



# FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

1<sup>st</sup> QUARTER ENDED MARCH 31, 2017



**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2017**

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**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2017**

**DIRECTOR'S REPORT TO STOCKHOLDERS**

The Board of Directors of ISP Finance Services Limited is pleased to present the Company's unaudited financial results for the 1<sup>st</sup> Quarter ended March 31, 2017.

The 1<sup>st</sup> Quarter ended March 31, 2017 recorded Interest income of J\$65,527,953 representing an increase of 25.0% over J\$52,425,821 recorded in the 1<sup>st</sup> Quarter of 2016 with loan disbursements for the quarter of J\$198.8m moving from J\$129.7m a 53.3 % increase.

Interest expense was J\$6,329,264 in the First Quarter of 2017 or, an increase of 45.4% versus the J\$4,352,956 incurred in the First Quarter of 2016.

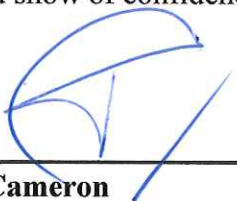
The Company's Net interest income stood at of J\$59,198,689 for the Quarter compared with J\$48,072,865 in the comparative period of 2016 representing an increase of 23.1%. Other operating income of J\$1,242,279 reduced over prior Quarter by 14.6%. Overall Operating income of J\$59,560,839 improved over last Quarter by J\$10,555,052 or 21.5%.

Operating expenses for the quarter recorded J\$51,316,293 compared with J\$52,093,869 in 2016, a decrease of 1.5% over the comparative Quarter. The Company made net profits of J\$8,244,546 in the Quarter compared to the loss of J\$3,088,082 in the 1<sup>st</sup> Quarter of 2016.

The Net loan portfolio increased by 46.8% a growth of J\$105.4m over same period last year.

Earnings per share was J\$0.079 at the end of the 1<sup>st</sup> Quarter of 2017, this represents an improvement of 198.8% over the 1<sup>st</sup> Quarter of 2016.

The Company would like to thank all our members of staff for their continued support and commitment, to thank our customers for their loyalty and to thank 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**  
**THREE MONTHS ENDED MARCH 31, 2017**

	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Unaudited Three Months Ended March 31, 2016 \$</b>	<b>Audited Year Ended December 31, 2016 \$</b>
<b>OPERATING INCOME</b>			
Interest income from loans	64,279,669	51,210,754	* 230,590,777
Interest income from banks and other receivables	1,248,284	1,215,067	* 1,213,316
Total interest income	65,527,953	52,425,821	231,804,093
Interest expenses	6,329,264	4,352,956	* 24,266,587
Net interest income	59,198,689	48,072,865	207,537,506
Commission expenses on loans	(880,129)	(520,978)	* (2,587,162)
	58,318,560	47,551,887	204,950,344
Other operating income			
Foreign exchange gain	1,231,198	-	6,765,741
Other income	11,081	1,453,900	* 2,554,203
	1,242,279	1,453,900	9,319,944
	59,560,839	49,005,787	214,270,288
<b>OPERATING EXPENSES</b>			
Staff costs	26,718,294	21,892,575	* 91,278,914
Allowance for credit losses	3,834,633	3,750,000	* 10,346,931
Depreciation expense	1,457,421	719,784	* 4,444,843
Other operating expenses	19,305,945	25,731,510	* 64,810,932
	51,316,293	52,093,869	170,881,620
Profit before taxation	8,244,546	(3,088,082)	43,388,668
Taxation charge	-	-	3,146,447
Net profit, being total comprehensive income for the year	8,244,546	(3,088,082)	40,242,221
Earnings per share (\$)	0.079	(0.080)	0.460

\*Reclassified to conform to 2017 presentation



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**THREE MONTHS ENDED MARCH 31, 2017**

