



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

2nd QUARTER ENDED JUNE 30, 2016



DIRECTORS REPORT TO STOCKHOLDERS SIX MONTHS ENDED JUNE 30, 2016

The Board of Directors of ISP Finance Services Limited is pleased to present the Company's unaudited financial results for the 2nd Quarter Ended June 30, 2016.

The 2nd quarter ended June 30, 2016 recorded Revenues of J\$ 52,119,787 representing an increase of 7.2% over the J\$48,956,988 recorded in the 2nd Quarter of 2015.

Interest Expenses were J\$3,035,849 in the 2nd quarter of 2016 or a reduction of 38.2% versus the J\$4,910,027 incurred in the 2nd Quarter of 2015.

The Gross Profit was J\$49,083,938 in the quarter compared with J\$44,046,961 in the comparative period of 2015.

Operating Expenses for the 2nd Quarter of 2016 recorded J\$37,385,283 compared with J\$40,603,129 in the 2nd quarter of 2015.

The Directors note that the IPO expenses of J\$9,096,872 booked in the 1st quarter of 2016 were reversed in the 2nd Quarter of 2016 in keeping with IFRS requirements.

In late June ISP Finance Services Ltd. announced the planned launch of its GSAT essay competition designed to provide financial support to Fourteen GSAT awardees entering the 2016 to 2017 school year. The company intends to make this competition an annual event. The essay competition is open to students who have been awarded places in high school through the GSAT examination, and one winner will be selected from each parish for a cash award of \$25,000.00.

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CHAIRMAN

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CHIEF EXECUTIVE OFFICER



**UNAUDITED FINANCIAL STATEMENT
SIX MONTHS ENDED JUNE 30, 2016**

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FINANCE SERVICES LTD.

**STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2016**

	<u>Unaudited</u> 3 Months Ended June 30, 2016 \$	<u>Unaudited</u> 3 Months Ended June 30, 2015 \$	<u>Unaudited</u> 6 months Ended June 30, 2016	<u>Unaudited</u> 6 Months Ended June 30, 2015	<u>Audited</u> 12 Months Ended December 31, 2015 \$
REVENUES	52,119,787	48,956,988	105,999,508	98,859,473	209,275,483
INTEREST & COMMISSION EXPENSE	<u>3,035,849</u>	<u>4,910,027</u>	<u>6,217,373</u>	<u>12,937,696</u>	<u>21,326,889</u>
GROSS PROFIT	49,083,938	44,046,961	99,782,135	85,921,777	187,948,594
<u>LESS: OPERATING EXPENSES</u>					
OPERATING COSTS	29,619,242	32,952,133	75,845,950	66,287,979	120,249,150
ALLOWANCE FOR CREDIT LOSSES	3,795,706	4,131,720	7,545,706	8,256,720	18,654,658
DEPRECIATION	719,784	704,780	1,439,568	1,409,560	2,879,120
BANK CHARGES & INTEREST	<u>3,250,551</u>	<u>2,814,496</u>	<u>6,310,338</u>	<u>6,848,285</u>	<u>15,421,082</u>
TOTAL OPERATING EXPENSES	37,385,283	40,603,129	91,141,562	82,802,545	157,204,010
PROFIT / (LOSS) BEFORE TAX	11,698,655	3,443,832	8,640,573	3,119,232	30,744,584
TAXATION (CREDIT) / CHARGE	-	-	30,000	30,000	3,424,135
NET (LOSS) / PROFIT being COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR	11,698,655	3,443,832	8,610,573	3,089,232	27,320,450
Earnings per Share	\$ 0.111c	\$ 0.689c	\$ 0.12c	\$ 0.618c	\$ 5.464c



FINANCE SERVICES LTD.

