# ACCESS FINANCIAL SERVICES LIMITED

## FINANCIAL STATEMENTS

## 31 DECEMBER 2010

# ACCESS FINANCIAL SERVICES LIMITED

## FINANCIAL STATEMENTS

## 31 DECEMBER 2010

I N D E X

**INDEPENDENT AUDITORS' REPORT**

To the Members of
Access Financial Services Limited

**Report on the Financial Statements**

We have audited the financial statements of Access Financial Services Limited set out on pages 3 to 29, which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of
Access Financial Services Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2010, and of its financial performance, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

The financial statements of the company for the year ended 31 December 2009 were examined by other independent auditors whose report dated 5 February 2010 expressed an unqualified opinion thereon.

**Report on additional requirements of 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, proper returns have been received for branches not visited by us and the financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

**Chartered Accountants**

28 February 2011

# ACCESS FINANCIAL SERVICES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## YEAR ENDED 31 DECEMBER 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| OPERATING INCOME: | | | |
| Interest income from loans | 2(o) | 377,901,170 | 294,923,712 |
| Interest income from securities | | 4,968,212 | 4,360,565 |
| Total interest income | | 382,869,382 | 299,284,277 |
| Interest expense | | ( 26,015,321) | ( 38,115,425) |
| Net interest income | | 356,854,061 | 261,168,852 |
| Net fees and commissions on loans | | 18,231,448 | 5,734,069 |
| | | 375,085,509 | 266,902,921 |
| Other operating income: | | | |
| Money services fees and commission | | 42,174,422 | 37,763,774 |
| Foreign exchange gains | | 1,045,872 | 374,829 |
| | | 43,220,294 | 38,138,603 |
| | | 418,305,803 | 305,041,524 |
| OPERATING EXPENSES: | | | |
| Staff costs | 11 | 112,324,096 | 84,183,840 |
| Allowance for credit losses | 7(c) | 45,305,863 | 39,212,690 |
| Depreciation and amortization | 8(a),(b) | 9,248,501 | 5,642,842 |
| Other operating expenses | | 104,221,219 | 91,252,614 |
| | | 271,099,679 | 220,291,986 |
| Profit before taxation | 12 | 147,206,124 | 84,749,538 |
| Taxation | 13 | - | ( 18,750,229) |
| Net profit for the year, being total comprehensive income | | 147,206,124 | 65,999,309 |
| Earnings per share | 14 | $0.54 | $0.24 |

# ACCESS FINANCIAL SERVICES LIMITED

## STATEMENT OF FINANCIAL POSITION

## 31 DECEMBER 2010

| | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 4 | 48,301,151 | 28,824,885 |
| Securities purchased under resale agreements | 5 | 67,422,062 | 71,758,246 |
| Other accounts receivable | 6 | 22,148,890 | 15,248,646 |
| Loans and advances | 7 | 475,058,293 | 453,784,169 |
| Property, plant and equipment | 8(a) | 37,065,447 | 33,036,611 |
| Intangible assets | 8(b) | 8,296,268 | 5,828,416 |
| TOTAL ASSETS | | 658,292,111 | 608,480,973 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| LIABILITIES: | | | |
| Accounts payable and accruals | | 22,243,884 | 20,877,856 |
| Taxation payable | | - | 5,748,300 |
| Loans payable | 9 | 228,773,079 | 308,060,301 |
| Total liabilities | | 251,016,963 | 334,686,457 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | 10 | 96,050,714 | 96,050,714 |
| Retained earnings | | 311,224,434 | 177,743,802 |
| Total shareholders' equity | | 407,275,148 | 273,794,516 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 658,292,111 | 608,480,973 |

Approved for issue by the Board of Directors on 28 February 2011 and signed on its behalf by:

..........................................Chairman
Brian Goldson

..........................................Chief Executive Officer
Marcus James

..........................................Director
Gary Peart

# ACCESS FINANCIAL SERVICES LIMITED

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## YEAR ENDED 31 DECEMBER 2010

| | Note | Share Capital $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|
| Balance at 31 December 2008 | | 3,137,255 | 111,744,493 | 114,881,748 |
| Issue of shares net of transaction costs | | 92,913,459 | - | 92,913,459 |
| Net profit for the year, being total comprehensive income | | - | 65,999,309 | 65,999,309 |
| **Balance at 31 December 2009** | | 96,050,714 | 177,743,802 | 273,794,516 |
| Net profit for the year being total comprehensive income | | - | 147,206,124 | 147,206,124 |
| Dividends | 15 | - | ( 13,725,492) | ( 13,725,492) |
| **Balance at 31 December 2010** | | 96,050,714 | 311,224,434 | 407,275,148 |