	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Unaudited Three Months Ended March 31, 2016 \$</b>	<b>Audited Year Ended December 31, 2016 \$</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19,552,283	11,514,805	20,808,297
Deferred tax assets	1,499,351	3,429,949	1,499,351
	<u>21,051,634</u>	<u>14,944,754</u>	<u>22,307,648</u>
<b>Current Assets</b>			
Loans net of provisions for credit losses	330,872,948	225,449,539	313,270,283
Securities Purchased under agreement to resell	-	-	30,413,630
Other receivables	10,946,596	12,173,238	7,908,710
Deposit	350,000	2,781,340	350,000
Due from related party	5,000,000	5,000,000	5,000,000
Cash and cash equivalents	95,543,386	87,232,599	81,855,463
	<u>442,712,930</u>	<u>332,636,716</u>	<u>438,798,086</u>
<b>TOTAL ASSETS</b>	<u><b>463,764,564</b></u>	<u><b>347,581,470</b></u>	<u><b>461,105,734</b></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	195,903,128	205,000,000	195,903,128
Revaluation surplus	9,806,243	-	9,806,243
Accumulated surplus/(deficit)	36,554,168	(15,020,681)	28,309,622
	<u>242,263,539</u>	<u>189,979,319</u>	<u>234,018,993</u>
<b>Non-Current Liabilities</b>			
Secured corporate bond	140,798,923	-	139,753,814
Notes payable	69,261,831	84,692,331	71,192,331
	<u>210,060,754</u>	<u>84,692,331</u>	<u>210,946,145</u>
<b>Current Liabilities</b>			
Accounts payable and other liabilities	11,440,271	15,625,467	13,411,691
Current portion of bank loans	-	8,651,808	1,573,056
Bank overdraft	-	48,632,545	-
Taxation payable	-	-	1,155,849
	<u>11,440,271</u>	<u>72,909,820</u>	<u>16,140,596</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>463,764,564</b></u>	<u><b>347,581,470</b></u>	<u><b>461,105,734</b></u>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**THREE MONTHS ENDED MARCH 31, 2017**

	Share Capital	Revaluation Surplus	Accumulated (Deficit)/ Surplus	Total
	\$	\$	\$	\$
Balance as at December 31, 2016	195,903,128	9,806,243	28,309,622	234,018,993
Net profit, being total comprehensive income for the period	-	-	8,244,546	8,244,546
<b>Balance as at March 31, 2017</b>	<b><u>195,903,128</u></b>	<b><u>9,806,243</u></b>	<b><u>36,554,168</u></b>	<b><u>242,263,539</u></b>
Balance as 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
Net loss, being total comprehensive loss for the period	-	-	(3,088,082)	(3,088,082)
<b>Balance as at March 31, 2016</b>	<b><u>205,000,000</u></b>	<b><u>-</u></b>	<b><u>(15,020,681)</u></b>	<b><u>189,979,319</u></b>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2017**