STATEMENT OF FINANCIAL POSITION
SIX MONTHS ENDED JUNE 30 2016

	<u>Unaudited</u> 6 Months Ended June 30, 2016 \$	<u>Unaudited</u> 6 Months Ended June 30, 2015 \$	<u>Audited</u> 12 Months Ended December 31, 2015 \$
ASSETS			
Non-Current Assets			
Property Plant & Equipment	11,066,957	15,181,139	11,480,580
Deferred Tax Assets	<u>3,429,949</u>	<u>4,389,850</u>	<u>3,429,949</u>
	<u>14,496,906</u>	<u>19,570,989</u>	<u>14,910,529</u>
Current Assets			
Loans, net of provisions for credit losses	234,151,917	249,849,919	240,984,716
Other Receivables	13,767,610	16,749,365	9,778,969
Deposits & Prepaid Expenses	2,682,410	4,327,299	2,244,282
Due from Directors	-	-	5,000,000
Cash & Cash Equivalents	<u>67,254,017</u>	<u>142,943,998</u>	<u>66,973,001</u>
	<u>317,855,954</u>	<u>413,870,581</u>	<u>324,980,968</u>
TOTAL ASSETS	<u>332,352,860</u>	<u>433,441,570</u>	<u>339,891,497</u>
EQUITY AND LIABILITIES			
Issued Share Capital	195,903,128	5,000,000	5,000,000
Accumulated Deficit	<u>(3,322,026)</u>	<u>(36,163,817)</u>	<u>(11,932,599)</u>
	192,581,102	(31,163,817)	(6,932,599)
Non Current Liabilities			
Notes Payable to Related Company	-	184,045,491	194,045,491
Notes Payable	82,442,331	106,692,331	93,192,331
Bank Loans	<u>-</u>	<u>29,392,572</u>	<u>-</u>
	<u>84,692,331</u>	<u>320,130,394</u>	<u>287,237,822</u>
Current Liabilities			
Accrued Liabilities	12,543,178	51,271,210	16,066,842
Current Portion of Bank Loan	6,292,224	57,192,597	11,011,392
Bank Overdraft	38,494,025	36,011,186	30,103,806
Taxation Payable	<u>-</u>	<u>-</u>	<u>2,404,234</u>
	<u>57,329,427</u>	<u>144,474,993</u>	<u>59,586,274</u>
TOTAL EQUITY AND LIABILITIES	<u>332,352,860</u>	<u>433,441,570</u>	<u>339,891,497</u>



FINANCE SERVICES LTD.

**STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2016**

	<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>TOTAL</u>
	\$	\$	\$
Balance at December 31, 2015	5,000,000	(11,932,599)	(6,932,599)
Issue of Shares	190,903,128	-	190,903,128
Net Profit, being Comprehensive Income for the Period	-	8,610,573	8,610,573
	<hr/>	<hr/>	<hr/>
Balance as at June 30, 2016	195,903,128	(3,322,026)	192,581,102
	<hr/>	<hr/>	<hr/>
Balance as at December 31, 2014	5,000,000	(39,253,049)	(34,253,049)
Net Profit, being Comprehensive Income for the Period	-	3,089,232	3,089,232
	<hr/>	<hr/>	<hr/>
Balance as at June 30, 2015	5,000,000	(36,163,817)	(31,163,817)
	<hr/>	<hr/>	<hr/>



STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2016

	<u>Unaudited</u> 6 Months Ended June 30, 2016 \$	<u>Unaudited</u> 6 Months Ended June 30, 2015 \$	<u>Audited</u> 12 Months Ended December 31, 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Interest & Taxation	14,827,946	16,026,928	48,652,495
Adjustments for items not affecting cash resources			
Depreciation	1,439,568	1,409,560	2,879,120
Unrealized foreign exchange losses	-	(1,360)	(474,955)
Deferred Taxation	-	-	959,902
	<u>16,267,514</u>	<u>17,435,128</u>	<u>52,016,562</u>
Increase / (Decrease) in Operating Liabilities			
Loans and Other Receivables	(739,493)	(15,423,049)	9,137,507
Deposit	(438,128)	(2,153,017)	(70,000)
Due from Directors	5,000,000	9,046,957	4,046,957
(Decrease) / Increase in Operating Liabilities			
Accrued Liabilities	2,773,323	(3,075,399)	52,693,183
Cash provided by Operating activities	22,863,216	5,830,620	12,437,843
Interest Paid	(6,783,180)	(12,068,568)	(15,169,967)
Taxation Paid	<u>(2,404,234)</u>	<u>(690,000)</u>	<u>(750,000)</u>
Net Cash (used in) provided By Operating Activities	13,670,802	(6,927,948)	(3,482,124)



FINANCE SERVICES LTD.

STATEMENT OF CASH FLOWS (CONT'D)
SIX MONTHS ENDED JUNE 30, 2016

	<u>Unaudited</u> 6 Months Ended June 30, 2016 \$	<u>Unaudited</u> 6 Months Ended June 30, 2015 \$	<u>Audited</u> 12 Months Ended December 31, 2015 \$
CASH FLOWS FROM			
 INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	(764,240)	(4,254,928)	(2,023,929)
Net Cash used in Investing activities	<u>(764,240)</u>	<u>(4,254,928)</u>	<u>(2,023,929)</u>
CASH FLOWS FROM			
 FINANCING ACTIVITIES			
Proceeds of Share Issue	190,903,128	-	-
Loans received from related company	-	-	10,000,000
Repayment of Bank loans	(7,123,402)	(3,333,336)	55,421,196
Proceeds from Bank Loans	-	53,310,081	33,157,500
Repayment of Related Company	(194,045,491)	-	-
Repayment of Notes Payable	<u>(10,750,000)</u>	<u>(10,500,000)</u>	<u>(24,000,000)</u>
Net Cash Used in Financing Activities	<u>(21,015,765)</u>	<u>39,476,746</u>	<u>(36,263,696)</u>
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS	8,109,203	28,293,869	(41,769,749)
CASH & CASH EQUIVALENTS – Beginning of the Quarter / Year	<u>36,869,195</u>	<u>78,638,943</u>	<u>78,638,944</u>
CASH & CASH EQUIVALENTS – End of the Quarter / Year	<u>28,759,992</u>	<u>106,932,812</u>	<u>36,869,195</u>
REPRESENTED BY:			
Cash and Cash Equivalents	67,254,017	142,943,998	66,973,001
Bank Overdraft	<u>(38,494,025)</u>	<u>(36,011,186)</u>	<u>(30,103,806)</u>
	<u>28,759,992</u>	<u>106,932,812</u>	<u>36,869,195</u>