# ACCESS FINANCIAL SERVICES LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 31 DECEMBER 2010

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Profit for the year | 147,206,124 | 65,999,309 |
| Adjustments for: | | |
| Depreciation and amortisation | 9,248,501 | 5,642,842 |
| Tax expense | - | 18,750,229 |
| Increase in allowance for loan losses | 45,305,863 | 39,212,690 |
| Interest income | (382,869,382) | (299,284,277) |
| Interest expense | 26,015,321 | 38,115,425 |
| | (155,093,573) | (131,563,782) |
| Change in loans and advances | ( 66,579,987) | (146,463,549) |
| Change in other accounts receivable | ( 6,722,010) | ( 1,973,849) |
| Change in loans payable, net | ( 79,287,222) | 31,173,000 |
| Change in accounts payable | 1,366,028 | 5,843,026 |
| | (306,316,764) | (242,985,154) |
| Income taxes paid | ( 5,748,300) | ( 30,738,218) |
| Interest received | 382,691,148 | 299,711,401 |
| Interest paid | ( 26,015,321) | ( 35,044,706) |
| Net cash provided by/(used in) operating activities | 44,610,763 | ( 9,056,677) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Securities purchased under resale agreements | 4,336,184 | ( 39,758,246) |
| Acquisition of property, plant and equipment and intangible assets | ( 15,745,189) | ( 14,136,696) |
| Net cash used in investing activities | ( 11,409,005) | ( 53,894,942) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Share issue, net of expenses | - | 92,913,459 |
| Dividends | ( 13,725,492) | - |
| Net cash (used in)/provided by financing activities | ( 13,725,492) | 92,913,459 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR** | 19,476,266 | 29,961,840 |
| Cash and cash equivalents at beginning of year | 28,824,885 | ( 1,136,955) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (note 4) | 48,301,151 | 28,824,885 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

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.

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 is also a licenced cambio dealer and its money services division offers remittance and bill payment services.

2. **REPORTING CURRENCY:**

These financial statements are presented using Jamaican dollars which is considered the currency of the primary economic environment in which the company operates ("the functional 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. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions are significant to the financial statements are discussed below:

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

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

(i) 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.

(ii) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

(iii) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

**Standards, interpretations and amendments to published standards effective in the reporting period**

During the reporting period, new standards, interpretations and amendments were applied for the first time from 1 January 2010. None of these had a material effect on the financial statements but have given rise to revised or additional disclosures.

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

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

**Standards, interpretations and amendments to published standards that are not yet effective**

At the date of authorization of these financial statements, there were certain new standards, interpretations and amendments to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the company are as follows:

| | |
|---|---|
| IFRS 9 | Financial Instruments (effective 1 January 2013), introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income. |
| IAS 24 (Revised) | Related Party Disclosures, revised (effective 1 January 2011), introduces changes to the related party disclosure requirements for government -related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. |
| IAS 32 (Amended) | Financial Instruments: Presentation (effective 1 February 2010), allows certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for such reclassification. |

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

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(b) 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.

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.

(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 depreciation rates are as follows:

| | |
|---|---|
| Furniture and fixtures | 10% |
| Leasehold improvement | 10% |
| Computer equipment | 20% |
| Motor vehicles | 25% |
| Computer software | 20% |

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

(c) Securities purchased under resale agreements -

Securities purchased under resale agreements are short-term transactions whereby the company buys securities and simultaneously agrees to resell the securities on specified dates and at specified prices. Resale agreements are accounted for as short-term collateralized lending and measured at amortised cost. Interest is recognized in the statement of comprehensive income over the life of each agreement using the effective interest rate method.

(d) Loans -

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

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(e) 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.

(f) Other receivables -

Other receivables are stated at amortised cost less impairment losses, if any.

(g) Accounts payable -

Trade and other payables are stated at amortised cost.

(h) Provisions -

A provision is recognized if, as a result of a past event, the company has a legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

(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 with any difference between proceeds net of transaction costs, and the redemption value recognized in income along with regular interest charges over the period of the borrowings.