	Unaudited Three Months Ended March 31, 2017 \$	Unaudited Three Months Ended March 31, 2016 \$	Audited Year Ended December 31, 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before interest and taxation	14,573,810	1,264,874 *	65,724,657
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	1,457,421	719,784	4,444,843
Unrealized foreign exchange gain	(1,231,198)	-	(6,527,651)
Bond amortization	1,045,109	-	-
Deferred taxation	-	-	1,930,598
	<u>15,845,142</u>	<u>1,984,658</u>	<u>65,572,447</u>
(Increase) / decrease in operating assets:			
Loans and other receivables	(19,409,353)	6,419,707	(63,887,657)
Securities purchased under agreement to resell	30,413,630	-	(30,413,630)
Deposit	-	(1,506,185)	1,894,282
Due from related party	-	-	(5,000,000)
Due from director	-	5,000,000	5,000,000
Decrease in operating liabilities:			
Accounts payables and other payables	(2,780,407)	3,668,703	(3,412,655)
Cash (used in) / provided by operating activities	24,069,012	15,566,883	(30,247,213)
Interest paid	(5,520,277)	(5,772,703) *	(23,509,083)
Taxation paid	(1,155,849)	(2,404,234)	(2,464,234)
Net cash used in operating activities	<u>17,392,886</u>	<u>7,389,946</u>	<u>(56,220,530)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	(201,407)	(754,012)	(3,966,317)
Net cash used in investing activities	<u>(201,407)</u>	<u>(754,012)</u>	<u>(3,966,317)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans received from related company	-	-	-
Repayment of loan from related company	-	(194,045,491)	(92,010,491)
Repayment of bank loans	(1,573,056)	(2,359,584)	(9,438,336)
Proceeds from issuance of bond	-	-	139,753,814
Proceeds from issue of shares, net	-	200,000,000	88,868,128
Repayment of notes payable	(1,930,500)	(8,500,000)	(22,000,000)
Net cash provided by / (used in) financing activities	<u>(3,503,556)</u>	<u>(4,905,075)</u>	<u>105,173,115</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS -</b>	<b>13,687,923</b>	<b>1,730,859</b>	<b>44,986,268</b>
<b>CASH AND CASH EQUIVALENTS -Beginning of the year</b>	<b>81,855,463</b>	<b>36,869,195</b>	<b>36,869,195</b>
<b>CASH AND CASH EQUIVALENTS - End of the quarter</b>	<b><u>95,543,386</u></b>	<b><u>38,600,054</u></b>	<b><u>81,855,463</u></b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents	95,543,386	87,232,599	81,855,463
Bank overdraft	-	(48,632,545)	-
	<u>95,543,386</u>	<u>38,600,054</u>	<u>81,855,463</u>

\*Reclassified to conform to 2017 presentation



# **ISP FINANCE SERVICES LIMITED**

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

### **THREE MONTHS ENDED MARCH 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. BASIS OF PREPERATION**

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 2016 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, 2016.

The financial Statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, un-less otherwise indicated.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Property, plant and equipment**

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, except for motor cars which are carried at fair value, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Valuations are performed frequently enough to ensure that the fair value of revalued motor cars does not significantly differ from its carrying amount. The increase of the carrying amount of a motor car as a result of revaluation is credited directly to equity (under the heading "revaluation surplus"). A revaluation decrease should be charged directly against any related revaluation surplus, with any excess being recognized as an expense in the statement of comprehensive income.





**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2017**

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

**a) Property, plant and equipment ( Cont'd)**

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred. With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets.

The rates of depreciation in use are:

Leasehold Improvements	20%
Furniture and Equipment	10%
Computer Software and Equipment	20%
Motor Cars	20%
Motor Bikes	20%

**b) Loans and other receivables**

**Loans**

Loans are carried at original contract amounts less provisions made for doubtful amounts and impairment, based on a review of all outstanding amounts at the year end.

**Other receivables**

Other receivables are carried at amortized cost less provisions for doubtful amounts and impairment losses.

A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. In instances where it is determined that there will be significant delays in the settlement of the recoverable amounts and the effect is material, an impairment provision is also made, being the difference between the carrying amount and the recoverable amounts being the present value of expected cash flows discounted at the Company's overdraft interest rate.

Bad debts are written off when identified.

**c) Income**

Interest income is recognized on the accrual basis, by reference to the principal outstanding and the interest rate applicable. Interest income is calculated on the simple interest basis.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2017**

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

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

	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Unaudited Three Months Ended March 31, 2016 \$</b>	<b>Audited Year Ended December 31, 2016 \$</b>
Loans	388,362,146	292,158,178	367,005,700
<b>Less:</b>			
Provision for credit losses	<u>(57,489,197)</u>	<u>(66,708,639)</u>	<u>(53,735,417)</u>
	<u>330,872,949</u>	<u>225,449,539</u>	<u>313,270,283</u>

