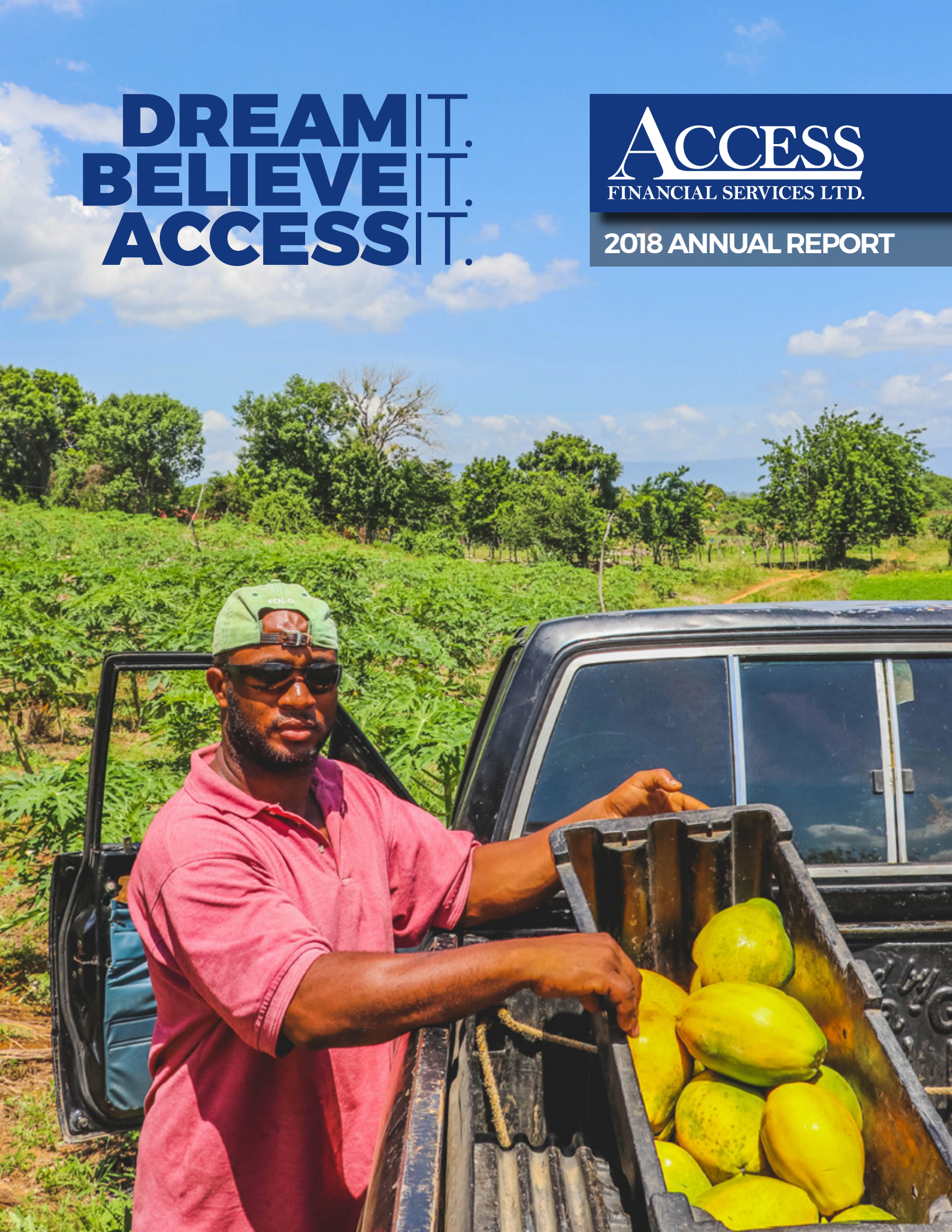
DREAM IT. BELIEVE IT. ACCESS IT.

ACCESS
FINANCIAL SERVICES LTD.

2018 ANNUAL REPORT



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OUR mission

To offer ***exceptional value*** to stakeholders by providing financial services to microentrepreneurs and individuals underserved by traditional providers. This will be achieved by a customer centric, highly competent and committed team providing superior services tailored to our customers' needs.

OUR vision

Access Financial Services Limited, the leading financial services provider, is a highly profitable employer of choice, serving exceptionally satisfied customers while being focused, innovative and prudent.

OUR core values

- INTEGRITY
- RESPECT
- ACCOUNTABILITY
- CUSTOMER FIRST
- CARING ENVIRONMENT
- CONTINUOUS IMPROVEMENT

CHAIRMAN'S STATEMENT

I am delighted to report that Access Financial Services had yet another successful year, in which we delivered excellent customer service and recorded both top line and net profit growth. The Company achieved Net profit after tax of $716 million in the financial year 2017/2018 on Total revenues of $1.7 billion.

We are indeed proud of the contribution that the Company continues to make to the development and growth of micro and small business enterprises in Jamaica and to the overall economic growth of the country. The steady growth that is being maintained is also an assurance to our shareholders of our commitment to providing them with profitable returns on their investment.

Strategically, it was a very important year for the Company as we worked towards accomplishing our vision of becoming the leading microfinance service provider. Keeping to our key strategy of complementing organic growth with loan portfolio acquisitions, we acquired the loan portfolio of Micro Credit Limited in June 2017. This has increased our share of the microfinance market and has brought on different lending methodologies that will allow us to make our services available to different customer segments. Organically, our personal and business loan portfolios continue to grow. Our Company is at a pivotal stage of its development and we are excited about the prospects that lie ahead, and prepared to seize opportunities as they arise.

As we continue to focus on growth, we are also mindful of the importance of having a motivated and capable team who are adequately prepared to respond to the ever-changing needs of our customers and the vibrant landscape in which we operate. To this end, we commit a significant amount of resources to ensure that our team members receive constant training and that they are equipped with the right tools to serve our customers efficiently.

I want to thank former board member Mr. Peter McConnell, who stepped down in January 2018, for his outstanding contribution during his time on the board, and I would like to welcome Mr. James Morrison who joined us as Non-Executive Director in January 2018.

Thank you to my fellow board members for your continued dedication. To the management team, thank you for your skillful management of the day to day operations of the company, and to our dedicated team members, thank you for the going the extra mile to satisfy our customers. I would also like to thank our customers who continue to provide us with the opportunity to serve them and for making Access Jamaica's microfinance company of choice.

Rex James
Chairman, Access Financial Services Limited

I'm a vendor selling snacks and treats to children from the Above Rocks area in St. Catherine. I started out with a small stall, but with the help of an ACCESS **Micro-Biz Loan** I was able to build a tuck shop and expand my business which allows me to offer full meals to the children.

That's my ACCESS, big up ACCESS every time!

Lorraine Campbell
Vendor

DREAM IT.
BELIEVE IT.
ACCESS IT.

CEO'S STATEMENT

I am pleased to report on the solid performance of our Company for the financial year 2017/2018. For the period, Net profit after tax was $716 million on Revenues of $1.7 billion. Total assets grew by 10%, up from $3.2 billion in 2017 to $3.5 billion in 2018. This credible performance is a result of the continued support of our customers and the dedication of our hardworking team members who unceasingly ensure that our customers' needs are satisfied. Shareholders equity for the period was $2.3 billion and earnings per share moved from $2.59 to $2.61.

During the year we achieved organic growth of our loan portfolios. Net loan portfolio grew by 12%; moving from $2.6 billion in 2017 to $2.9 billion in 2018. This growth was strengthened by the acquisition of the loan portfolio of Micro Credit Limit in June 2017, which now operates under the trade name Micro Credit Loans. The acquisition of Micro Credit Loans is a significant accomplishment as it shows our commitment to growing our asset base by expanding the Company's share of the microfinance market.

Adapting proactively to the changing economic environment has enabled us to remain competitive and relevant to our customers. With continuous fine-tuning of our products and processes, we are now delivering loans in shorter times and we are offering more convenient and affordable loan terms to our customers. In 2017/2018 we placed emphasis on enhancing the competencies and skills of team members, through orientation and training in areas that are critical to the delivery of best in class service and operational efficiency.

Outlook

We have set the stage for the expansion of the Company's loan portfolio and profitability going forward. Technology will play an integral part in the delivery of services to our customers and the maintenance of portfolio quality.

We will continue to invest in our people to promote a culture of collaboration and team spirit, where each team member feels empowered to be their best for the benefit of themselves, our customers, and shareholders.

I take this opportunity to thank all our loyal customers, hardworking team members and other stakeholders who are committed to the growth of our Company. Thank you also to the Board of Directors for their confidence in our leadership, their hard work, and continued stewardship.

Marcus James
CEO, Access Financial Services Limited

EXECUTIVE MANAGEMENT

MARCUS JAMES
BBA., MBA (HONS.)
CHIEF EXECUTIVE OFFICER

Marcus has overall responsibility for the strategic development and management of the Company and for ensuring that the strategic objectives established by the Board of Directors are achieved. Under his leadership, the Company has recorded exponential organic growth, expansion through acquisitions and increased market share of the microfinance market.

CATHERINE THOMAS
DIP. AAT., DIP. RISK AND COMPLIANCE
MANAGER – OPERATIONS & CREDIT

Catherine is responsible for strategically guiding the operations of the organisation. She is tasked with optimizing the company's operational efficiencies, enhancing distribution channels, and maximizing technological innovations to improve customer outreach.

DEVETA MCLAREN
BA., MBA
MANAGER – MARKETING & RETAIL SALES

Deveta has responsibility for the development and execution of marketing and communication initiatives to increase brand awareness, market share and enhanced customer experience. Her mandate also includes the effective execution of initiatives to drive sales in new and existing channels.

KAREN DAVIS-JOHNSON
MBA., ACCA., PMP
FINANCIAL CONTROLLER

Karen is charged with managing the Company's financial planning and reporting as well as the monitoring of the Company's performance against strategy and budget. She is also responsible for the management of the Company's treasury functions which extends to the management of liquidity and financial risk.

HUGH CAMPBELL
BBA., MBA
MANAGER – COLLECTIONS & INTERNAL CONTROL

Hugh manages the collections and compliance functions of the organisation. His mandate is to minimize the Company's credit losses by ensuring its collection processes are effective and efficient and ensuring that the Company's operations are conducted within established guidelines.

KEISHA SMITH
BA.
MANAGER – HUMAN RESOURCES & TRAINING

Keisha has responsibility for the development and efficient management of the human resources of the Company. This includes recruitment, selection and on-boarding of new employees and the enhancement of the skills of team members for optimum performance and productivity to meet organisational goals.

BOARD OF DIRECTORS

REX JAMES
B.Sc., A.C.I.B
CHAIRMAN

Rex James is a retired banker with over 40 years' experience in the banking industry. He has held the position of Managing Director of NCB Jamaica Ltd. and served as a Director of the NCB Group Ltd., NCB Insurance Services Ltd., and NCB (Investments) Ltd.

He is a Past President of the Jamaica Bankers Association and the National Investment Bank of Jamaica.

He was appointed Chairman in January 2015.

MARCUS JAMES
BBA, MBA (Hons.)
CHIEF EXECUTIVE OFFICER

Marcus James is the founder and Chief Executive Officer (CEO) of Access Financial Services Ltd.

He currently serves as the Chairman of the Postal Corporation of Jamaica Limited and Airports Authority of Jamaica (AAJ) Pension Fund. He is a board member of Tennis Jamaica and British Caribbean Insurance Company (BCIC) where he chairs the company's Investment Committee. He is a founding member of the Young Entrepreneurs Association of Jamaica (YEA) and was nominated for the 2013 Jamaica Observer Business Leader Award.

He was appointed CEO and Executive Director in 2000.

NORMAN REID
B.Sc., FLIBF, DipRB., JP
DIRECTOR/ CHAIRMAN AUDIT & COMPLIANCE COMMITTEE

Norman Reid is a retired banker with over 40 years' experience in the financial services sector, with expertise in credit analysis, underwriting, sales, internal audit, change management, operations, and training. Mr. Reid is the Chairman of Sam Sharpe Teachers College, a past Director and current Member of the Montego Bay Chamber of Commerce. He chairs the Audit Committee of the Exim Bank and is a member of the Enterprise Risk Management Committee of the Bank.

He was appointed Non-Executive Director in October 2016.

NEVILLE JAMES
BA., GradDip
DIRECTOR /MEMBER COMPENSATION COMMITTEE

Neville James is a communications consultant with broad experience in broadcasting and journalism. He has served in various leadership positions including CEO/Manager of the Private Sector Organisation of Jamaica and is a former Chairman of the Media Association of Jamaica. He currently serves on the boards of the National Crime Prevention Fund, Pals Jamaica Ltd. and Renew Ltd.

He was appointed Non-Executive Director in September 2014.

CHARMAINE BOYD-WALKER
M.Sc.
DIRECTOR/MEMBER AUDIT & COMPLIANCE COMMITTEE

Charmaine Boyd-Walker is Vice President Finance, Risk and Compliance at PROVEN Management Ltd. She has over fifteen years' experience in finance and has previously worked for Guardian Life Ltd., Jamaica Mutual Life and PricewaterhouseCoopers. She is a Director of Proven Wealth Ltd., Proven Fund Managers Ltd., and PROVEN REIT.

She was appointed Non-Executive Director in January 2015.

CHRISTOPHER WILLIAMS
B.Sc. MBA
DIRECTOR /MEMBER COMPENSATION & SPECIAL PROJECTS COMMITTEE

Christopher Williams is the President and CEO of PROVEN Management Ltd. He is a skilled senior executive with over twenty years' experience in Merchant Banking, Asset Management and Stock Brokerage in both Jamaica and the Cayman Islands, with expertise in developing and implementing competitive products and services.

He is the Chairman of the Jamaica Association for the Deaf, PROVEN REIT, The Branson Centre of Entrepreneurship and Jamaica College Foundation. He serves as Director of JAMPRO, Boslil Bank Ltd., Jamaica College Trust, Usain Bolt Foundation, Proven Wealth Ltd., and Proven Fund Managers Ltd.

