,000	160,808,219	-	190,808,219
	8,376,312	17,939,252	90,651,833	160,808,219	-	277,775,616

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments. Market risk arises from fluctuations in the value of liabilities and on certain of its financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest-bearing liabilities, which are subject to interest rate adjustment within a specified period. The Company manages this risk by maintaining a portfolio of interest earning assets that exceeds interest bearing liabilities. Loans are advanced for relatively short period.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

25. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial risk management (cont'd):

(iii) Market risk (cont'd):

Interest rate risk (cont'd)

At the reporting date the interest profile of the Company's interest bearing financial instruments was:

	2017	2016
	\$	\$
Fixed rate instruments:		
Financial assets	437,507,073	313,270,283
Financial liabilities	(206,998,678)	(212,519,201)
	<u>230,508,395</u>	<u>100,751,082</u>

Interest rate sensitivity

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value and all its financial instruments are carried at amortized cost. Therefore, a change in interest rates at the reporting date would not affect profit for the year or equity.

Cash flow sensitivity of variable rate financial instruments

The Company does not hold any variable rate instruments that are subject to material changes in interest rate. Therefore, a change in market interest rates at the reporting date would not affect profit or equity.

ISP FINANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

25. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial risk management (cont'd):

Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to significant foreign currency risk, primarily on notes payable that are denominated in a currency other than the Jamaica dollar. Such exposures comprise the monetary assets and liabilities of the Company that are denominated in that currency. The main foreign currency risks of the Company are denominated in United States dollars (US\$), which is the principal intervening currency for the Company. The Company jointly manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

(b) Capital management

The Company's objectives when managing capital are to comply with capital requirements, safeguard the Company's ability to continue as a going concern and to maintain strong capital base to support the development of its business. The Company achieves this by retaining earnings from past profits and by managing the returns on borrowed funds to protect against losses on its core business.

The Company is required to meet the capital requirement of at least \$50 million for listing on the Jamaica Stock Exchange Junior Market. There were no other externally imposed capital requirements and no change in the Company's capital management process during the year.

**SCHEDULE OF TOP TEN (10) STOCKHOLDERS
AS AT DECEMBER 31, 2017**

<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

**SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND
CONNECTED PARTIES AS AT DECEMBER 31, 2017**

<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