(j) Share capital -

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

## ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(k) Impairment -

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses are recognized in the statement of comprehensive income. The recoverable amount of an asset or its cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(l) Foreign currencies -

Transactions in foreign currencies are converted into the functional currency at exchange rates at the dates of those transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at that 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 settled foreign currency monetary assets and liabilities are recognized in the statement of comprehensive income.

(m) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments comprise cash and cash equivalents, resale agreements, loans and advances, other receivables, accounts payable and loans payable.

A financial instrument is recognized if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the company's rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining the substantial risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the company's obligations specified in the contract expire or are discharged or cancelled.

(n) Cash and cash equivalents -

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

(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.

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(p) Interest expense -

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

(q) 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.

(r) Employee benefits -

Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation and sick leave, and non-monetary benefits such as medical care and housing.

The company operates a defined-contribution pension scheme for the benefit of qualifying employees. The scheme is administered by Mayberry Investments Limited. Contributions to the scheme, made on the basis provided for in the rules, are recognized as expense when due.

(s) Taxation -

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

(i) Current income taxes

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

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(s) Taxation (cont'd) -

(ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(t) Dividends -

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by shareholders at the Annual General Meeting.

(u) Segment reporting -

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

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

4. **CASH AND CASH EQUIVALENTS:**

| | 2010<br>$ | 2009<br>$ |
|---|---:|---:|
| Short term deposits | 85,894 | 74,086 |
| Cash at bank | 48,215,257 | 28,750,799 |
| | 48,301,151 | 28,824,885 |

The weighted average interest rate on short-term deposits was 5.38% (2009 – 7.85%).

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

### 5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS:

The fair values of the underlying collateral of securities purchased under resale agreements approximate their carrying value.

### 6. OTHER ACCOUNTS RECEIVABLE:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Taxation recoverable | 4,806,201 | 2,862,788 |
| Prepayments and deposits | 5,364,005 | 2,505,196 |
| Money services – Western Union | 10,453,425 | 8,711,407 |
| Other | 1,525,359 | 1,169,255 |
| | 22,148,890 | 15,248,646 |

### 7. LOANS AND ADVANCES:

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

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Personal loans | 448,507,518 | 372,523,173 |
| Business loans - | | |
| Agriculture | 7,414,800 | 7,206,235 |
| Services | 21,503,162 | 32,572,889 |
| Trading | 54,487,994 | 59,211,572 |
| Manufacturing | 6,787,844 | 7,369,761 |
| Other | 8,284,491 | 1,522,192 |
| | 98,478,291 | 107,882,649 |
| | 546,985,809 | 480,405,822 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

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

Remaining term to maturity

| | 2010 $ | 2009 $ |
|---|---|---|
| Due within 1 month | 409,151,180 | 227,905,648 |
| 1 to 3 months | 72,041,634 | 34,943,560 |
| 3 to 12 months | 42,431,633 | 98,361,619 |
| Over 12 months | 23,361,362 | 119,194,995 |
| Gross loans and advances | 546,985,809 | 480,405,822 |
| Less: Allowance for loan losses | ( 71,927,516) | ( 26,621,653) |
| | 475,058,293 | 453,784,169 |

(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:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Gross $ | Impairment $ | Gross $ | Impairment $ |
| Current | 414,010,103 | - | 415,650,448 | - |
| 1 to 3 months past due | 79,880,586 | 18,832,396 | 52,006,086 | 13,872,365 |
| 3 to 12 months past due | 29,723,758 | 29,723,758 | 12,749,288 | 12,749,288 |
| Over 12 months past due | 23,371,362 | 23,371,362 | - | - |
| | 546,985,809 | 71,927,516 | 480,405,822 | 26,621,653 |