He was appointed Non-Executive Director in December 2014.

DIRECTORS CONTINUED

PETER McCONNELL
BSC.
DIRECTOR/MEMBER COMPENSATION & SPECIAL PROJECTS COMMITTEE

Peter McConnell is one of Jamaica's leading agribusiness entrepreneurs and is the Managing Director of Trade Winds Citrus Ltd.; the country's largest producer and distributor of fresh fruit juices. Mr. McConnell is a director of Worthy Park Estates Ltd., Chairman of the Linstead Hospital and the Jamaica Citrus Protection Agency.

He was appointed to the Board in April 2014 and resigned in January 2018.

SHERRI MURRAY
MBA., BSc
COMPANY SECRETARY

Sherri Murray has responsibility for the operations unit of PROVEN Management Ltd., and provides strategic human resource management support for the group. She is the Company Secretary for Access Financial Services, PROVEN Management Ltd., PROVEN Wealth Ltd., and PWL Transition Ltd.

She was appointed Company Secretary in January 2015.

JAMES MORRISON
BSc., MSc., FCCA
DIRECTOR

James Morrison is a Chartered Accountant. His expertise spans the areas of accounting, auditing, corporate restructuring and company evaluations. He has held executive and senior management positions in the public and private sectors and has served as Director and Chairman of Audit and Finance committees of these entities. He recently retired from the Supreme Ventures Group as interim CEO where he previously served as Senior Vice President, Group Finance and Chief Financial Officer.

He was appointed Non-Executive Director in January 2018.

(Not pictured here)

DREAM IT. BELIEVE IT. ACCESS IT.

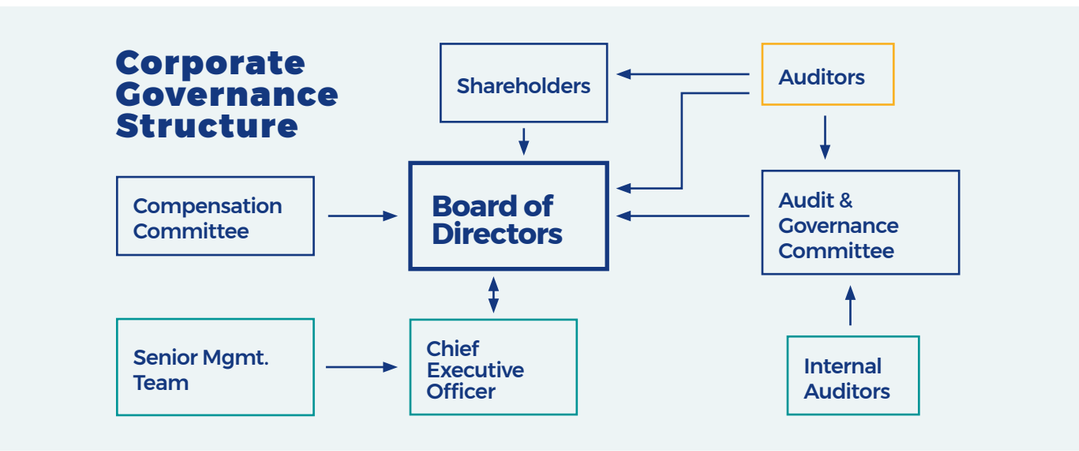
I've been in the radiator business for over 14 years. Since inception business has been good, but I was at a small location. With the help of a loan from Access Financial Services Ltd., I've been able to take my business to the next level and move to a bigger and better location.

My business is now on the right path, thanks to ACCESS. ACCESS is really there for hardworking Jamaicans. Big up ACCESS!

Curtis Halstead
Radiator Expert

CORPORATE GOVERNANCE

Access Financial Services Limited (AFSL) Corporate Governance framework directs the interaction between Shareholders, the Board of Directors, Employees and other Stakeholders. It seeks to engender confidence among stakeholders that the Company's affairs are being managed effectively and transparently. The framework subscribes to the PSOJ's Corporate Governance Code, the regulations of the Jamaica Stock Exchange, the Company's Act (2004) and is compliant with all applicable laws.



BOARD RESPONSIBILITY

Oversight responsibility for the Company's affairs is vested in the Board of Directors, who ensure that the Company's operations are conducted in accordance with the relevant statutory and regulatory structures and that Shareholders' value is maintained. Its primary oversight responsibilities are:

- Approving the strategic plans, annual budget and targets;
- Ensuring that there are adequate resources to achieve the Company's strategic objectives;
- Providing oversight to the management of the Chief Executive Officer and Senior Managers;
- Approving and monitoring of financial performance, capital expenditures, acquisitions, divestments, and credit applications above the limits of Senior Management;
- Reviewing, ratifying, and monitoring of internal controls, codes of conduct and legal compliance;
- Providing accountability to stakeholders on the management of the company.

The Board of Directors has access to independent professional advice at the Company's expense where it is deemed necessary to effectively execute its functions and responsibilities. This includes the appointment of attorney(s) to provide legal representation when necessary.

BOARD APPOINTMENT & ROTATION

The appointment of Board members is governed by the Company's Articles of Incorporation. It states that Shareholders with 20% or more of issued shares can appoint one (1) Shareholder Director. Christopher Williams is a Shareholder Director, appointed under this provision.

Directors are also appointed to fill any casual vacancy or as addition to the Board. James Morrison was appointed to fill a vacant position, after the resignation of Peter McConnell. Mr. Morrison will retire at the next Annual General Meeting but remains eligible at re-election.

Board rotation and retirement is also governed by the Company's Articles. At the first Annual General Meeting, 1/3 of the directors, except for the CEO, shall retire. The Director who has been in office longest, since their last election or appointment, shall retire. However, retiring Directors shall be eligible for re-election or re-appointment.

BOARD COMPOSITION

The Board consists of seven (7) Directors, six (6) of whom are Non-Executive and one (1) Executive. The Board Chairman and one (1) Director are independent Non-Executive Directors. Independent directors provide autonomous views and judgements to the decisions taken by the Board. The criteria for independent Non-Executive Directors are those who have not:

- Had any material business dealing with the Company, its Shareholders, Directors or any senior employee in the last three (3) years;
- Had close family ties with any of the Company's advisors, directors or senior or management team;
- Had any employer-employee relationship with the Company within the last 5 years;
- Received any additional remuneration from the Company, apart from Director's fee;
- Represented or does not represent a significant Shareholder;
- Served on the Board for more than nine (9) years from date of first election;
- Participated in the Company's pension scheme, share option plan or performance related pay scheme.

Non-Executive Directors

The Chairman

Rex James: Chairman / Independent Director (Appointed January 2015)

The Board Chairman is an Independent Director whose primary function is to lead and guide the decisions emanating from the Board. He is available to Shareholders and other Stakeholders for dialogue.

James Morrison: Independent Director (Appointed January 2018)

Christopher Williams: Non-Independent Director (Appointed January 2015)

Neville James: Non-Independent Director (Appointed January 2015)

Charmaine Boyd-Walker: Non-Independent Director (Appointed January 2015)

Peter McConnell: Non-Independent Director (Appointed April 2014 - January 2018)

Executive Director

Marcus James: Chief Executive Officer (Appointed by the Board since 2000)

Marcus James is responsible for the day to day management of the Company and the attainment of the strategic goals established by the Board of Directors.

Company Secretary

Sherri Murray: Company Secretary / Non-Independent Director (Appointed by the Board in January 2015)

Sherri Murray serves as Company Secretary upon her appointment by the Board of Directors.

	Rex James	Marcus James	Christopher Williams	Neville James	Charmaine Boyd-Walker	Peter McConnell	Norman Reid	James Morrison
Banking	✓	✓	✓		✓		✓	
Strategic Management	✓	✓	✓			✓	✓	✓
General Management	✓	✓	✓	✓		✓	✓	✓
Risk Management				✓	✓		✓	✓
HR & Education			✓	✓		✓	✓	
Finance & Audit	✓	✓			✓		✓	✓

BOARD SKILLS AND EXPERIENCE

With diverse functional expertise, educational qualification, independence, gender mix and an appropriate blend of Independent and Non-Independent Directors, the Board is satisfied that it fosters value creation.

During the year, Marcus James, Charmaine Boyd-Walker and Norman Reid attended IFRS9 training.

BOARD COMMITTEES

The Board is comprised of two (2) standing committees charged with specific duties which are aligned with AFS' strategic objectives. These Committees are:

Audit & Governance Committee

The establishment of the Audit and Governance Committee is important for the identification and effective management of risks associated with the operations of the Company. The members of the Audit and Governance Committee are: Norman Reid (Chairman), James 'Danny' Morrison, Charmaine Boyd-Walker and Marcus James. The Committee has oversight responsibility for:

i. Ensuring compliance with the governing rules of the Junior Market of the Jamaica Stock Exchange;
ii. Ensuring full compliance to statutory laws, legal principles, and regulations;
iii. Reviewing the Company's Financial Statements, ensuring that financial reporting standards are wholly satisfied;
iv. Assessing and monitoring internal audit controls and procedures; and
v. Approving risk parameters and policies.

The Internal Audit function is carried out through a co-source agreement with PricewaterhouseCoopers. For the period under review, extensive control tests were conducted, covering key strategic business areas, risk assessment and mitigation. The Audit and Governance Sub-Committee of the Board meets quarterly to review reports generated by the internal audit process and annually to review and approve the report from the external auditors.

Compensation Committee

The Board, being cognizant of the importance of remuneration to the long-term success of the Company has established a Compensation & Special Projects Committee. The committee is comprised of Christopher Williams (Chairman), and Neville James.

It is the responsibility of the Committee to:

i. Oversee the remuneration of Directors, Officers, and Employees; and
ii. Approve and monitor Special Projects being undertaken by the Company.

Meeting Attendance

DIRECTORS	ANNUAL GENERAL MEETING	BOARD MEETNGS	AUDIT & GOVERNANCE COMMITTEE	COMPENSATION COMMITTEE
Meetings Held	1	4	5	2
Marcus James	1	4	4	-
Rex James	1	4	-	-
Christopher Williams	1	4	-	2
Neville James	1	4	-	-
Charmaine Boyd-Walker	1	3	5	-
Norman Reid	1	4	5	-
Peter McConnell	1	3	-	2
James Morrison	-	1	-	-

*Peter McConnell demitted office January 2018 and James Morrison assumed office January 2018.

BOARD COMPENSATION

Compensation for meetings attended by Board members during the financial year is reflected in the table below:

Board Member	Compensation
Rex James	692,275.00
Peter McConnell	633,500.00
Norman Reid	633,500.00
Neville James	633,500.00
Total for 2018	**2,592,775.00**

RELATIONSHIP WITH SHAREHOLDERS

The Annual General Meeting of Shareholders serves as a forum through which:

i. Audited Accounts, Directors and Auditors Reports are adopted;
ii. Resolutions on dividend payments are passed; and
iii. Directors are re-elected.

The communication line between the Board and Shareholders is also facilitated through formal communication with the CEO of the Company. Relevant information is disseminated through media publications, such as press releases and publications on the Company's website, social media pages and the distribution of the Company's Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Access Financial Services is committed to maintaining a heathy balance between financial growth and the interest of its employees, customers and other stakeholders. To this end, the activities of the Company are purposely carried out to ensure its:

i. Mission and Vision are realized;
ii. Employees are appropriately trained and equipped with the right tools to effectively carry out their responsibilities;
iii. Customers' needs are consistently met in a fair and transparent manner;
iv. Shareholders' value is maintained through responsible business practices; and
v. Continuous involvement in community building activities through donations and attendance at volunteer events.

CORPORATE DATA

BOARD OF DIRECTORS

NON-EXECUTIVE

Mr. Rex H. James — Chairman
Mr. Christopher C. Williams — Director
Mr. Neville G. James — Director
Mr. Peter C. McConnell — Director
Mrs. Charmaine Y. Boyd-Walker — Director
Mr. Norman S.D. Reid — Director

EXECUTIVE

Mr. Marcus H. James
Chief Executive Officer

Mrs. Sherri Murray
Company Secretary

REGISTERED OFFICE

41B Half-Way-Tree Road
Kingston 5
Jamaica

ATTORNEYS-AT-LAW

Hart Muirhead Fatta
53 Knutsford Boulevard
Kingston 5

REGISTRAR AGENT

Jamaica Central Securities Depository Limited
40 Harbour Street
Kingston

BANKERS

Sagicor Bank Jamaica Limited

The Bank of Nova Scotia (Jamaica) Limited

National Commercial Bank (Jamaica) Limited

INTERNAL AUDITORS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Kingston

EXTERNAL AUDITORS

BDO
26 Beechwood Avenue
Kingston 5

Contact Us

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BRANCHES

Access

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Fax: 876-967-0157

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Kingston 5
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Fax: 876-906-4345

ST. CATHERINE

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Portmore Pines Plaza
Greater Portmore
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Fax: 876-949-7479

Spanish Town
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23 Wellington Street
Spanish Town
Phone: 876-764-1415
Fax: 876-749-5406

Old Harbour
Shop 17, Gateway Plaza
7 West Street
Old Harbour
Phone: 876-764-1405
Fax: 876-983-2906

Linstead
Shop 5, Island Plaza
Shopping Complex
70A Kings Street
Linstead
Phone: 876-764-1401
Fax: 876-903-2693

MANCHESTER

Mandeville
Shop F6, Reliance Centre
25-27 Manchester Road
Mandeville
Phone: 876-764-1413
Fax: 876-625-6427

Christiana
Shop 6A
Mid Town Super Centre
Christiana
Phone: 876-764-1413

CLARENDON

May Pen
Shop 12, Bargain Village Plaza
37 Main Street, May Pen
Phone: 876-764-1394
Fax: 876-902-4175

WESTMORELAND

Savanna-La-Mar
Shops 31-32
97 Great George Street
Savanna-La-Mar
Phone: 876-764-1412
Fax: 876-918-1811