**5. SHARE CAPITAL**

	<b>Unaudited Three Months Ended March 31, 2017 Number ('000)</b>	<b>Unaudited Three Months Ended March 31, 2016 Number ('000)</b>	<b>Audited Year Ended December 31, 2016 Number ('000)</b>
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
	<b>Unaudited Three Months Ended March 31, 2017 \$</b>	<b>Unaudited Three Months Ended March 31, 2016 \$</b>	<b>Audited Year Ended December 31, 2016 \$</b>
Issued and fully paid:			
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000	5,000,000
51,017,500 Ordinary shares at \$2 per share	102,035,000	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share	97,965,000	97,965,000	97,965,000
Less: Share issue costs	<u>(9,096,872)</u>	<u>-</u>	<u>(9,096,872)</u>
	<u>195,903,128</u>	<u>205,000,000</u>	<u>195,903,128</u>



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2017**

**5. SHARE CAPITAL ( CONT'D)**

- (a) On February 11, 2016, by an ordinary resolution, the authorized share capital of the Company was increased from 5,000,000 to 105,000,000 ordinary shares to rank pari passu in all respects with the existing shares of the Company.

On February 11, 2016, 51,017,500 ordinary shares at \$2 per share were issued to the Chief Executive Officer which was satisfied by offsetting against the \$102,035,000 debt owed to him by the Company, through a related entity.

- (b) On March 22, 2016, the Company raised additional capital of \$97,965,000 from its initial public offering of 48,982,500 shares for its enlistment on the Jamaica Stock Exchange Junior Market. Transaction costs of \$9,096,872 were incurred for the initial public offering. All ordinary shares carry the same voting rights.

**6. SECURED CORPORATE BOND**

During the year ended December 31, 2016, the Company issued a secured bond. The bond attracts an interest rate of 10% per annum. Interest is paid on a quarterly basis. The bond matures on September 20, 2019. The bond is secured by the fixed and floating assets of the Company.

**7. TAXATION**

On March 30, 2016, the Company's shares were listed on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income tax for the first five (5) years and fifty percent (50%) remission for the following 5 years, providing that the Company adheres to the rules and regulation of the Jamaica Stock Exchange Junior Market.

The interim financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2017**

**8. EARNINGS PER SHARE**

Earnings per share is computed as the net profit for the year divided by the weighted average number of ordinary shares in issue for the period as at the reporting date.

	<b>Unaudited Three Months Ended March 31, 2017</b>	<b>Unaudited Three Months Ended March 31, 2016</b>	<b>Audited Year Ended December 31, 2016</b>
Net profit, being total comprehensive income for period	\$ <u>8,244,546</u>	<u>(3,088,082)</u>	<u>40,242,221</u>
Weighted average number of shares	No. <u>105,000,000</u>	<u>38,414,286</u>	<u>88,444,536</u>
Earnings per share	\$ <u>0.079</u>	<u>(0.080)</u>	<u>0.460</u>

**9. PROFIT BEFORE INTEREST AND TAXATION**

	<b>Unaudited Three Months Ended March 31, 2017</b>	<b>Unaudited Three Months Ended March 31, 2016</b>	<b>Audited Year Ended December 31, 2016</b>
Net profit for the year	\$ 8,244,546	\$ (3,088,082)	\$ 40,242,221
Current year taxation charge	<u>-</u>	<u>-</u>	<u>1,215,849</u>
Profit before interest	<u>8,244,546</u>	<u>(3,088,082)</u>	<u>41,458,070</u>
Interest expense	<u>6,329,264</u>	<u>4,352,956</u>	<u>24,266,587</u>
Profit before interest and taxation	<u>14,573,810</u>	<u>1,264,874</u>	<u>65,724,657</u>



**ISP FINANCE SERVICES LIMITED**  
**THREE MONTHS ENDED MARCH 31, 2017**

**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 VMWM Long/Short	387,900
6 Valerie Burchenson	321,724
7 Rezworth Burchenson	290,805
8 Virgen Advertising Limited	234,494
9 Ryan Chung	160,862
10 Lindoll Limited	160,862

**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	75,000
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