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:

| | 2010 $ | 2009 $ |
|---|---|---|
| Balance at beginning of year | 26,621,653 | 29,140,750 |
| Allowance made during the year | 45,305,863 | 39,212,690 |
| Loans written off during the year | - | (41,731,787) |
| Balance at the end of the year | 71,927,516 | 26,621,653 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(a) Property, plant and equipment

| | Leasehold Improvement | Computer Equipment | Furniture and Fixtures | Motor Vehicles | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| At cost - | | | | | |
| 31 December 2008 | 11,964,108 | 7,413,739 | 9,199,425 | 4,059,500 | 32,636,772 |
| Additions | 3,756,589 | 2,693,975 | 4,775,104 | 110,000 | 11,335,668 |
| 31 December 2009 | 15,720,697 | 10,107,714 | 13,974,529 | 4,169,500 | 43,972,440 |
| Additions | 3,356,894 | 3,429,881 | 3,929,384 | - | 10,716,159 |
| 31 December 2010 | 19,077,591 | 13,537,595 | 17,903,913 | 4,169,500 | 54,688,599 |
| Depreciation - | | | | | |
| 31 December 2008 | 1,217,976 | 2,726,827 | 1,343,632 | 1,195,177 | 6,483,612 |
| Charge for the year | 1,142,593 | 1,399,618 | 878,262 | 1,031,744 | 4,452,217 |
| 31 December 2009 | 2,360,569 | 4,126,445 | 2,221,894 | 2,226,921 | 10,935,829 |
| Charge for the year | 1,674,110 | 2,251,830 | 1,719,008 | 1,042,375 | 6,687,323 |
| 31 December 2010 | 4,034,679 | 6,378,275 | 3,940,902 | 3,269,296 | 17,623,152 |
| Net Book Value - | | | | | |
| 31 December 2010 | 15,042,912 | 7,159,320 | 13,963,011 | 900,204 | 37,065,447 |
| 31 December 2009 | 13,360,128 | 5,981,269 | 11,752,635 | 1,942,579 | 33,036,611 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(b) Intangible assets:

This comprises acquired computer software as follows:

| | 2010 $ | 2009 $ |
|---|---|---|
| Cost: | | |
| At beginning of the year | 10,219,234 | 7,418,206 |
| Additions | 5,029,030 | 2,801,028 |
| At end of the year | 15,248,264 | 10,219,234 |
| Amortisation: | | |
| At beginning of the year | 4,390,818 | 3,200,193 |
| Charge for the year | 2,561,178 | 1,190,625 |
| At end of the year | 6,951,996 | 4,390,818 |
| Net book value | 8,296,268 | 5,828,416 |

9. **LOANS PAYABLE:**

Loans are comprised as follows:

| | 2010 $ | 2009 $ |
|---|---|---|
| Director's loan | - | 51,892,183 |
| Mayberry Investments Limited | - | 2,174,463 |
| Development Options Limited [see note (i)] | 42,583,395 | 115,609,254 |
| Pan Caribbean Merchant Bank [see note (ii)] | 56,366,725 | 70,519,950 |
| National Insurance Fund [see note (iii)] | 15,145,274 | 24,671,544 |
| Development Bank of Jamaica [see note (iv)] | 114,677,685 | 47,244,570 |
| | 228,773,079 | 312,111,964 |
| Less: Unamortised transaction costs | - | ( 4,051,663) |
| | 228,773,079 | 308,060,301 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

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

(i) This loan attracts interest at 9% per annum and is repayable within nine to fifteen months. The available line of credit is $115 million, of which $80 million is unsecured and $35 million is secured by guarantee from Mayberry Investments Limited.

(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. The available line of credit is $80 million.

(iii) This is part of a facility of $40 million. Advances bear interest at 4% and are repayable quarterly over 48 months. The facility expires on 30 April 2012 and is secured by the assignment of loans made to customers.

(iv) This loan bears interest at 10% and is repayable quarterly over twelve months. This loan is secured by a lien on all deposits made and collected in jointly held current and savings accounts.

| | 2010 $ | 2009 $ |
|---|---|---|
| Within 1 month | 3,641,659 | 31,644,488 |
| 1 to 3 months | 83,643,470 | 70,153,164 |
| 3 to 12 months | 121,714,627 | 105,812,405 |
| | 208,999,756 | 207,610,057 |
| Over 12 months | 19,773,323 | 104,501,907 |
| | 228,773,079 | 312,111,964 |

10. **SHARE CAPITAL:**

| | 2010 $ | 2009 $ |
|---|---|---|
| Authorised share capital: 350,000,000 (2009 - 35,000,000) ordinary shares | | |
| Stated capital, issued and fully paid: 274,509,840 (2009 – 27,450,984) ordinary shares | 96,050,714 | 96,050,714 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

10. **SHARE CAPITAL (CONT'D):**

On 21 April 2010, the company unanimously passed the following resolutions as written resolutions of the company in accordance with Article 85 of the Articles of Incorporation of the company:

(a) That each ordinary share in the capital be divided into ten (10) ordinary shares for shareholders on record at 26 April 2010.