ST. JAMES

Montego Bay
Shop F201, Baywest
Shopping Centre
Harbour Street, Montego Bay
Phone: 876-764-1411
Fax: 876-979-7158

ST. ANN

Ocho Rios
Shop 7, Island Plaza
Ocho Rios
Phone: 876-764-1410
Fax: 876-974-8455

Brown's Town
Shop 3, Burlington Point
2 Church Street, Brown's Town
Phone: 876-764-1399
Fax: 876-975-9369

ST. ELIZABETH

Santa Cruz
Lot 23, Santa Cruz Plaza
Santa Cruz
Phone: 876-764-1398
Fax: 876-966-4355

Black River
Shop 2, Intown Plaza
2 School Street, Black River
Phone: 876-764-1416
Fax: 876-965-2848

Junction
Shop 3C-4C, Royes
Shopping Centre
Junction
Phone: 876-764-1393
Fax: 876-965-8183

PORTLAND

Portland
Shop D6, City Centre Plaza
6-8 Harbour Street
Port Antonio

Damark

11 ½ Swallowfield Road
Kingston 5
Phone: 876-754-4850-1
Fax: 876-754-4849

Micro Credit Loans

KINGSTON

Head Office
71 Church Street
Kingston
Phone: 876-619-0856-7
Fax: 876-948-7489

ST. CATHERINE

Spanish Town
4 Cumberland Road
Spanish Town
Phone: 876-618-5900
Fax: 876-618-5900

MANCHESTER

Mandeville
Shop 15, Wesley Plaza
1 Wesley Road, Mandeville
Phone: 876-618-5897
Fax: 876-618-1754

ST. JAMES

Montego Bay
Shop 25, Oneness Plaza
38 Barnett Street, Montego Bay
Phone: 876-618-1755
Fax: 876-618-1754-5

ST. ANN

Ocho Rios
Shop #29, Point Plaza
Ocho Rios
Phone: 876-619-0995
Fax: 876-619-099

CLARENDON

May Pen
15 Main Street
May Pen
Phone: 876-618-5895

MANAGEMENT DISCUSSION & ANALYSIS

Our Financial Snapshot

PERFORMNACE REVIEW

TABLE 1: **FINANCIAL HIGHLIGHTS**

	2018	2017
Net loans and advances	$2.93B	$2.62B
Total Revenue	$1.70B	$1.40B
Net Profit After Tax	$716M	$711M
Shareholders' Equity	$2.30B	$1.83B
Earnings per Share	$2.61	$2.59

For the year ended March 31, 2018 the Company recorded net profits of $716 million and had total assets at year end of $3.5 billion. Return on average equity and Return on average assets was 35% and 21% respectively.

The financial year was characterized by increased competition within the microfinance sector as there was continued proliferation of new entrants. The increase in competition continued to result in the reduction of interest rate margins. During the period, the Micro Credit Act was drafted, and it is anticipated that it will be passed in the 2018/2019 legislative year. We also noted an increase in the use of mobile loan applications and the deployment of social media to reach consumers in response to increased demand for more convenient loan processing solutions.

Within this context, AFSL focused on three core strategic pillars to position the Company for continued growth:

a. Improved product offerings;

b. Strengthening of operational processes with specific focus on credit assessment and delinquency management;

c. Portfolio acquisition to complement organic growth;

d. Advancing the use of technology to conveniently deliver products and services to our customers.

TABLE 2: **SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA**

($'000's)	31-Dec-12	31-Dec-13	31-Dec-14	Restated 31-Mar-2016	Restated 31-Mar-2017	31-Mar-18	% change Financial Year 2018 vs. Financial Year 2017	Five- year Compounded annual Growth rate (CAGR)
Income statement								
Net interest Income	570,194	724,507	938,076	1,259,320	1,154,905	1,361,199	18%	19%
Non- interest income	63,633	55,998	65,265	211,421	247,244	343,154	39%	40%
Operating Revenue net of Interest Expenses	633,827	780,505	1,003,341	1,470,741	1,402,149	1,704,354	22%	22%
Staff Cost	160,500	226,352	251,643	323,657	299,562	382,083		
Allowance for credit losses	73,072	95,724	229,107	213,349	128,282	226,658	77%	25%
Non-interest Expenses	162,288	188,316	211,121	266,025	223,777	293,663	32%	19%
Net profit	**237,968**	**270,112**	**306,726**	**682,074**	**710,548**	**716,028**	**1%**	**25%**
Earnings per stock unit ($)	0.87	0.98	1.12	2.48	2.59	2.61	1%	25%
Dividends paid per stock unit ($)	0.45	0.96	0.37	0.71	0.65	0.89	37%	15%
Statement of Financial Position (at year end)								
Net loans and advances	760,488	1,122,862	1,085,265	2,105,123	2,619,163	2,932,176	12%	31%
Total Assets	879,897	1,271,486	1,308,706	2,639,136	3,222,430	3,518,543	9%	32%
Total Liabilities	280,922	665,927	496,618	1,340,450	1,390,885	1,215,267	-13%	34%
Total Equity	598,976	605,559	812,088	1,298,686	1,831,545	2,303,276	26%	31%

TABLE 3: **KEY RATIOS AND PER STOCK UNIT DATA**

	31-Mar-2016	31-Mar-2017	31-Mar-2018
Profitability ratios			
Return on average equity	65%	45%	35%
Return on average total assets	35%	24%	21%
Per stock unit data			
Dividend payout ratio	33%	25%	34%
Dividend yield	4%	2%	2%
Book value	4.73	6.67	8.39
Market price			
High	J$21.00	J$43.80	J$56.00
Low	J$9.50	J$16.00	J$32.00
Year End	J$17.00	J$34.00	J$50.52

Global Economic Environment

The IMF reports that globally, the year was tumultuous; characterized by a myriad of natural disasters, geopolitical tensions, and political divisions. Despite this global economic growth was positive as global trade rebounded, investment in advanced economies recovered and emerging markets grew continually. The outlook for the 2018/2019 financial year is positive notwithstanding the vulnerability of the gradual tightening of monetary policy, high levels of global indebtedness, and emerging geopolitical tensions including potential trade wars.

Both the United States and Europe grew moderately, while emerging markets such as China and India recorded above average growth. Macroeconomic influences included continued low financing costs, growth-oriented fiscal and monetary policies, strong investments driven by business confidence, and a recovery in commodity prices. The US dollar declined against other major currencies in 2017, and inflation moved towards the targeted rate of 2%. The EU region saw a better than expected performance as labour market conditions improved and domestic demand strengthened; resulting in GDP growth of 2.4%. However, continued Brexit negotiations and trade policies are potential threats to the EU's growth.

Regionally

The Caribbean Development Bank (CDB) has reported an estimated 0.6% growth for the region for the 2017 financial year. The economy of the Caribbean was severely and negatively impacted by natural disasters. The major impact came from Irma and Maria, two Category 5 hurricanes which made landfall in September. Dominica, the BVI and Antigua and Barbuda were among the worst affected islands. Nonetheless, some individual economies in the region registered growth. These include Jamaica, Suriname, Trinidad and Tobago, Grenada, St. Kitts and Nevis as well as Barbados which the CDB reported as registering modest growth. Suriname and Trinidad and Tobago economies are reported to have also benefitted from the general increases in oil prices being two of the region's producers of oil.

Inflation continued to rise for the region in 2017; a main contributor was the rise in international oil and commodity prices. The most significant increases were reported for Jamaica, Suriname, and Haiti, with 5%, 15.3% and 9.2% respectively. Regionally, inflation is estimated at 2.4% which is an increase from the 2016 rate of 0.9%. Trinidad and Tobago was however an exception as the data showed a significant fall in inflation which has been attributed to weak domestic demand.

Public debt in the region continued to be of concern in 2017. Though some countries, including Jamaica, reflected reductions in the Debt/GDP ratio, generally, public debt was high. The IMF has reported that the median fiscal deficit of central governments declined over 2016, from 0.7% of GDP to 1.6% in 2017. Also, we saw where Barbados, Trinidad and Tobago and Suriname received downgrades in their credit ratings from international credit rating agencies. There continued to be high levels of unemployment and poverty throughout the region. However, Jamaica, the Bahamas, St. Lucia, Belize and Grenada reported reductions in unemployment in 2017.

Despite the challenges of 2017, there is a positive outlook for the region as the authorities have forecasted growth of at least 2% for 2018 and 2.6% in 2019. The recovery of the energy sectors of Trinidad and Tobago and Suriname is projected to yield growth in these countries. Both St Lucia and St. Kitts and Nevis' economies are slated to benefit from further hotel and tourism investment while Jamaica's growth should be enhanced by the recovery of the agriculture sector and increased mining and construction. Also, despite the devastation brought by hurricanes Irma and Maria, it is projected that the economies of the five most affected countries will grow as reconstruction activities in those countries progress.

The forecasted outlook for the region is a 2% – 2.6% growth annually over the next two years.

Locally

Jamaica's economy experienced growth of 1.4% in 2016" and real GDP for 2017/18 is estimated at 0.9%. According to the PIOJ, growth was tempered due to the impact of heavy rains in the first half of the year that negatively impacted agriculture as well as delays in restarting the production of bauxite and alumina. Notwithstanding this, Jamaica's economy is projected to continue along a path of growth. This is mainly based on government's persistence in economic reform and stability through debt reduction and GDP growth. These efforts have reaped some success as the country has received improved credit rating from credit rating agencies, bonds are trading at a premium on the international market and there has been a decline in the country's debt to GDP ratio from 147% in 2012/13 to 115% for 2017/18. Inflation however rose to over 5% in 2017 coming from 1.7% in 2016, but in line with the government's target of keeping it below 6%. The primary reason for the increase in inflation was the close to 40% increase in international oil prices and the hike in the costs of agricultural produce due to the prolonged period of rain.

Other positives for the Jamaican economy included increase in the NIR and the rate of employment and the reduction in the rate of depreciation of the local currency against the US dollar. It was reported at the end of December 2017 that the non-borrowed international foreign exchange reserves of US$2.5 billion was the highest ever recorded.

The Jamaican dollar was relatively stable during the year. It depreciated by a little over 1% against its US counterpart. This is a considerable improvement considering the historic range of between 4% to 6% depreciation (7.7% in 2015/2016). This stability was primarily achieved due to the BOJs implementation of B-FXITT.

In 2017 there was a reduction in the unemployment rate, particularly the youth unemployment rate which fell by 7% to a ten year low of 25.4%. The overall employment rate increased by 2.3% in 2017 with Statin reporting that the unemployment rate fell from 12.9% in October 2016 to 10.4% in October 2017.

The government continues its focus on promoting and implementing policies that should result in further improvements in fiscal control, increased and sustained economic growth and development. It is also targeting continued reduction in debt to GDP and interest rates. Jamaica's prospects remain positive.

Within the context of an increasingly competitive environment marked by eroding margins, the Company's financial results reflected relatively steady performance with net profits of $716 million.

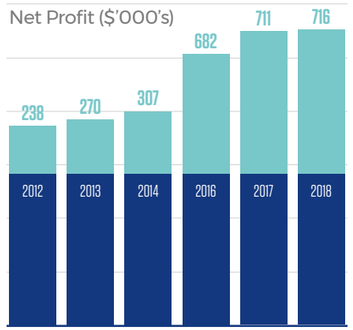
FINANCIAL PERFORMANCE

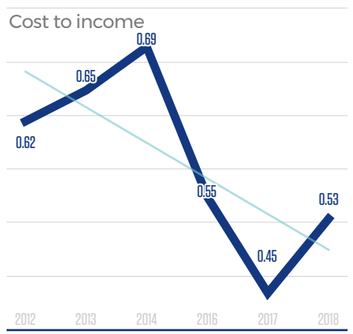
Within the context of an increasingly competitive environment marked by eroding margins, the Company's financial results reflected relatively steady performance with net profits of $716 million. This represents a 1% increase over the 2017 financial year.

During the period the main focus was on our core strategic pillars which saw the proactive adaptation to changing market forces to competitively position the company and to meet customer demands.

Operating income grew by $302 million or 22%, to $1.7 billion for the financial year ended March 31, 2018. This growth resulted from a renewed thrust to increase sales and improve productivity. The growth was driven by increases in interest income of 16% or $200 million and growth of Net fees and commission to $314 million, which was up by 42% over the 2017 financial year.

Operating expenses of $902 million increased by $250 million or 39% when compared to the prior financial period as a result of the cost associated with increasing our portfolio size through acquisitions.





OPERATING INCOME

Operating income for the financial year ended March 2018, totaled $1.7 billion; representing an increase of $302 million or 22% over the March 2017 financial period. This comprises mainly net interest income, net fees and commission, gains on foreign exchange and grant income. Gross interest income excluding interest expense and fees and commission was $1.5 billion, an increase of $199 million or 16%.

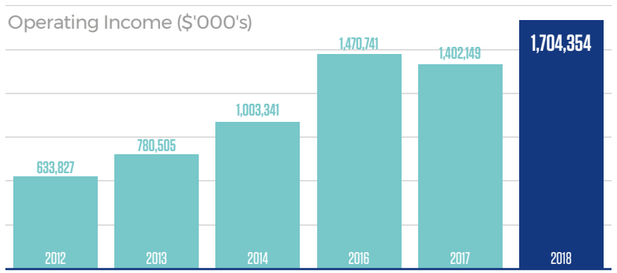
The two largest income generators were gross interest income and net fees and commission. These contributed 80% and 18% respectively to total operating income.

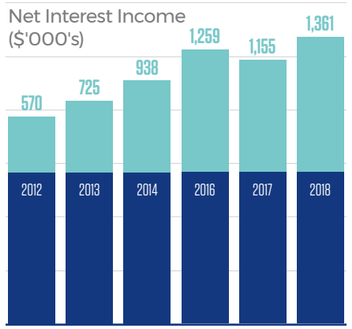
Net interest income on loans of $1.4 billion reflected an increase of $206 million or 18%. Interest from securities grew by 18%.

