



FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

1st QUARTER ENDED MARCH 31, 2020



**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020**

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**ISP FINANCE SERVICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020**

DIRECTORS' REPORT TO STOCKHOLDERS

The Board of Directors of ISP Finance Services Limited (ISP) is pleased to present the Company's unaudited financial results for the 1st Quarter ended March 31, 2020.

The Company's operating income decreased by 0.7% or \$571k to \$85.6 million in the reporting period over the corresponding first quarter in 2019.

The Company's net profit for the 1st Quarter of 2020 was \$10.5 million, a decrease of \$5.4 million over the same period last year or a decrease of 34.1%.

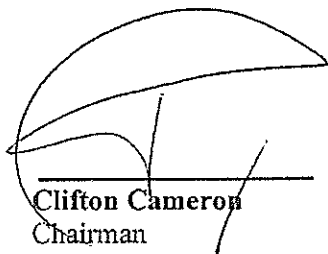
Earnings per share declined from J\$0.15c per share in the 1st Quarter of 2019 to J\$0.10c per share in the 1st Quarter of 2020.

The total assets of the Company grew by \$40.4 million to \$684.2 million which represents a 6.3% increase over the comparative period. The Company's loan portfolio grew by 7.9% over the review period moving to \$616.8 million at March 31, 2020 from \$571.7 million at the end of March 31, 2019.


The impact of the Covid-19 Pandemic is likely to impact the 2nd Quarter results. The Company has taken pro-active steps to promote the it's loan products on-line in light of Covid-19 guidelines of social distancing and work-at-home.

The Company has maintained its cost of operations relative to the growth in the business while meeting greater customer demands. The newly established customer sales contact center is our focus as this will result in the development of new products and markets across several delivery channels.

The Company would like to thank all our members of staff for their commitment, our customers for their loyalty and our shareholders for their continued show of confidence.



Clifton Cameron
Chairman



Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020

	Unaudited Three Months Ended March 31, 2020 \$	Unaudited Three Months Ended March 31, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
OPERATING INCOME			
Interest income from loans	85,653,543	86,224,554	367,064,539
Interest income from banks and other receivables	-	-	129,952
Total interest income	<u>85,653,543</u>	<u>86,224,554</u>	<u>367,197,002</u>
Interest expenses	6,912,289	7,588,622	31,507,155
Net interest income	<u>78,741,254</u>	<u>78,635,932</u>	<u>335,689,847</u>
Commission expenses on loans	<u>(2,496,141)</u>	<u>(695,652)</u>	<u>(2,716,750)</u>
	76,245,113	77,940,280	332,973,097
Other operating income			
Foreign exchange gain	(97,313)	-	46,428
Service fees	-	-	0
Other income	214,517	650	75,034
	<u>117,204</u>	<u>650</u>	<u>121,462</u>
	<u>76,362,317</u>	<u>77,940,930</u>	<u>333,094,559</u>
OPERATING EXPENSES			
Staff costs	32,574,855	31,728,445	122,054,788
Allowance for credit losses	8,903,068	8,000,000	87,635,187
Depreciation expense	1,300,159	1,306,390	5,216,331
Other operating expenses	23,046,956	20,920,558	95,065,406
	<u>65,325,038</u>	<u>61,955,393</u>	<u>309,971,712</u>
Profit before taxation	<u>10,537,278</u>	<u>15,985,537</u>	<u>23,122,847</u>
Taxation charge	<u>-</u>	<u>-</u>	<u>180,081</u>
Net profit	<u>10,537,278</u>	<u>15,985,537</u>	<u>22,942,766</u>
Other comprehensive income that may be reclassified to profit and loss			
Revaluation of property, plant and equipment	-	-	0
Total comprehensive income for the year	<u>10,537,278</u>	<u>15,985,537</u>	<u>22,942,766</u>
 Earnings per share (\$)	 <u>0.10</u>	 <u>0.15</u>	 <u>0.22</u>



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
THREE MONTHS ENDED MARCH 31, 2020