(b) That the authorized share capital of the company be increased from 35,000,000 to 350,000,000 ordinary shares.

11. **STAFF COSTS:**

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Wages, salaries and statutory contributions | 88,124,257 | 62,752,390 |
| Pension contributions | 777,257 | 525,729 |
| Other staff benefits | 23,422,582 | 20,905,721 |
| | 112,324,096 | 84,183,840 |

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

| | 2010 | 2009 |
|---|---|---|
| Permanent | 104 | 89 |
| Temporary | 18 | 15 |
| | 122 | 104 |

12. **PROFIT BEFORE TAXATION:**

The following have been charged in arriving at the profit before taxation:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Auditors' remuneration: | | |
| Current year | 2,200,000 | 3,100,000 |
| Prior period | - | 300,000 |
| Depreciation and amortisation | 9,248,501 | 5,642,842 |
| Directors' emoluments | 10,082,417 | 6,134,750 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

13. **TAXATION:**

(a) Taxation for the year comprises:

| | 2010 $ | 2009 $ |
|---|---|---|
| Current tax expense | - | 23,977,648 |
| Prior year under provision | - | 14,849 |
| Deferred tax arising from temporary differences | - | ( 5,242,268) |
| | - | 18,750,229 |

(b) Reconciliation of actual tax expense:

| | 2010 $ | 2009 $ |
|---|---|---|
| Profit before tax | 147,206,124 | 84,749,538 |
| Expected tax expense @ 33 1/3% | 49,068,708 | 28,249,846 |
| Adjusted for difference in treatment of: | | |
| Depreciation and capital allowances | ( 37,302) | ( 693,614) |
| Other | 2,419,988 | 1,327,631 |
| Prior period under provision | - | 14,849 |
| | 51,451,394 | 28,898,712 |
| Adjustment for the effect of tax remission: | | |
| Current tax | ( 51,451,394) | ( 4,906,215) |
| Deferred tax | - | ( 5,242,268) |
| | - | 18,750,229 |

(c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective October 30, 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 5 to 10 | 50% |

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

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

14. **EARNINGS PER SHARE:**

This is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 274,509,840 (2009 - 274,509,840). The weighted average number of shares for both years reflects the 10:1 split in the number of shares in issue up to 26 April 2010.

15. **DIVIDENDS:**

(a) Paid –

By resolution dated 22 February 2010, the Board of Directors approved the payment of an interim dividend in the amount of fifty cents (0.50¢) per share.

(b) Proposed -

At the Board of Directors meeting on 31 January 2011, a dividend in respect of 2010 of $0.31 per share amounting to $85,098,050 was proposed to be paid to shareholders on record as at 2 March 2011. Shareholders' equity for the current financial year does not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained profits in the ensuing financial year.

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

Significant related party balances and transactions were as follows:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| (a) Balances | | |
| Advances to key management personnel | - | 387,472 |
| Due to related parties: | | |
| Mayberry Investments Limited | - | 2,184,951 |
| Director | - | 52,371,887 |
| | - | 54,556,838 |
| Due from related party: | | |
| Mayberry Investments Limited | - | 268,307 |
| Accounts payable: | | |
| Director | - | 1,000,000 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

16. **RELATED PARTY BALANCES AND TRANSACTIONS (CONT'D):**

(b) Transactions:

| | | |
|---|---|---|
| Compensation for key management (including director): | | |
| Short-term benefits | 10,082,417 | 6,134,750 |
| Pension contributions | 908,242 | 201,429 |
| Operating lease expenses | 6,605,611 | 5,253,167 |
| Interest expenses | 4,738,262 | - |

17. **FINANCIAL INSTRUMENTS:**

(a) Financial instrument risks:

The company has exposure to the following financial risks from its use of financial instruments and its insurance contracts:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

(i) Credit risk:

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

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

The carrying amount of financial assets represents the maximum credit exposure. The company has some degree of credit risk concentration associated with loans receivable, as the company's loan portfolio includes micro-business and personal loans. There are no significant balances with any single entity or group of entities.

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

17. **FINANCIAL INSTRUMENTS (CONT'D):**

(a) Financial instrument risks (cont'd):

(i) Credit risk (cont'd):

There was no individual loan balance that exceeded 10% of the total loans owing to the company at the end of the reporting period.