Cost of funds over the financial year remained stable. Interest expense at March 2018 of $106 million decreased by $6.2 million or 5% as loans payable was reduced by 14%.

Non-interest income as at March 2018 totaled $343 million, an increase of $96k or 39% over prior year March 2017.

- Net fees and commission of $314 million grew by $92 million or 42% in tandem with growth in our loan portfolio.
- During the financial year the Jamaican dollar experienced significant swings. The dollar ranged from a low of JMD124.93: USD$1 to a high of JMD130.49: USD$1. This along with the pay out of a major USD loan receivables balance resulted in a significant reduction in the gains from foreign exchange. Foreign exchange gains for the period was $1.3 million, a reduction of $15 million compared to the prior period.
- Other income of $26 million saw a significant increase due to one-off income from intercompany transactions, earned income from projects, and gain and loss on the disposal of assets.





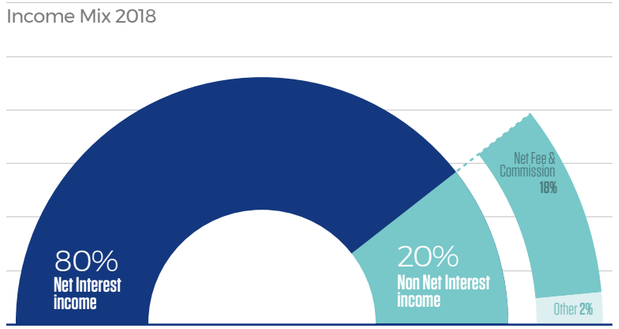
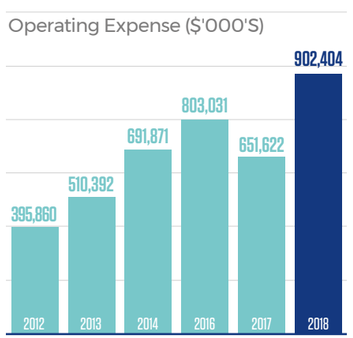


TABLE 4: **NON-INTEREST INCOME**	31-Mar-2018 $'M	% of Total	31-Mar-2017 $'M	% of Total
Net fees and commission	314	92%	222	90%
Money services fees and commission	1	0%	2	1%
Foreign exchange gains	1	0%	16	7%
Other income	26	8%	7	3%
Total	**343**		**247**	

Operating Expenses

Total operating expenses totaling $902 million at March 2018; an increase of $251 million or 39% when compare to the 2017 financial year.

- Staff Cost increased by 28% due to the increase in staff complement associated with the acquisition of Micro Credit Limit. The acquisition resulted in the addition of six (6) branches to our network.
- Allowance for credit losses increased by $98 million or 77% as 2017 saw a writeback of provision associated with reduced exposure to some high-risk market segments for which a special provision was being accrued.
- Other Operating Expenses increased by $74 million or 38%.
  - Rent expense increased by $11 million or 28% due to incremental inflationary increase and the addition of six (6) MCL branch locations.
  - Legal and professional fees increased by $19 million or 81%. This represents the cost of professional CIO services.
  - Insurance cost increased due to increased branch locations.
  - Security cost increased by $5.4 million or 151% due additional branches and revised security fee structure.
  - Bailiff fees increased by $3 million or 40% as a result of an increase in the number of collections agents.



- During the period we concluded our green energy project with the IDB and launched our green loan product. This resulted in charges of $9.9 million, an increase of $9.5 million in Project cost.

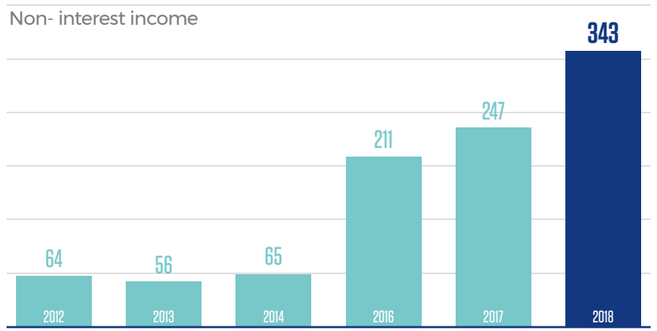


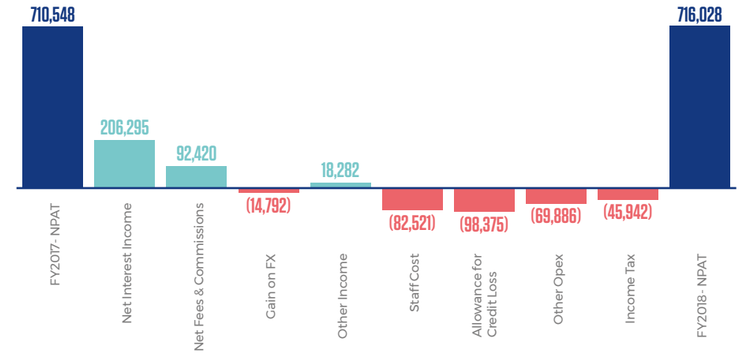
TABLE 5: EXPENSE BY TYPE	2018 $'M	% of Total %	2017 $'M	% of Total %
Rent	51,994,863	18.93%	40,675,876	20.32%
Utilities	48,090,870	17.51%	36,650,181	18.31%
Other expenses	19,732,069	7.19%	14,847,765	7.42%
Advertising	21,212,327	7.72%	27,373,974	13.67%
Legal and professional fees	42,515,483	15.48%	23,587,223	11.78%
Courier and collection services	24,544,196	8.94%	20,291,117	10.14%
Printing and stationery	14,481,003	5.27%	12,623,861	6.31%
Repairs and maintenance	10,280,996	3.74%	12,377,891	6.18%
Insurance	4,346,996	1.58%	2,660,162	1.33%
Bank charges	6,491,840	2.36%	4,406,089	2.20%
Security	8,969,031	3.27%	3,578,930	1.79%
Audit fees	3,200,000	1.17%	3,060,200	1.53%
Travel and entertainment	3,931,311	1.43%	2,921,058	1.46%
Directors' fees	2,592,775	0.94%	1,795,325	0.90%
Motor vehicle expenses	1,408,441	0.51%	673,662	0.34%
Bad debt recoverable	-18,141,068	-6.61%	-22,448,326	-11.21%
Subscriptions & Donations	3,734,067	1.36%	3,062,012	1.53%
Cleaning and sanitation	4,490,391	1.64%	3,935,089	1.97%
Baliff	10,884,872	3.96%	7,790,569	3.89%
Project Cost	9,864,491	3.59%	339,481	0.17%
Total	**274,624,954**	**100.00%**	**200,202,139**	**100.00%**

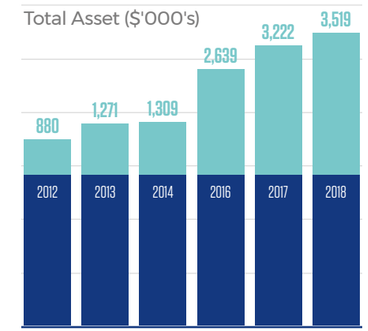
Net Profit

Net profit totaled $716 million at March 2018, an increase of $5.5 million or 1% year over year. Interest income contributed $206 million to these results. Earnings per share (EPS) for the period was $2.61, an increase of $0.02 or 1% over the prior year.

Total assets as at March 2018 were $3.51 billion, an increase of $296 million or 10% over March 2017. The increase in Total assets is due mainly to the increase in the loan portfolio. On 19 June 2017, the company entered into an agreement to purchase the assets of Micro Credit Limited with effective date of 1st April 2017. The transaction was recorded as a business combination under IFRS 3 using the acquisition method. The purchased loan book represents 3% of AFS' Net loans and advances. The MCL portfolio adapts the Latin American "solidarity group" micro-credit lending methodology whereby applicants form groups and individual loans are co-guaranteed by all group members.

Return on average total assets was 21%. This is a decrease of 3%, due primarily to the growth in the asset base of 10% and growth in the Net profit for the period March 2018. It is anticipated that the return from assets employed in the business will increase in the next fiscal period as we put the requisite infrastructure in place.



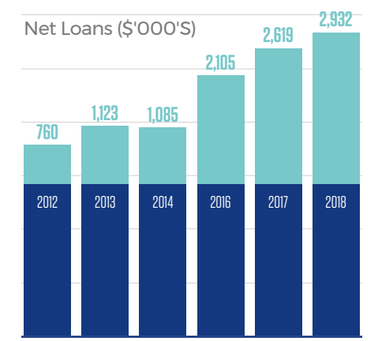


Cash and cash equivalents at March 2018 of $316 million represents operating balances and short- term deposits held with financial institutions.

Loans and advances net of provision for credit losses as at March 2018 was $2.9 billion, an increase of $313 million or 12% compared to March 2017. We saw notable increases in loans to the agricultural and trading sectors.

TABLE 6: **LOAN PORTFOLIO DETAILS**	2018 ($'M)	% of Total	2017 ($'M)	% of Total
Personal	2,917	86.00%	2,399	78.00%
Business Loans				
Agriculture	50	1.00%	39	1.00%
Services	206	6.00%	448	15.00%
Trading	215	6.00%	176	6.00%
Manufacturing	3	0.00%	14	0.00%
Total	**3,391**	**100.00%**	**3,076**	**100.00%**

Gross loans 30 days past due as at March 2018, totaled $748 million; an increase of $229 million or 45% when compared to the prior period ended March 2017. Gross loans aged 3 to 12 months past due totaled $400 million; an increase of $128 million or 46%. Impairment provision as at March 2018 totaled $459 million; an increase of $1.5k or 0.01% when compared to



March 2017. The provision at March 2018 represents 62% of the total gross loans past due with the value of loans past due aged 3 to 12 months being fully provided for, compared to 89% for the prior period ended March 2017.

Provision for loan loss saw marginal movement despite the increase in allowance of $226 million during the period. This is due to the writing off of loans valuing $224 million. We continue to actively pursue collection of these written off loans.

TABLE 7: **IMPAIRMENT LOSSES ON LOANS AND ADVANCES**

	2018		2017	
	Gross impairment	Impairment	Gross impairment	Impairment
Current	2,642,913,487		2,557,717,055	
1 to 3 months past due	347,922,996	58,660,579	246,698,064	185,252,577
3 to 12 months past due	399,924,870	399,924,870	271,803,628	271,803,628
	3,390,761,353	**458,585,449**	**3,076,218,747**	**457,056,205**

As at March 2018, the Company's total debt was $965 million; a decrease of $166 million or 14% compared to March 2017. This decrease resulted from the closure of the Proven loan facility. The debt portfolio consists of both short and long- term facilities. Long-term facility as at March 2018 accounted for 75% of total debt.

TABLE 8: **FUNDING PORTFOLIO**	2018 $'M	% of Total	2017 $'M	% of Total
Corporate Bond Holders	200	21%	200	18%
Sagicor Bank Jamaica Limited	57	6%	127	12%
Development Bank of Jamaica Limited	612	63%	543	48%
Micro Investment Development Agency	22	2%	27	2%
Proven Investments Limited	0	0%	150	13%
Inter-American Development Bank	74	8%	84	7%
Total	**965**	**100%**	**1,131**	**100%**

The company's equity base at March 2018 grew to $2.3 billion at the end of the financial year. This represents an increase of $472 million or 26% when compared to the prior period. The return on average equity as at March 2018 was 35% compared to 45% as at March 2017. The reduction is due to erosion on the profit lines for loan loss provision.

Dividends & Shareholder's Return

Dividends paid during the financial year 2018 was $244 million; $66 million or 37% above dividends paid for the prior period ended March 2017. This resulted in a per share dividend of $0.89; an increase of $0.24.

The dividend pay-out ratio for the financial year was 34%. The share price on the Jamaica Stock Exchange (JSE) as at March 31, 2018 was $50.52 an increase of $11.02 or 28% when compared to the prior period ended March 2017. This resulted in a price earnings ratio of $19.37 (March 2017 - $15.26). Total return to shareholders including share price appreciation and dividends paid was 37%.

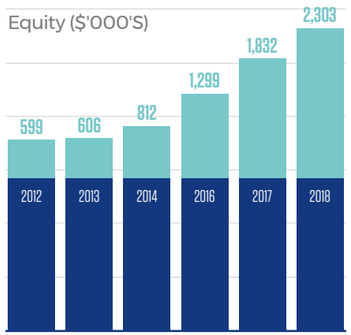


TABLE 9: **TOTAL SHAREHOLDER RETURN**

	2012	2013	2014	2016	2017	2018	Five Year CAGR (%)
Closing price of Common Shares ($ per share)	6.20	12.00	8.96	17.00	39.50	50.52	52%
Dividends Paid ($ per share)	0.45	0.96	0.37	0.71	0.65	0.89	15%

Risk Management

We continue to employ best practices in the management of the risk that the company faces. Our risk management structure and the defined process for the identification of risk are two integral aspects of this practice.

Risk Management Structure

Our risk management structure includes the oversight of the Board of Directors, defined process to identify, measure and monitor risk and a strong senior management team.

The Board of Directors continue to lead the charge for determining the risk appetite of the company as well as it objectives and overall strategic direction. The board has two sub-committees: Audit and Compensation.

The Audit Committee acts independently of the executive to ensure hat the company has strong financial reporting and internal control functions. This includes monitoring the system for ensuring the integrity of the financial statements, reviewing the effectiveness of the system of internal control, overseeing the risk management programme as well as setting and monitoring risk limits and controls. The scope and direction of all internal audit work is set and reviewed by the Board's Audit Committee.

The Compensation Committee is charged with ensuring the transparency of executive remuneration and for reviewing and approving remuneration packages of staff and director remuneration.

Risk measuring, monitoring and management

We continue to manage risk along the quadrants of the, company's strategic, operational, financial and management objectives.