	Unaudited Three Months Ended March 31, 2020 \$	Unaudited Three Months Ended March 31, 2019 \$	Audited Twelve Months December 31, 2019 \$
ASSETS			
Cash and cash equivalents	20,250,083	17,189,591	22,813,071
Loans net of provisions for credit losses	616,807,434	571,728,178	627,262,191
Other receivables	17,642,661	21,310,005	2,892,001
Deposit	496,600	441,600	496,600
Due from related party	5,017,700	5,017,700	5,011,159
Due from director	-	1,682,379	-
Deferred tax assets	-	-	-
Property, plant and equipment	23,995,181	26,432,235	24,723,435
TOTAL ASSETS	684,209,658	643,801,688	683,198,457
LIABILITIES AND EQUITY			
LIABILITIES :			
Accounts payable and other liabilities	26,669,513	32,986,034	36,371,239
Secured corporate bond and promissory note	256,148,282	220,564,580	255,570,634
Notes payable	46,093,339	52,978,181	46,846,381
Deferred tax liabilities	1,075,849	895,768	1,075,849
	329,986,983	307,424,563	339,864,103
EQUITY			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	11,052,413	11,052,413	11,052,413
Accumulated surplus	147,267,134	129,421,584	136,378,813
	354,222,675	336,377,125	343,334,354
TOTAL EQUITY AND LIABILITIES	684,209,658	643,801,688	683,198,457

Clifton Cameron
Chairman

Dennis Smith
Chief Executive Officer



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2020

	Share Capital \$	Revaluation Surplus \$	Accumulated Surplus \$	Total \$
Balance as at December 31, 2019	195,903,128	11,052,413	136,729,856	343,685,397
Other comprehensive income				
Net profit for the period	-	-	10,537,278	10,537,278
Total comprehensive income	-	-	10,537,278	10,537,278
Balance as at March 31, 2020	195,903,128	11,052,413	147,267,134	354,222,675
Balance as at December 31, 2018	195,903,128	11,052,413	113,436,047	320,391,588
Other comprehensive income				
Net profit for the period	-	-	15,985,537	15,985,537
Total comprehensive income	-	-	15,985,537	15,985,537
Balance as at March 31, 2019	195,903,128	11,052,413	129,421,584	336,377,125



ISP FINANCE SERVICES LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020

	Unaudited Three Months Ended March 31, 2020 \$	Unaudited Three Months Ended March 31, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	17,449,567	23,574,159	54,449,921
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	1,300,159	1,306,390	5,216,331
Unrealized foreign exchange gain	97,313	-	(46,428)
Bond amortization	584,488	1,179,628	6,199,535
Deferred taxation	-	-	180,081
	<u>19,431,527</u>	<u>26,060,177</u>	<u>65,999,440</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(4,393,216)	(28,934,548)	(66,050,557)
Deposit	-	(46,600)	(101,660)
Due from related party	(6,541)	-	6,541
Due from director	-	(650,000)	1,032,379
Increase /(decrease) in operating liabilities:			
Accounts payables and other payables	(9,918,926)	13,055,835	18,798,892
Cash provided by/(used in) operating activities	<u>5,112,844</u>	<u>9,484,864</u>	<u>19,685,095</u>
Interest paid	(6,491,311)	(5,230,771)	(31,507,155)
Taxation paid	-	-	-
Net cash provided by/(used in) operating activities	<u>(1,378,467)</u>	<u>4,254,093</u>	<u>(11,822,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(431,478)	(2,228,407)	(4,429,548)
Net cash (used in)/provided by investing activities	<u>(431,478)</u>	<u>(2,228,407)</u>	<u>(4,429,548)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable			30,000,000
Proceeds from issuance of bond			232,000,000
Repayment of bond	-	-	(232,013,854)
Repayment of notes payable	(753,042)	(1,320,000)	(7,451,800)
Net cash used in financing activities	<u>(753,042)</u>	<u>(1,320,000)</u>	<u>22,534,3460</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS -	(2,562,988)	705,686	6,282,738
CASH AND CASH EQUIVALENTS -Beginning of the year	22,813,071	16,483,905	16,483,905
Exchange and gains on foreign cash balance			46,428
CASH AND CASH EQUIVALENTS - End of the quarter	<u>20,250,083</u>	<u>17,189,591</u>	<u>22,813,071</u>
REPRESENTED BY:			
Cash and cash equivalents	<u>20,250,083</u>	<u>17,189,591</u>	<u>22,813,071</u>



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL
STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020

1. IDENTIFICATION

ISP Finance Services Limited (the "Company") is incorporated in Jamaica under the Jamaican Companies Act (the Act).

On March 30, 2016, ISP Finance Services Limited became a public listed entity on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income taxes for the first five (5) years and fifty percent (50%) remission for the following 5 years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

The Company is domiciled in Jamaica, with its registered office at 17 Phoenix Avenue, Kingston 10.

The principal activity of the Company is the granting of commercial loans and personal short term loans.