Securities purchased under resale agreements represent contracts with a related financial institution and a non-related financial institution.

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

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Cash and cash equivalents | 48,301,151 | 28,824,885 |
| Securities purchased under resale agreements | 67,422,062 | 71,758,246 |
| Loans and advances | 475,058,293 | 453,784,169 |
| Other accounts receivable | 22,148,890 | 15,248,646 |
| | 612,930,396 | 569,615,946 |

(ii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash resources and marketable securities, and the availability of funding through an adequate amount of committed facilities.

# ACCESS FINANCIAL SERVICES LIMITED
# NOTES TO THE FINANCIAL STATEMENTS
# 31 DECEMBER 2010

17. **FINANCIAL INSTRUMENTS (CONT'D):**

(a) Financial instrument risks (cont'd):

(ii) Liquidity risk (cont'd):

The company manages this risk by maintaining a substantial portion of its financial assets in liquid form and by maintaining committed lines of credit to finance its operations.

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

| | 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount $ | Contractual Cash flows $ | Less than 3 months $ | 3 to 12 months $ | 1 to 2 years $ | Over 2 years $ |
| Loans payable | (228,773,079) | (252,611,697) | ( 3,641,659) | (227,831,290) | (21,138,748) | - |
| Accounts payable and provisions | ( 22,243,884) | ( 22,243,884) | ( 22,243,884) | - | - | - |
| | (251,016,963) | (274,855,581) | ( 25,885,543) | (227,831,290) | (21,138,748) | - |

| | 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount $ | Contractual Cash flows $ | Less than 3 months $ | 3 to 12 months $ | 1 to 2 years $ | Over 2 years $ |
| Loans payable | (308,060,301) | (339,781,423) | (112,047,563) | (120,193,738) | (93,241,144) | (14,298,978) |
| Accounts payable and provisions | ( 20,877,856) | ( 20,877,856) | ( 20,877,856) | - | - | - |
| | (328,938,157) | (360,659,279) | (132,925,419) | (120,193,738) | (93,241,144) | (14,298,978) |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

17. **FINANCIAL INSTRUMENTS (CONT'D):**

(a) Financial instrument risks (cont'd):

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on certain of its financial assets. There is no significant exposure to foreign currency risk or equity price risk. Derivative financial instruments are not used to reduce exposure to market risk.

(iv) Interest rate risk:

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

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

| | Carrying Amount | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Fixed rate instruments: | | |
| Financial assets | 542,480,355 | 525,542,415 |
| Financial liabilities | (228,773,079) | (308,060,301) |
| | 313,707,276 | 217,482,114 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

17. **FINANCIAL INSTRUMENTS (CONT'D):**

(a) Financial instrument risks (cont'd):

(iv) Interest rate risk (cont'd):

Interest rate sensitivity

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity of variable rate financial instruments

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

(b) Fair value of financial instruments:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Carrying Amount $ | Fair Value $ | Carrying Amount $ | Fair Value $ |
| Cash & cash equivalents | 48,301,151 | 48,301,151 | 28,824,885 | 28,824,885 |
| Securities purchased under resale agreements | 67,422,062 | 67,422,062 | 71,758,246 | 71,758,246 |
| Loans and advances | 475,058,293 | 475,058,293 | 453,784,169 | 453,784,169 |
| Other accounts receivable | 22,148,890 | 22,148,890 | 15,248,646 | 15,248,646 |
| Accounts payable and provisions | ( 22,243,884) | ( 22,243,884) | ( 20,877,856) | ( 20,877,856) |
| Loans payable | (228,773,079) | (228,773,079) | (308,060,301) | (308,060,301) |
| | 361,913,433 | 361,913,433 | 240,677,789 | 240,677,789 |

# ACCESS FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2010

### 18. 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.

### 19. LEASE COMMITMENTS:

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

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Within 1 year | 15,333,020 | 17,548,307 |
| Subsequent years (2-5) | 17,680,870 | 35,763,637 |
| | 33,013,890 | 53,311,944 |

### 20. SEGMENT INFORMATION:

The company is a retail lending institution to the micro enterprise sector for personal and business purposes. It also operates a Cambio and its money services division offers remittance and 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 two years ended 31 December 2010, can be found in the statement of 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 two years ended 31 December 2010, 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.