The following risk inherent to our business activities have been identified:

Credit Risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss by failing to discharge their contractual obligations.

Credit exposures arise principally from the company's loans and advances and cash balances held with financial institutions. The company mitigates risk associated with loans through a vigorous credit administration policy, which ensures that loans and advances are made to customers with an appropriate credit history. Risk associated with cash and short-term deposits transactions in financial institutions are mitigated by ensuring that deposits are placed with regulated institutions of high credit quality and that concentration risk is mitigated by limiting the company's exposure to one institution.

Liquidity Risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to fulfill commitments to lend. The company's liquidity management process includes;;

- Monitoring future cash flows and liquidity daily.
- The appropriate matching of assets and liabilities.
- Maintaining committed lines of credit
- Optimizing returns on investment.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. The company manages currency risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company is exposed to price risk arising from the changes in available for sale equity investments. The company does not have significant exposure in this regard as our holdings in these securities are not material. The company is exposed to interest rate risk arising from its variable rate borrowings. This is managed through monitoring rate exposure and taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some examples of operational risk are fiduciary or disclosure breaches, technology failure and environmental risk. The company's management Framework supports the mitigation of Operational Risk by establishing the standards for assessment, management, monitoring, and the provision of assurance that the risk and internal controls frameworks are operating as intended.

Reputational Risk
Reputational risk is the potential that negative publicity, whether true or false regarding the company's business practices, action or inaction which may cause a decline in the company's value, liquidity, or customer base and earning potential. The Board of Directors and the Senior Management team oversee the management of reputational risk.

MANAGERS & TEAM MEMBERS

CEO's Office
Marcus James
Chief Executive Officer
Nyoka Miller
Executive Assistant

Credit & Operations
Catherine Thomas
Manager Operations & Credit Administration
Mechell McKenzie-Clarke
Asst. Credit Manager
Terry-Ann Bisnaught
Business Analyst
Lee Allen
Tara Badson
Tasheika Bennett
Shakira Brooks
Diamond Cassanova
Michael Collington
Maryan Dorie
Jason Forbes
Shawneca Hamilton
Shaneek Hemmings
Adrian Hewitt
Anna-Kay Hinds
Sandy Lawrence
Latania Lewis
Andrew Morris
Opal Perry
Karen Senior
Shadee Spence-Deleon
Diedrick
Tiana Steel
Qwayne Swaby
Andre Thompson
Peter Washington

Information Technology
Craig Gabbidon

Internal Audit
Kerry Hazel
Corey Manning

Legal
Carla Stephens
Paralegal
Dushane Francis

Human Resource & Training
Keisha Smith
Human Resource & Training Manager
Akilah Cooke
HR Officer
Chantelle Grant

Retail Sales & Marketing
Deveta Mclaren
Manager
Tanisia Johnson
Marketing Officer
Rodrick Blair
Tamara Douglas
Jonelle Harriott
Melissa Mills
Tracy-Ann Thompson
Adrian Walker

Sales
Nickeisha Cleary
Manager- Business Loans
Rosemarie Daley
Manager- Personal Loans
Shannique Wilmot

Accounts
Karen Davis-Johnson
Financial Controller
Sherry-Ann Johnson-Hylton
Finance Manager
Margaret Blackwood
Chief Accountant
Jodian Anglin
Arlene Barrett
Tashawna Clemetson-McDonald
Delroy Douglas
Kadia Green
Shanique Knight
Shantell McFarlane
Gloria Pounall
Wayne Stephens
Johnathon Vassell
Alsene Walcott
Devordene Wynter

Collections & Internal Controls
Hugh Campbell
Manager
Dawn Kameka-Burrowes
Supervisor
Terrence Bailey
Nadine Brown-Hanniford
Shanice Brown
Karen Cobourne
Romona Davey
Shanna Kay Esty
Lydia Goffe
Carla-Jay Howell
Davian Humes
Denise Johnson
Rohan Miller
Glennard Samuels
Matthew Smith
Ellice Thomas
Melissa Wint

Black River
Aldria Brown
Manager
Leota Gayle-Ebanks
Shantel James
Nickodie Logan
Isolyn Samuels
Shamarah Senior-Steele

Brown's Town
Nneka Sortie
Relief Branch Supervisor
Beverley Johnson
Angalee Mckenzie
Kirkeisha Mcnish

Christiana
Brenda King
Branch Manager
Vivene Brown
Aretha Bryan
Kelly Christian
Stephanie White

Duke Street
Sashana Deans
Branch Supervisor
Shyanna Masters
Jovanni Maxam
Crystal Simon
Celia Waugh

Junction
Nordia Dennie
Branch Manager
Patrice Allen
Barrington Austin
Shaniece Ebanks
Valencia Powell
Nettie Warren

Kingston
Nerisa Codlyn
Manager
Simonea Service
Branch Supervisor
Danielle Anderson
Leecraft Barnes
Jenelle Bryan
Romario Campbell
Jasseth Davidson
Melissa Davis
Uriel McKay
Sherrine McLean
Kaedian Mornan
Natalie N. Reid
La-Tanya Robertson
Andrea Simpson
Sharon Thomas
Jeffery Thompson

Linstead
Colette Harris-Laing
Manager
Michel Gunzell
Romone Morgan-Cameron
Joyce Smith
Allison Tomlinson

Mandeville
Bronia Simpson
Manager
Cordel Cohen
Miguel Demetrius
Lameshea Miller
Simone Smith
Jody-Kay Wallace
Yonicke Williams

May Pen
Karen Bradford
Manager
Kimarley Ashley
Kenisha Brown
Jasmine Graham
Natalee M. Reid
Keisha-Kaye Williams

Montego Bay
Chantal Taffe-Allen
Manager
Shatonya Campbell
Tamara Hammond
Samantha Hutchinson
Jodi Ann Johnson
Nadine Murray
Carla Samms

New Kingston
Marlene Higgins
Manager
Beverley Brown
Dwayne Cochrane
Shantel Redman
Kaydine Strachan

Old Harbour
Christine Brown
Krysta-Gaye Hislop
Chaneille Warburton

Ocho Rios
Aretha Douglas
Branch Manager
Jacqueline Brown
Meleta Gayle
Natasha Golding
Toraineo Morris

Portland
Angela Linsdsay-Brown
Manager
Keisa Bailey
Nicola Garwood
Davian Powell
Lolita Riley

Portmore Pines
Alethia Simpson-Gulabe
Manager
Marcia Hibbert
Ashley Jones
Chenice Johnson
David Yee Sing

Santa Cruz
Tameka Crawford
Manager
Janice Hart-Griffiths
Latoya Levy
Tavana Lewis
Ardia McTaggart-Salmon
Eileen Smikle

Savanna-La-Mar
Carolyn Plummer
Manager
Crystal Bailey
Deanolyn Crooks
Pauline Webster
Sherene Nathan
Herbert Thorpe

Spanish Town
Atasha Alveranga-Brown
Latoya Blair
Susanna Bradford
Jodian Burrell
Delceta Grant

Damark
Remona Clarke
Manager
Olivia Clue
Nateisha Johnson
Ruth-Ann Oakley
Delorita Pitt-Smith
Simone Toban

Micro Credit Ltd. Head Office

Church Street, Kingston
Odean Campbell
Manager - MCL Network

Downtown
Michelle Campbell
Branch Supervisor
Steve James
Craig Lunan
Sherene Henry

Spanish Town
Kerene Bennett-Griffiths
Manager
Sartosha Dare-Nixon
Vanica McKenzie
Keysha Osbourne
Kadian Simon

May Pen
Letrecia Reid
Manager
Kerry May Anderson
Ava Gaye Bucknor
Monica Clarke

Mandeville
Nadia Manradge
Manager
Tracey Dawkins
Tricia Johnson
Jade Newman

St. Ann
Chamel Lawes
Manager
Romain Black
Camicia Grey
Marilyn Reevers

Montego Bay
Cassandra James-Barrett
Manager
Charmain Chambers
Sashain Hyatt
Patricia Mason

PARTNERING WITH OUR PEOPLE

During the 2017/2018 financial year, we continued to focus on the development and welfare of our team members, who are critical to the success of the organisation. To ensure that we remain an employer of choice, a People Strategy has been developed. The strategy incorporates the following components:

i. recruitment and retention;
ii. talent management;
iii. rewards and recognition; and
iv. work life balance.

Our commitment to support each employee's growth and development throughout their tenure with the company, and providing a rewarding work environment which promotes productivity, led to the revamping of our induction and orientation processes, performance management, training and development programmes and the introduction of a rewards and recognition programme.

Induction and Orientation
To attract and retain the best talent, the induction and orientation period for new employees was extended to enhance the quality of training delivered during the onboarding process. New employees are also paired with an Access Pal to ensure that they are properly assimilated into the organisation during their probationary period.

Performance Management
A new Performance Management Policy was developed and implemented. This will serve to enhance the process by which employees are held accountable for their performance. It incorporates the use of the Balanced Score Card methodology to create objectives for all employees.

Training
The focus of training for the period was primarily geared towards the development of key competencies of all team members. This included sharpening the leadership skills of middle managers, increasing the credit assessment capabilities of the sales team, enhancing the delinquency management proficiencies of the collections team and refreshing the customer service skills of all employees.

Total Rewards Programme
Access' Rewards and Recognition Programme was launched in 2017. The Programme includes a combination of monetary and non-monetary rewards to foster staff engagement and team building. Access has also continued the GSAT Awards Programme, which provides education grants to children of employees who are successful in their GSAT examinations.

Work-Life Balance
Access actively promotes the well being of its team members. This year, team members participated in the Sagicor Sigma 5K run/walk, the HEART Foundation 5K run and the Kingston City Run. In the spirit of volunteerism, each branch of AFS has selected a nonprofit organisation in their community to conduct outreach. This initiative has been themed The Dream Big Project.


Champs


Hat-ti-tude Day


Heart 5k Run


Training


Sports Day


Sports Day

Sigma Run

SHAREHOLDINGS

Disclosure of Shareholdings.
As at March 31,2018

Director	Shareholdings	Connected Persons
Marcus James	-	120,220,534
Norman Reid	8,889	-
Neville James	353,410	6,823,500
Christopher Williams		136,488,875

Executive Management	Shareholdings	Connected Persons
Marcus Hastings James	-	120,220,534
Catherine Thomas	-	-
Deveta McLaren	-	-
Kareen Davis- Johnson	-	-

TOP TEN SHAREHOLDERS

Name	Shareholdings	Percentage
Proven Investment Limited	136,488,875	49.72%
Springhill Holdings Limited	119,957,534	43.70%
Generation 4 Investment Company Limited	6,823,500	2.49%
Winston Hoo	4,200,695	1.53%
Mark Golding	766,046	0.28%
Cheston Jamaica Limited	563,041	0.21%
Frank R. Jackson	600,000	0.22%
Karl P. Wright	675,000	0.25%
Neveast Supplies Limited	449,562	0.16%
Neville James	353,410	0.13%

I am from the bread basket parish of St. Elizabeth. I have been farming for approximately 20 years. I started out farming tomatoes and water melons which was sold to higglers within the area or taken to the market for resale. After my uncle passed away, I took over his papaya farm. Three years later, my business was in desperate need of a boost. I reached out to Access Financial Services Ltd and applied for a Partner Loan which had affordable weekly repayments. Today, my business is thriving. I'll be an ACCESS customer for life!

Dameyon Johnson
Farmer

THE FINANCIALS

ACCESS | 2018 ANNUAL REPORT FINANCIAL STATEMENTS

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Fax: (876) 926-7580
www.bdo.com.jm

Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

INDEPENDENT AUDITORS' REPORT

To the Members of
Access Financial Services Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Access Financial Services Limited (the company) set out on pages 46 to 88, which comprise the statement of financial position at 31 March 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies 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 *Auditors' 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) and 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Valuation of business acquisition

See notes 3(c), 14(b) and 25 to the financial statements for management's related policies and disclosures.

Access Financial Services Limited acquired the business of Micro Credit Limited on 19 June 2017 for $80.7 million. The acquisition is treated as a business combination and a negative goodwill of $5.9 million is recognised. The complexity in determining if the transactions represents a business combination or an asset acquisition as well as determining the appropriate assumption used in valuing the combination and the potential for misstatement caused us to focus on the balances.

Partners: R.L. McFarlane, K.A. Wilson, S.M. McFarlane, J. Green-Hibbert, D. Hobson
Offices in Montego Bay, Mandeville and Ocho Rios
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INDEPENDENT AUDITORS' REPORT

To the Members of
Access Financial Services Limited

Key Audit Matters (cont'd)

How addressed:

i) We obtained knowledge of the acquisition by making inquiries of management, obtaining all sales and legal documents pertaining to the transaction and understanding of the terms. We evaluated management's analysis of the relevant considerations, assessed relevant accounting guidance and engaged our own accounting advisory specialists, to form our own conclusion as to whether the accounting was appropriate.

ii) We assessed the risk of material misstatement of fair value measurements of the asset acquired and the reliability of management measurement process.

iii) We assessed the work of valuation specialist engaged by management and its production of a valuation report. As well, we evaluated the valuator's qualifications to determine that there was possession of sound reputation, independence and the necessary skills and/or knowledge to estimate the fair value of tangible and intangible assets acquired in the business combination.

iv) We obtained an understanding of the nature of the work performed by the specialist, the objective and the scope as well as understanding and assessing the methods and assumptions used thus determining the appropriateness of the valuation method used to estimate the fair value of the acquired assets of Micro Credit Limited.

v) We further checked that the required disclosures were done in the financial statements regarding the business combination, as well as the appropriateness of the reporting of the transaction.

Impairment losses on loans and advances to customers

See notes 3(e), 3(f), 3(g), 4(b), 5(e) and 13 to the financial statements for management's related policies and disclosures.

As at 31 March 2018, loans and advances, net of provision for credit losses represented $2.9B or 86% of total assets of the company. Impairment provisions of $459 million has been recognised.