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act. There have been no changes in accounting policies since the most recent audited accounts as at December 31, 2018.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Property, plant and equipment

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

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



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL
STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020

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

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

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

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

The rates of depreciation in use are:

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

b) Loans and other receivables

Loans

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

Other receivables

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

Allowance for impairment losses on loan receivables

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

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

Bad debts are written off when identified.



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL
STATEMENTS

THREE MONTHS ENDED MARCH 31, 2020

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

c) Income

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

4. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES

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

	Unaudited Three Months Ended March 31, 2020 \$	Unaudited Three Months Ended March 31, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
Loans	785,161,812	702,000,349	757,754,023
Less:			
Provision for credit losses	<u>(168,354,378)</u>	<u>(130,272,170)</u>	<u>(118,261,909)</u>
	<u>616,807,434</u>	<u>571,728,179</u>	<u>639,492,114</u>

5. SHARE CAPITAL

	Unaudited Three Months Ended March 31, 2020 Number (‘000)	Unaudited Three Months Ended March 31, 2019 Number (‘000)	Audited Twelve Months Ended December 31, 2019 Number (‘000)
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>

	Unaudited Nine Months Ended March 31, 2020 \$	Unaudited Nine Months Ended March 31, 2019 \$	Audited Twelve Months Ended December 31, 2019 \$
Issued and fully paid:			
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000	5,000,000
51,017,500 Ordinary shares at \$2 per share	102,035,000	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share	97,965,000	97,965,000	97,965,000
Less: Share issue costs	<u>(9,096,872)</u>	<u>(9,096,872)</u>	<u>(9,096,872)</u>
	<u>195,903,128</u>	<u>195,903,128</u>	<u>195,903,128</u>



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL
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THREE MONTHS ENDED MARCH 31, 2020

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. SECURED NOTE

During the quarter ended December 31, 2018, the Company issued a secured note. The note attracts an interest rate of 12% per annum during the period commencing with the Issue Date to August 2019, and thereafter 13% per annum. Interest is paid on a quarterly basis. The note matures on September 3, 2021. The note is secured by the fixed and floating assets of the Company.

8. TAXATION

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

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



ISP FINANCE SERVICES LIMITED
NOTES TO THE UNAUDITED FINANCIAL
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THREE MONTHS ENDED MARCH 31, 2020

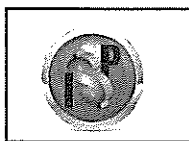
9. EARNINGS PER SHARE

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

	Unaudited Twelve Months Ended March 31, 2020	Unaudited Twelve Months Ended March 31, 2019	Audited Twelve Months Ended December 31, 2019
Net profit	\$ 10,537,278	15,985,537	22,942,766
Weighted average number of shares	No. 105,000,000	105,000,000	105,000,000
Earnings per share	\$ 0.10	0.15	0.22

10. PROFIT BEFORE INTEREST AND TAXATION

	Unaudited Three Months Ended March 31, 2020	Unaudited Three Months Ended March 31, 2019	Audited Twelve Months Ended December 31, 2019
	\$	\$	\$
Net profit for the period	10,537,278	15,985,537	23,122,847
Current year taxation charge	-	-	180,081
Profit before interest	6,037,278	15,985,537	22,942,766
Interest expense	6,912,289	7,588,622	31,507,155
Profit before interest and taxation	17,449,567	23,574,159	54,449,921



**ISP FINANCE SERVICES LIMITED
THREE MONTHS ENDED MARCH 31, 2020**

SCHEDULE OF TOP TEN (10) STOCKHOLDERS

	<u>SHAREHOLDER</u>	<u>UNITS</u>
1	Gencorp Limited	50,517,500
2	Sunfisher Corporation	45,832,500
3	Dennis Smith	3,500,000
4	Primrose Smith	1,500,000
5	Rezworth Burchenson - Joint holder -Valerie Burchenson	612,529
6	Bridgeton Management Services Limited	335,520
7	Virgen Advertising Limited	255,116
8	Carissa Gordon – Joint holder Marston Gordon	204,250
9	Lindoll Limited	160,862
10		

**SCHEDULE OF SHAREHOLDINGS OF DIRECTORS, SENIOR
MANAGERS AND CONNECTED PARTIES**

<u>Directors</u>	<u>Shareholding</u>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	34,350
Rosemary Thwaites	5,000
<u>Senior Managers</u>	
Seymour Smith	75,000
<u>Connected Parties</u>	
Gencorp	43,517,500
Sunfisher Corporation	45,832,500