NOTES TO THE FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2016

1. IDENTIFICATION

ISP Finance Services Limited (the “Company”) is incorporated in Jamaica under the Jamaican Companies Act. The Company is domiciled in Jamaica with its registered office at 17 Phoenix Avenue, Kingston 10. The principal activity of the Company is granting of commercial loans and personal short term loans.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 and should be read in conjunction with the Company’s financial statements for the Year Ended December 31, 2015 that 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Depreciation

Property, plant and Equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these items. Depreciation is calculated on a straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated lives

The rates of depreciation in use are:

Leasehold Improvements	-	20%
Furniture and Equipment	-	10%
Computers	-	20%



(b) Loans

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

(c) Revenue

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. ISSUED SHARE CAPITAL

The Company successfully issued 97,982,500 shares by an Initial Public Offering through the Junior Stock Exchange in March 2016 increasing its issued share capital to J\$195,903,128.

5. LOANS, NET OF PROVISION FOR CREDIT LOSSES

Loans consist of unsecured notes due from the Company's clients. The notes vary in tenure from two months to twelve months with an average term of seven months.

	<u>Unaudited</u> June 30, 2016 \$	<u>Unaudited</u> June 30, 2015 \$	<u>Unaudited</u> December 31, 2015 \$
Loans	304,682,848	302,635,070	303,943,355
Less: Provision for Credit Losses	<u>(70,530,931)</u>	<u>(52,785,151)</u>	<u>(62,958,639)</u>
Loans, net of provision for Credit Losses	<u>234,151,917</u>	<u>249,849,919</u>	<u>240,984,716</u>



6. TAXATION

The successful listing of the Company on the Junior Stock Exchange on March 30, 2016 qualifies it for exemption from Income Tax for a period of five years provided the shares remain listed on the Exchange for at least 15 years.

7. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the period by the weighted average number of shares in issue for the period.

8. RECONCILIATION OF INCOME STATEMENT TO CASH FLOW

	<u>Unaudited</u> June 30, 2016 \$	<u>Unaudited</u> June 30, 2015 \$	<u>Unaudited</u> December 31, 2015 \$
Net Profit / (Loss) for the period	8,610,573	3,089,232	27,320,450
Minimum Business Tax	-	-	-
Current Year tax charge	<u>-</u>	<u>-</u>	<u>2,464,234</u>
Profit / (Loss) before Interest	8,610,573	3,089,232	29,784,684
Interest Expense	<u>6,217,373</u>	<u>12,937,696</u>	<u>18,867,811</u>
Profit before Interest & Tax	<u>14,827,946</u>	<u>16,026,928</u>	<u>48,652,495</u>

9. RE-STATEMENT OF SHARE CAPITAL

An adjustment has been made to the Share Capital figure reported in the 1st Quarter 2016. In keeping with IFRS requirements, IPO expenses were reversed in the current reporting period, with a corresponding adjustment to Share Capital – refer Note 4.



ISP FINANCE SERVICES LIMITED

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT JUNE 30, 2016

	<u>SHAREHOLDER</u>	<u>UNITS</u>
1.	Gencorp Limited	51,017,500
2.	Sunfisher Corporation	45,832,500
3.	Dennis Smith	3,500,000
4.	Primrose Smith	1,500,000
5.	Rezworth Burchenson	482,586
6.	Mary Angela Robertson	211,689
7.	Lindol Limited	160,862
8.	Ryan Chung	160,862
9.	Colando Hutchinson and/or Francis Hutchinson	103,368
10.	Diyal R. Fernando	75,000

SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES AS AT JUNE 30, 2016

<u>Directors</u>	<u>Shareholding</u>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	75,000
<u>Senior Managers</u>	
Seymour Smith	75,000
Wycliffe McDonald	15,000
<u>Connected Parties</u>	
Gencorp	51,017,500
Sunfisher Corporation	45,832,500