We focused on the impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgment by management including:

- Classification of loans as impaired: we focused on the completeness of the customer accounts that are included in the impairment assessment.
- Valuation of real estate property pledged as collateral: this is the most significant type of collateral for impaired retail and impaired commercial loans. The estimation of collateral values is impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills.

Key Audit Matters (cont'd)

Impairment losses on loans and advances to customers (cont'd)

Impairment is a subjective area due to the level of judgement applied by management in determining the extent of provision.

How addressed:

We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those concerning identification of loans and advances which were impaired.

We challenged management's process by examining a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether management's position was appropriate.

The criteria we used to determine if there is objective evidence of impairment included:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payments;
- Concessions granted to a borrower that would not otherwise be considered but for the borrower's financial difficulty;
- The probability that the borrower will enter bankruptcy or other financial reorganization; or
- Observable market data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans.

Where impairment had been identified, we inspected the forecasts of future cash flows prepared by management to support the calculation of the impairment, challenging the assumptions and comparing estimates to external evidence where available. Management uses valuation experts to support their estimate of future cash flows from the asset, including realisation of the collateral held.

Using a risk based approach, we tested the completeness of management's listing of potentially impaired loans by re-performing the process using management's impairment criteria.

We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events, if any.

Other Information

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the Jamaican Companies 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' 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 auditors' 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.

BDO

INDEPENDENT AUDITORS' REPORT

To the Members of
Access Financial Services Limited

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment 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 auditors' 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 auditors' 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 those charged with governance 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.

We also provide those charged with governance 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.

BDO

INDEPENDENT AUDITORS' REPORT

To the Members of
Access Financial Services Limited

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with those charged with governance, 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 auditors' report unless law or regulation precludes public disclosure about the matter 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.

Report on additional matters as required by the Jamaican Companies 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 kept, 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 Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Raynold McFarlane.

BDO

Chartered Accountants

25 May 2018

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2018

	Note	2018 $	(Restated) 2017 $
OPERATING INCOME:			
Interest income from loans	3(o)	1,456,152,107	1,257,556,171
Interest income from securities		10,621,054	9,118,272
Total interest income		1,466,773,161	1,266,674,443
Interest expense		(105,573,732)	(111,769,822)
Net interest income		1,361,199,429	1,154,904,621
Net fees and commissions on loans		314,089,332	221,669,046
		1,675,288,761	1,376,573,667
Other operating income:			
Money services fees and commission		1,442,659	2,131,066
Foreign exchange gains		1,312,406	16,104,493
Other income		26,309,851	7,339,749
		29,064,916	25,575,308
		1,704,353,677	1,402,148,975
OPERATING EXPENSES:			
Staff costs	7	382,083,303	299,562,428
Allowance for credit losses	13(c)	226,657,740	128,282,189
Depreciation and amortization	14(a),(b)	19,038,171	23,575,347
Other operating expenses		274,624,954	200,202,139
		902,404,168	651,622,103
Profit before taxation		801,949,509	750,526,872
Taxation	8	85,921,914	39,979,270
NET PROFIT		716,027,595	710,547,602
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss			
Unrealised gains on available-for-sale investments		17,120	742,715
TOTAL COMPREHENSIVE INCOME		716,044,715	711,290,317
EARNINGS PER STOCK UNIT	9	$2.61	$2.59

Statement of Financial Position

Year Ended 31 March 2018

	Note	2018 $	(Restated) 2017 $	(Restated) 2016 $
ASSETS				
Cash and cash equivalents	10	315,928,141	355,682,431	352,839,096
Financial investments	11	2,773,316	2,756,092	2,013,377
Other accounts receivables	12	35,211,925	42,153,793	37,018,901
Loans and advances	13	2,932,175,904	2,619,162,542	2,105,123,093
Property, plant and equipment	14(a)	61,788,252	46,133,323	52,185,656
Intangible assets	14(b)	48,415,730	34,357,732	3,501,105
Deferred tax assets	15	122,249,960	122,184,079	86,454,874
TOTAL ASSETS		3,518,543,228	3,222,429,992	2,639,136,122
LIABILITIES AND EQUITY				
LIABILITIES:				
Payables	16	193,788,407	186,069,354	220,983,153
Loans payable	17	964,740,800	1,131,079,295	1,028,965,756
Project advance		-	-	75,861,397
Taxation		56,737,705	73,735,984	14,639,378
Total liabilities		1,215,266,912	1,390,884,633	1,340,449,684
EQUITY:				
Share capital	19	96,050,714	96,050,714	96,050,714
Fair value reserve	20	759,835	742,715	-
Retained earnings		2,206,465,767	1,734,751,930	1,202,635,724
Total equity		2,303,276,316	1,831,545,359	1,298,686,438
TOTAL LIABILITIES AND EQUITY		3,518,543,228	3,222,429,992	2,639,136,122

Approved for issue by the Board of Directors on 25 May 2018 and signed on its behalf by:

Rex James Chairman

Marcus James Chief Executive Officer

Statement of Changes in Equity

Year Ended 31 March 2018

	Note	Share Capital $	Fair Value Reserve $	Retained Earnings $	Total $
BALANCE AT 1 APRIL 2015		96,050,714	-	716,037,588	812,088,302
(As previously stated)					
Prior year adjustment	26	-	-	82,193,504	82,193,504
BALANCE AT 1 APRIL 2015					
(Restated)		96,050,714	-	798,231,092	894,281,806
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	599,880,989	599,880,989
TRANSACTION WITH OWNERS					
Dividends paid		-	-	(195,476,357)	(195,476,357)
BALANCE AT 31 MARCH 2016		96,050,714	-	1,202,635,724	1,298,686,438
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	710,547,602	710,547,602
Other comprehensive income		-	742,715	-	742,715
TRANSACTION WITH OWNERS					
Dividends paid	21	-	-	(178,431,396)	(178,431,396)
BALANCE AT 31 MARCH 2017		96,050,714	742,715	1,734,751,930	1,831,545,359
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	716,027,593	716,027,595
Other comprehensive income		-	17,120	-	17,120
TRANSACTION WITH OWNERS					
Dividends paid	21	-	-	(244,313,758)	(244,313,758)
BALANCE AT 31 MARCH 2018		96,050,714	759,835	2,206,465,767	2,303,276,316

Statement of Cash Flows

Year Ended 31 March 2018

	2018 $	(Restated) 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	716,027,595	710,547,602
Items not affecting cash resources:		
Exchange gain on foreign balances	(1,312,406)	(16,104,493)
Depreciation and amortization	19,038,171	23,575,347
Increase in allowance for loan losses	226,657,740	128,282,189
Interest income	(1,466,773,161)	(1,266,674,443)
Interest expense	105,573,732	111,769,822
Adjustment to property, plant and equipment	(1,205,180)	-
Taxation	85,987,795	75,708,475
Deferred tax	(65,881)	(35,729,205)
Gain on disposal of property, plant and equipment	(2,910,000)	-
	(318,981,595)	(268,624,706)
Changes in operating assets and liabilities		
Loans and advances	(539,429,672)	(623,186,056)
Other accounts receivable	6,962,325	(7,407,082)
Loans payable, net	(166,338,495)	93,246,237
Accounts payable	1,957,355	(40,591,825)
	(1,015,830,082)	(846,563,432)
Interest received	1,466,752,704	1,268,946,633
Interest paid	(99,796,825)	(106,091,796)
Taxation paid	(102,986,074)	(16,611,869)
Cash provided by operating activities	248,139,723	299,679,536
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment and intangible assets	(47,545,918)	(48,379,621)
Proceeds from disposal of property, plant and equipment	2,910,000	-
Cash used in investing activities	(44,635,918)	(48,379,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Project advance	-	(75,861,397)
Dividends paid	(244,313,758)	(178,431,396)
Cash used in financing activities	(244,313,758)	(254,292,793)
DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(40,809,953)	(2,992,878)
Exchange gain on foreign cash balances	1,055,663	5,836,213
Cash and cash equivalents at beginning of year	355,682,431	352,839,096
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 10)	315,928,141	355,682,431

Notes to the Financial Statements

Year Ended 31 March 2018

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

(a) Access Financial Services Limited (the company) is incorporated and domiciled in Jamaica and its registered office is situated at 41B Half Way Tree Road, Kingston 5, Jamaica, W.I. The company is listed on the Junior Market of the Jamaica Stock Exchange.

(b) The principal activity of the company is retail lending to the micro enterprise sector for personal and business purposes. Funding is provided by financial institutions, government entities and non-governmental organizations. The company also operates a money services division and offers bill payment services.

2. **REPORTING CURRENCY:**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments that are measured at fair value. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments may be relevant to its operations.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New, revised and amended standards and interpretations that became effective during the year (cont'd)

Amendments to IAS 7, 'Statement of Cash Flows' (effective for accounting periods beginning on or after 1 January 2017), requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

Amendment to IAS 12, 'Income Taxes' (effective for accounting periods beginning on or after 1 January 2017). The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments confirm that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period, an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit, where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type and that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

New standards, amendments and interpretations not yet effective and not early adopted.

At the date of authorization of these financial statements certain new standards and interpretations have been issued by the International Accounting Standards Board that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these are:

- IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' (both mandatorily effective for periods beginning on or after 1 January 2018).
- IFRS 16 'Leases' (mandatorily effective for periods beginning on or after 1 January 2019).
- IFRIC 23 'Uncertainty over income tax treatments,'(effective for period beginning on or after 1 January 2019).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

IFRS 9 Financial Instruments

The company is required to adopt IFRS 9, *Financial Instruments* from 1 January 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for accounts receivable, loans and investments in debt securities that are managed on a fair value basis. However, the company is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

(i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
(ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The management has not yet completed their assessment of the financial impact which this standard will have on the financial statements on adoption.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

IFRS 15 Revenue from Contracts with Customers

The company is required to adopt IFRS 15, *Revenue from Contracts with Customers* from 1 January 2018. The standard established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes*.

The company will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

Management has assessed that the main impact of this standard is in respect of fees and commission income. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fees and commission income. However, management has not yet completed its assessment and the financial impact has not yet been determined.

IFRS 16 Leases

Adoption of IFRS 16 will result in the company recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The company is not as advanced in its implementation of IFRS 16 as it is for IFRS 15, but in the last 6 months the Board has decided it will apply the modified retrospective in IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

IFRS 16 Leases (cont'd)

At 31 March 2018 operating lease commitments amounted to $69.9m, which is not expected to be materially different to the anticipated position on 31 March 2019 or the amount which is expected to be disclosed at 31 March 2018. Assuming the company's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately $54.7m being recognised on 1 January 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in actual liability recognised being higher than this.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual period beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainity over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainity over a tax treatment. The adoption of this standard is not expected to have a significant impact on the company.

(b) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the company.

The company measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquired entity; plus
- If the business combination is achieved in stages, the fair value of the preexisting interest in the acquired entity; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the company incurs in connection with a business combination are expensed as incurred.

(d) **Property, plant and equipment and intangible assets**

(i) Items of property, plant and equipment, and intangible assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing 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 within the part will flow to the company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(d) **Property, plant and equipment and intangible assets (cont'd)**

(ii) Depreciation and amortization are recognized in the income statement on the straight-line basis, over the estimated useful lives of property, plant and equipment. The annual depreciation rates are as follows:

Furniture and fixtures	10%
Leasehold improvement	10%
Computer equipment	20%
Motor vehicles	25%
Computer software	20%
Customer relationship	12.5%

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

(iii) Intangible assets which represents computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortization and accumulated impairment losses, if any.

(iv) Customer relationship and non-compete agreements that are acquired by the company is deemed to have a finite useful life of eight years and is measured at cost less accumulated amortization and accumulated impairment loses, if any.

(v) Trade name and trademark have indefinite useful lives and are carried at cost less accumulated impairment losses. The useful lives of such assets are reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. A change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

(vi) Goodwill represents the excess of cost of the acquisition over the company's interest in the net fair value of the identifiable assets of the acquire. Goodwill is measured at cost less accumulated impairment losses and is assessed for impairment annually.

(e) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

(i) **Classification**

The company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables comprise loan and advances and cash and cash equivalents.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of 3 months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **Financial instruments (cont'd)**

Financial assets (cont'd)

(ii) **Recognition and Measurement**

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with fair value gains or losses being recorded in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized as other comprehensive income are recycled to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss as part of other operating income when the company's right to receive payments is established.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Impairment testing of loans and advances is described in note 3(g).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **Financial instruments (cont'd)**

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term loans and payables.

(g) **Loans**

Loans are stated at amortised cost, net of any unearned income and impairment losses, if any.

(h) **Allowance for loan losses**

The company maintains an allowance for credit losses, which in management's opinion, is adequate to absorb credit related losses in its portfolio. This consists of specific provisions established as a result of reviews of individual loans and is based on an assessment which takes into consideration factors including collateral held and business and economic conditions.

(i) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss along with regular interest charges over the period of the borrowings.

(j) **Current and deferred income taxes**

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(j) **Current and deferred income taxes (cont'd)**

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

(k) **Employee benefits**

Defined contribution plans

Contributions to defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate. The pension scheme is administered by Employee Benefits Administrator Limited.

(l) **Interest expense**

Interest expense comprises interest payable on borrowings calculated using the effective interest method.

(m) **Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the legal owner are classified as operating leases. Payments under operating leases are charged to the income statement on the straight line basis over the period of the leases.

(n) **Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(o) **Revenue recognition**

Interest income is recognized on the accrual basis, by reference to the principal outstanding and the interest rate applicable to produce the effective interest over the life of the loan.

(p) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the company's Chief Operating Decision Maker (CODM).

Based on the information presented to and received by the CODM, the entire operations of the company are considered as one operating segment.

(p) **Dividend distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgements in applying the company's accounting policies**

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) **Key sources of estimation uncertainty**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 discussed below:

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

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

(i) **Fair value estimation**

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, fair value.

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.

The standard 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.

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

The company measures financial instruments (note 5) at fair value.

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

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

(i) **Fair value estimation (cont'd)**

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 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.

Notes to the Financial Statements

Year Ended 31 March 2018

5. **FINANCIAL RISK MANAGEMENT:**

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) **Principal financial instruments**

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Loans and advances
- Cash and cash equivalents
- Financial investment in quoted securities
- Payables
- Long term loans

(b) **Financial instruments by category**

Financial assets

	Loans and Receivables		Available-for-sale	
	2018	2017	2018	2017
	$	$	$	$
Cash and cash equivalents	315,928,141	355,682,431	-	-
Loans and advances	2,932,175,904	2,619,162,542	-	-
Other receivables	16,216,687	21,504,483		
Investments (equity)	-	-	2,773,316	2,756,092
Total financial assets	3,264,320,732	2,996,349,456	2,773,316	2,756,092

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) **Financial instruments by category (cont'd)**

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	$	$
Payables	164,058,497	129,580,474
Long term loans	964,740,800	1,131,079,295
Total financial liabilities	1,128,799,297	1,260,659,769

(c) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and cash equivalents, loans and advances, payables and long term loans.

Due to their short-term nature, the carrying value of cash and cash equivalents, loans and advances and payables approximates their fair value.

(d) **Financial instruments measured at fair value**

The fair value hierarchy of financial instruments measured at fair value is provided below:

31 MARCH 2018

	Level 1	
	2018	2017
	$	$
Financial assets		
Investments (Equity)	2,773,316	2,756,092
Total financial assets	2,773,316	2,756,092

There were no transfers between levels during the period.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors**

The Board of directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board provides policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Market risk**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from US$ loans and advances receivable and foreign currency and cash and bank balances. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

The company is exposed to foreign currency risk in respect of US dollar payables, US dollar receivables and foreign currency cash and bank balances as follows:

	2018 $	2017 $
Cash and bank balances	182,857,676	5,108,375
Receivables (loan and advances)	31,431,415	300,476,403
	214,289,091	305,584,778

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, accounts receivable balance and payables balance, and adjusts their translation at the year-end for 4% (2017 – 6%) depreciation and a 2% (2017– 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2018	Effect on Profit before Tax 31 March 2018 $	% Change in Currency Rate 2017	Effect on Profit before Tax 31 March 2017 $
Currency:				
USD	-4	8,571,564	-6	18,335,087
USD	+2	(4,285,782)	+1	(3,055,848)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to equity securities price risk arising from its holding of available-for-sale investments. As the company does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Cash flow and fair value 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.

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Cash flow and fair value interest rate risk (cont'd)

The company is primarily exposed to cash flow interest rate risk on its variable rate borrowings. The company analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term deposits are reinvested at current market rates and most of the borrowings are at fixed rates.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings as most are at fixed rates and the one at variable rate is not considered significant.

(ii) **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. Credit risk arises from loans and advance and cash and bank balances.

Loans and advances

Revenue transactions in respect of the company's primary operations are settled in cash. The company has policies in place to ensure that loans and advances are made to customers with an appropriate credit history.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of loans and advances and cash and cash equivalents in the statement of financial position.

Loans and advances that are past due but not impaired

As at 31 March 2018, loans and advances of $ 733,219,783 (31 March 2017 - $518,501,692) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

Loans and advances that are past due and impaired

As of 31 March 2018, the company had loans and advances of $ 458,585,449 (31 March 2017 - $457,056,205) that were impaired. These loans and advances were aged over 30 days.

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

	2018 $	2017 $
At 1 April	457,056,205	328,774,016
Provision for loans and advances impairment	226,657,740	128,282,189
Loans written off	(224,495,954)	-
Adjustment during the year	(632,542)	-
At 31 March	458,585,449	457,056,205

The creation and release of provision for impaired loans and advances have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off in accordance with policy. Impairment estimates have been adjusted based on actual collection patterns.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

Concentration of risk – Loans and advances

The following table summarizes the company's credit exposure for loans and advances at their carrying amounts, as categorized by the customer sector:

	2018 $	2017 $
Personal loans	2,916,517,089	2,399,340,972
Business loans	474,244,264	676,877,775
	3,390,761,353	3,076,218,747
Less: Provision for credit losses	(458,585,449)	(457,056,205)
	2,932,175,904	2,619,162,542

(iii) **Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis.
(ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Maintaining committed lines of credit.
(iv) Optimizing cash returns on investments.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

(iii) **Liquidity risk**

Cash flows of financial liabilities

The table below present the undiscounted cash flows (both interest and principal cash flows) of the company's financial liabilities based on contractual rights and obligations as well as expected maturity.

	Less than 3 months $	3 to 12 Months $	1 to 2 Years $	2 to 5 Years $	Total $
31 March 2018					
Payables	63,159,375	100,899,122	-	-	164,058,497
Long term loans	216,128,764	491,575,684	156,492,643	240,637,682	1,104,834,773
Total financial liabilities (contractual maturity dates)	279,288,139	592,474,806	156,492,643	240,637,682	1,268,893,270
31 March 2017					
Payables	49,513,569	80,066,905	-	-	129,580,474
Long term loans	154,978,682	634,996,622	207,000,169	278,590,517	1,275,565,990
Total financial liabilities (contractual maturity dates)	204,492,251	715,063,527	207,000,169	278,590,517	1,405,146,464

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(f) **Capital management**

The company manages capital adequacy by retaining earnings from past profits and by managing the returns on borrowed funds to protect against losses on its core business, so as to be able to generate an adequate level of return for its shareholders. The company is required to meet the capital requirement of at least $50,000,000 for listing on the Jamaica Stock Exchange Junior Market. There was no other externally imposed capital requirements and no change in the company's capital management process during the year.

6. **EXPENSES BY NATURE:**

Total direct and administrative expenses:

	2018 $	2017 $
Interest expense	105,573,732	111,769,822
Allowance for credit loss	226,657,740	128,282,189
Depreciation and amortization	19,038,171	23,575,347
Bad debt recoverable	(18,141,068)	(22,448,326)
Insurance	4,346,996	2,660,162
Directors' fees	2,592,775	1,795,325
Audit fees	3,200,000	3,060,200
Bank charges	6,491,840	4,406,089
Rent	51,994,863	40,675,876
Legal and professional fees	42,515,483	23,587,223
Courier and collection services	24,544,196	20,291,117
Motor vehicle expenses	1,408,441	673,662
Repairs and maintenance	10,280,996	12,377,891
Security	8,969,031	3,578,930
Staff costs (note 7)	382,083,303	299,562,428
Travel and entertainment	3,931,311	2,921,058
Other expenses	19,732,069	14,847,765
Utilities	48,090,870	36,650,181
Subscriptions & Donations	3,734,067	3,062,012
Cleaning and sanitation	4,490,391	3,935,089
Bailiff	10,884,872	7,790,569
Project cost	9,864,491	339,481
Advertising	21,212,327	27,373,974
Printing and stationery	14,481,003	12,623,861
	1,007,977,900	763,391,925

7. **STAFF COSTS:**

	2018 $	2017 $
Wages, salaries and statutory contributions	304,578,752	229,451,332
Pension contributions	9,105,321	6,993,913
Other staff benefits	68,399,230	63,117,183
	382,083,303	299,562,428

The average number of persons employed by the company during the year was as follows:

	2018	2017
Permanent	188	143
Temporary	38	36
	226	179

8. **TAXATION:**

(a) Taxation for the year comprises:

	2018 $	2017 $
Current tax expense	84,005,091	75,708,475
Prior year tax under provision	1,982,704	-
Deferred tax arising from temporary differences	(65,881)	(35,729,205)
	85,921,914	39,979,270

(b) Reconciliation of actual tax expense:

Profit before tax	801,949,509	750,526,872
Expected tax expense @ 25%	200,487,377	187,631,718
Adjusted for difference in treatment of:		
Depreciation and capital allowances	72,953	1,426,578
Employer tax credit	(46,136,426)	(32,472,203)
Provision for loan loss	(382,311)	(32,070,547)
Other	15,885,412	23,704,402
	169,927,005	148,219,948
Adjustment for the effect of tax remission:		
Current tax	(84,005,091)	(108,240,678)
	85,921,914	39,979,270

Notes to the Financial Statements

Year Ended 31 March 2018

8. **TAXATION (CONT'D):**

(c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 30 October 2009. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5	100%
Years 6 to 10	50%

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

9. **EARNINGS PER STOCK UNIT:**

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year end.

	2018 $	2017 $
Net profit attributable to stockholders ($'000)	716,028	710,548
Number of ordinary stock units ('000)	274,510	274,510
Earnings per stock unit ($ per share)	2.61	2.59

10. **CASH AND CASH EQUIVALENTS:**

	2018 $	2017 $
Short term deposits	181,369,306	264,120,401
Cash at bank	134,558,835	91,562,030
	315,928,141	355,682,431

The weighted average interest rate on short-term deposits was 7.5% (2017 – 4.45%).

11. **FINANCIAL INVESTMENTS:**

	2018 $	2017 $
Available-for-sale investments		
Quoted equities	2,773,316	2,756,092

Market values of quoted investments are computed using listed bid prices. This amount as at 31 March 2018 was $ 2,773,316 (31 March 2017 - $2,756,092).

12. **OTHER ACCOUNTS RECEIVABLE:**

	2018 $	2017 $
Taxation recoverable	9,794,301	10,824,590
Prepayments and deposits	9,125,937	7,730,301
Money services – Western Union	993,670	8,436
Other	15,298,017	23,590,466
	35,211,925	42,153,793

13. **LOANS AND ADVANCES:**

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

	2018 $	2017 $
Personal loans	2,916,517,089	2,399,340,972
Business loans -		
Agriculture	50,271,461	38,647,985
Services	206,321,266	447,848,610
Trading	214,865,645	176,091,730
Manufacturing	2,785,892	14,289,450
	474,244,264	676,877,775
	3,390,761,353	3,076,218,747

13. **LOANS AND ADVANCES (CONT'D):**

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

Remaining term to maturity

	2018 $	2017 $
Due within 1 month	158,540,842	324,699,292
1 to 3 months	114,164,170	103,409,848
3 to 12 months	879,763,561	1,024,288,633
Over 12 months	2,238,292,780	1,623,820,974
Gross loans and advances	3,390,761,353	3,076,218,747
Less: Allowance for loan losses	(458,585,449)	(457,056,205)
	2,932,175,904	2,619,162,542

(b) Impairment losses on loans and advances

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

	2018		2017	
	Gross $	Impairment $	Gross $	Impairment $
Current	2,642,913,487	-	2,557,717,055	-
1 to 3 months past due	347,922,996	58,660,579	246,698,064	185,252,577
3 to 12 months past due	399,924,870	399,924,870	271,803,628	271,803,628
	3,390,761,353	458,585,449	3,076,218,747	457,056,205

No impairment allowance has been made for loans that are not past due and there were no loans renegotiated during the year.

(c) Specific allowances for loan losses:

	2018 $	2017 $
Balance at beginning of year	457,056,205	328,774,016
Allowance made during the year	226,657,740	128,282,189
Loans written off	(224,495,954)	-
Adjustment during the year	(632,542)	-
Balance at the end of the year	458,585,449	457,056,205

14. **PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS:**

(a) Property, plant and equipment

	Leasehold Improvement $	Capital Work in progress $	Computer Equipment $	Furniture and Fixtures $	Motor Vehicles $	Total $
At cost -						
1 April 2016	48,669,456	2,517,316	38,969,576	30,162,699	31,578,500	151,897,547
Disposal	-	-	-	-	(20,889,500)	(20,889,500)
Additions	504,672	-	5,528,192	4,027,235	-	10,060,099
Transfer	2,517,316	(2,517,316)	-	-	-	-
31 March 2017	51,691,444	-	44,497,768	34,189,934	10,689,000	141,068,146
Disposal	-	-	-	-	(7,400,000)	(7,400,000)
Additions	3,840,596	-	10,000,788	4,371,220	12,500,000	30,712,604
Transfers	(2,212)	-	-	-	-	-
Adjustment	-	-	513,656	(347,769)	-	163,675
31 March 2018	55,529,828	-	55,012,212	38,213,385	15,789,000	164,544,425
Depreciation -						
1 April 2016	22,422,204	-	30,908,322	14,802,866	31,578,499	99,711,891
Eliminated on disposal	-	-	-	-	(20,889,500)	(20,889,500)
Charge for the year	6,705,337	-	5,245,786	4,161,309	-	16,112,432
31 March 2017	29,127,541	-	36,154,108	18,964,175	10,688,999	94,934,823
Adjustment	5,414,048	-	(6,023,802)	(1,208,549)	-	(1,818,303)
Eliminated on disposal	-	-	-	-	(7,400,000)	(7,400,000)
Charge for the year	5,273,868	-	5,768,538	3,653,497	2,343,750	17,039,653
31 March 2018	39,815,457	-	35,898,844	21,409,123	5,632,749	102,756,173
Net Book Value -						
31 March 2018	15,714,371	-	19,113,368	16,804,262	10,156,251	61,788,252
31 March 2017	22,563,903	-	8,343,660	15,225,759	1	46,133,323

14. **PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (CONT'D):**

(b) Intangible assets:

	Computer Software $	Customer Relationship $	Trademark & Tradename $	Goodwill $	Total $
At cost -					
1 April 2016	40,386,836	-	-	-	40,386,836
Additions	9,196,522	21,800,000	2,700,000	4,623,000	38,319,522
31 March 2017	49,583,358	21,800,000	2,700,000	4,623,000	78,706,358
Adjustment	1,041,505	-	-	-	1,041,505
Additions	9,533,314	5,800,000	1,500,000	-	16,833,314
31 March 2018	60,158,177	27,600,000	4,200,000	4,623,000	96,581,177
Amortization -					
1 April 2016	36,885,711	-	-	-	36,885,711
Charge for the year	4,737,915	2,725,000	-	-	7,462,915
31 March 2017	41,623,626	2,725,000	-	-	44,348,626
Adjustment	(11,166,384)	-	-	-	(11,166,384)
Charge for the year	6,910,205	3,450,000	-	4,623,000	14,983,205
31 March 2018	37,367,447	6,175,000	-	4,623,000	48,165,447
Net Book Value -					
31 March 2018	22,790,730	21,425,000	4,200,000	-	48,415,730
31 March 2017	7,959,732	19,075,000	2,700,000	4,623,000	34,357,732

No impairment on trademark and trade name was recognized during the year. Goodwill for Damark based on management decision was written off during the year.

15. **DEFERRED INCOME TAXES:**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	2018 $	(Restated) 2017 $	(Restated) 2016 $
Deferred tax assets	122,249,960	122,184,079	86,454,874

15. **DEFERRED INCOME TAXES (CONT'D):**

The movement in deferred taxation is as follows:

	2018 $	(Restated) 2017 $	(Restated) 2016 $
Balance at start of year	122,184,079	86,454,874	1,206,847
Credit for the year (note 8)	65,881	35,729,205	85,248,027
Balance at end of year	122,249,960	122,184,079	86,454,874

Deferred tax is due to the following temporary differences:

	2018 $	(Restated) 2017 $	(Restated) 2016 $
Accelerated capital allowance	247,572	4,356,517	4,261,370
Bad debt provision	114,646,367	114,264,051	82,193,504
Interest receivable	(5,114)	(568,048)	-
Interest payable	1,444,227	1,419,507	-
Accrued vacation leave	2,712,052	2,712,052	-
Other	3,204,856	-	-
	122,249,960	122,184,079	86,454,874

Deferred taxation charged to profit or loss comprises the following temporary differences:

	2018 $	(Restated) 2017 $	(Restated) 2016 $
Accelerated capital allowance	(4,108,945)	95,147	3,054,523
Bad debt provision	382,311	32,070,547	82,193,504
Interest receivable	562,934	(568,048)	-
Interest payable	24,720	1,419,507	-
Accrued vacation leave	-	2,712,052	-
Other	3,204,861	-	-
	65,881	35,729,205	85,248,027

16. **PAYABLES:**

	2018 $	2017 $
Payables and accruals	69,623,401	106,002,449
Advance payments	124,165,006	80,066,905
	193,788,407	186,069,354

17. **LOANS PAYABLE:**

Loans are comprised as follows:

	2018 $	2017 $
Corporate Bond Holders (i)	199,848,619	199,848,619
Sagicor Bank Jamaica Limited (ii)	56,666,667	127,252,333
Development Bank of Jamaica Limited (iii)	611,501,489	542,925,879
Micro Investment Development Agency (iv)	22,716,340	26,966,140
Proven Investments Limited (v)	-	149,506,112
Inter-American Development Bank (vi)	74,007,685	84,580,212
	964,740,800	1,131,079,295

(i) This represents five year fixed and variable rate bond notes due 2020 arranged by Proven Wealth Limited and registered with JCSD Trustee Services Limited, as Trustee. Interest is payable every six months and is fixed at 11% per annum for two years and variable thereafter. The applicable variable rate will be 250 basis points above the prevailing Government of Jamaica six months weighted average treasury bill yield occurring one month before the interest payment date. The note is unsecured and uncollaterized.

(ii) This loan attracts interest at 9% per annum and is secured by promissory notes and letter of commitment executed by the borrower under seal.

(iii) These loans bear interest at 10% and are repayable quarterly over twelve months. They are secured by a promissory note.

17. **LOANS PAYABLE (CONT'D):**

(iv) This loan attracts interest at 10% per annum and is repayable within 21 months. It is secured by Promissory Note, Assignment of Receivables and Participation Agreement.

(v) This loan attracts interest at 7% per annum and was repayable over three (3) years.

(vi) This loan attracts interest at the Jamaican Treasury Bill rate + 5%, with principal payments every six months.

	2018 $	2017 $
1 to 3 months	-	68,919,960
3 to 12 months	240,311,591	317,962,589
	240,311,591	386,882,549
Over 12 months	724,429,209	744,196,746
	964,740,800	1,131,079,295

18. **PROJECT ADVANCE:**

This refers to monies advanced by Inter-American Development Bank (IDB) for a project, "Advancing Financial Institution", for Micro Entrepreneurs in Jamaica.

The project seeks to improve the socio-economic conditions of rural micro entrepreneurs involved in productive agricultural activities by improving their access to financial services.

19. **SHARE CAPITAL:**

	2018 $	2017 $
Authorized share capital:		
350,000,000 ordinary shares of no par value		
Stated capital, issued and fully paid:		
274,509,840 ordinary shares of no par value	96,050,714	96,050,714

20. **FAIR VALUE RESERVE:**

This represents unrealized gains on revaluation of available-for-sale investments.

21. **DIVIDENDS:**

	2018 $	2017 $
In respect of 2017	-	174,431,396
In respect of 2018	244,313,758	-
	244,313,758	178,431,396

At Board of Directors meetings held on 11 May 2017, 20 July 2017, 26 October 2017 and 24 January 2018, dividend payments of $0.32, $0.23, $0.17, and $0.17 respectively were approved by the Board of Directors.

22. **RELATED PARTY TRANSACTIONS AND BALANCES:**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The following transactions were carried out with related parties.

	2018 $	2017 $
Transactions during the year:		
Key management compensation (included in staff costs Note 7):		
Key management includes director and senior managers		
Salaries and other short-term employee benefits	45,008,094	39,993,751
Directors' emoluments –		
Fees	2,592,775	1,795,325
Management remuneration (included above)	15,863,987	14,007,630
Operating lease expenses	14,268,300	18,499,579
Loan interest – Proven Investments Limited	6,622,688	21,580,415
Year-end Balances:		
Loans payable		
Proven Investments Limited	-	149,506,112

23. **LEASE COMMITMENTS:**

Operating lease commitments, which are subject to formally agreed terms at year end expire as follows:

	2018 $	2017 $
Within 1 year	44,071,086	35,649,716
Subsequent years (2-5)	25,868,119	34,125,478
	69,939,205	69,775,194

24. **SEGMENT INFORMATION:**

The company is a retail lending institution to the micro enterprise sector for personal and business purposes. It also operates a money services division that offers bill payment services.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

Financial information related to the operating segment results from continuing operations for the year ended 31 March 2018 and can be found in the statement of profit or loss and other comprehensive income. There are no differences in the measurement of the reportable segment results and the company's results.

Details of the segment assets and liabilities for the period ended 31 March 2018, can be found in the statement of financial position and related notes. There are no differences in the measurement of the reportable segment assets and liabilities and the company's assets and liabilities.

Entity-wide disclosures:

The revenue for operations can be found in the statement of comprehensive income.

The company does not have any customers from which revenue exceeds 10% of total revenue.

25. **BUSINESS COMBINATION:**

i) **31 March 2018**

On 19 June 2017, the company entered into an agreement to purchase the business of Micro Credit Limited as a going concern comprising mainly loan portfolio, fixed assets, trademark and customer relationship, with effective date being 1 April 2017.

In accordance with IFRS 3, Business Combinations, the transaction was accounted for as a business combination using the acquisition method.

25. **BUSINESS COMBINATION (CONT'D):**

i) **31 March 2018 (cont'd)**

Based on independent valuation, implied residual goodwill estimation is as follows:

	$'000
Purchase consideration	80,747
Net assets acquired	
Loan portfolio and other assets	74,086
Customer relationships	5,800
Property, plant and equipment	5,326
Trademark and trade name (brand)	1,500
	86,712
Negative Goodwill	5,965

ii) **31 March 2017**

On 27 May 2016, the company entered into an agreement to purchase the business of Damark Limited as a going concern comprising mainly loan portfolio, fixed assets, trademark and customer relationship.

In accordance with IFRS 3, Business Combinations, the transaction was accounted for as a business combination using the acquisition method.

Based on independent valuation, implied residual goodwill estimation is as follows:

	$'000
Purchase consideration	180,000
Net assets acquired	
Loan portfolio	148,706
Customer relationships	21,800
Trademark and Trade name (Brand)	2,700
Property, plant and equipment	2,171
	175,377
Goodwill	4,623

The customer relationship component for Micro Credit Limited and Damark amount requires amortization over a useful life estimated at 8 years. Tradename/ Trademarks is treated as having an indefinite life as there are no immediate plans to discontinue using this trade name, for Micro Credit Limited and Damark.

26. **RESTATEMENT OF PRIOR YEAR BALANCES:**

The re-computation of the deferred taxation was as a result of the omission of the provision for bad debt.

This resulted in a restatement of prior year balances of the deferred tax assets.

Effect on the statement of comprehensive income as at 31 March 2017:

	As previously reported $	Effect of restatement $	As restated $
OPERATING INCOME:			
Interest income loans	1,257,556,171	-	1,257,556,171
Interest income securities	9,118,272	-	9,118,272
Total interest income	1,266,674,443	-	1,266,674,443
Interest expense	(111,769,822)	-	(111,769,822)
Net Interest income	1,154,904,621	-	1,154,904,621
Net fees and commission on loans	221,669,046	-	221,669,046
	1,376,573,667	-	1,376,573,667
Other operating income:			
Money services fees and commission	2,131,066	-	2,131,066
Foreign exchange gains	16,104,493	-	16,104,493
Other income	7,339,749	-	7,339,749
	25,575,308	-	25,575,308
	1,402,148,975	-	1,402,148,975
OPERATING EXPENSES:			
Staff costs	299,562,428	-	299,562,428
Allowance for credit losses	128,282,189	-	128,282,189
Depreciation & amortization	23,575,347	-	23,575,347
Other operating expenses	200,202,139	-	200,202,139
	651,622,103	-	651,622,103
Profit before tax	750,526,872	-	750,526,872
Tax	72,049,817	(32,070,547)	39,979,270
Net profit	678,477,055	32,070,547	710,547,602
Other comprehensive income	742,715	-	742,715
TOTAL COMPREHENSIVE INCOME	679,219,770	-	711,290,317
Earnings per stock unit	2.47	-	2.59

26. **RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):**

Effect on the statement of comprehensive income as at 31 March 2017:

	As previously reported $	Effect of restatement $	As restated $
ASSETS:			
Cash and cash equivalent	355,682,431	-	355,682,431
Financial investments	2,756,092	-	2,756,092
Other accounts receivables	42,153,793	-	42,153,793
Loans and advances	2,619,162,542	-	2,619,162,542
Property, plant and equipment	46,133,323	-	46,133,323
Intangible assets	34,357,732	-	34,357,732
Deferred tax assets	7,920,028	114,264,051	112,184,079
TOTAL ASSETS	3,108,165,941	114,264,051	3,222,429,992
LIABILITIES AND EQUITY			
LIABILTIES:			
Payables	186,069,354	-	186,069,354
Loan payable	1,131,079,295	-	1,131,079,295
Taxation	73,735,984	-	73,735,984
	1,390,884,633	-	1,390,884,633
EQUITY:			
Share capital	96,050,714	-	96,050,714
Fair Value Reserves	742,715	-	742,715
Retained earnings	1,620,487,879	114,264,051	1,734,751,930
Total equity	1,717,281,308	114,264,051	1,831,545,359
TOTAL LIABILITIES AND EQUITY	3,108,165,941	114,264,051	3,222,429,992

26. **RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):**

Effect on the statement of comprehensive income as at 31 March 2016:

	As previously reported $	Effect of restatement $	As restated $
OPERATING INCOME:			
Interest income loans	1,339,794,857	-	1,339,794,857
Interest income securities	8,813,751	-	8,813,751
Total interest income	1,348,608,608	-	1,348,608,608
Interest expense	(89,288,109)	-	(89,288,109)
Net Interest income	1,259,320,499	-	1,259,320,499
Net fees and commission on loans	192,129,168	-	192,129,168
	1,451,449,667	-	1,451,449,667
Other operating income:			
Money services fees and commission	3,355,855	-	3,355,855
Other income	15,936,278	-	15,936,278
	19,292,133	-	19,292,133
	1,470,741,800	-	1,470,741,800
OPERATING EXPENSES:			
Staff costs	323,657,230	-	323,657,230
Allowance for credit losses	213,348,901	-	213,348,901
Depreciation & amortization	37,287,246	-	37,287,246
Other operating expenses	228,738,458	-	228,738,458
	803,031,835	-	803,031,835
Profit before tax	667,709,965	-	667,709,965
Tax	67,828,976	(82,193,504)	(14,364,528)
Net profit	599,880,989	82,193,504	682,074,493
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	599,880,989	-	682,074,493
Earnings per stock unit	2.19	-	2.48

26. **RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):**

Effect on the statement of comprehensive income as at 31 March 2016:

	As previously reported $	Effect of restatement $	As restated $
ASSETS:			
Cash and cash equivalent	352,839,096	-	352,839,096
Financial investments	2,013,377	-	2,013,377
Other accounts receivables	37,018,901	-	37,018,901
Loans and advances	2,105,123,093	-	2,105,123,093
Property, plant and equipment	52,185,656	-	52,185,656
Intangible assets	3,501,125	-	3,501,125
Deferred tax assets	4,261,370	82,193,504	86,454,874
TOTAL ASSETS	2,556,942,618	82,193,504	2,639,136,122
LIABILITIES AND EQUITY			
LIABILTIES:			
Payables	220,983,153	-	220,983,153
Loan payable	1,028,965,756	-	1,028,965,756
Project advance	75,861,397	-	75,861,397
Taxation	14,639,378	-	14,639,378
	1,340,449,684	-	1,340,449,684
EQUITY:			
Share capital	96,050,714	-	96,050,714
Retained earnings	1,120,442,220	82,193,504	1,202,635,724
Total Equity	1,216,492,934	82,193,504	1,298,686,438
TOTAL LIABILITIES AND EQUITY	2,556,942,618	82,193,504	2,639,136,122