



Relentless Pursuit
of **Financial
Inclusion**

Annual Report | 2017-18

Relentless Pursuit of...





Vision

To become a global corporate leader, through innovation and entrepreneurship. Driven by a passion for excellence and compassion for our fellow man, we will make LASCO a world name, synonymous with integrity, value and service.

Mission

To provide quality products and services to our customers, ensure profitability and promote employee development.

Being the best...Always!

Core Values

Care for our customers

We respect our customers' time and privacy.

Commitment

We are committed to achieving success for our team, agents and shareholders.

Integrity

In dealing with our customers, agents, staff and shareholders.

Continuous Improvement of our Processes





Relentless Pursuit of

FINANCIAL INCLUSION

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Notice of Annual GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of LASCO FINANCIAL SERVICES LIMITED will be held on **Friday, September 28, 2018 at 9:00 a.m.** in the Blue Mountain Suite of The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 for the following purposes:

Ordinary Resolutions

1. Audited Accounts

To consider and if thought fit, pass the following resolution:

“**THAT** the Audited Accounts for the year ended March 31, 2018 and the Reports of the Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted.”

2. Ratification of Dividend

To consider and if thought fit, pass the following resolution:

“**THAT** the Interim dividend of \$0.04 per stock unit which was paid on August 11, 2017 to shareholders on record at the close of business on August 2, 2017, be declared final for the year 2017.”

3A. Election of Directors

Article 102 of the Company’s Articles of Incorporation provides that one-third of the Directors, if their number is not three (3) or a multiple of three (3), the number nearest one-third (1/3), shall retire from office at each Annual General Meeting.

Article 103 of the Company’s Articles of Incorporation further states that the Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Directors retiring under these Articles are **Hon. Roald Henriques** and **Mr. Compton Rodney** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

To consider and if thought fit pass the following resolution:

- (i) “**THAT** retiring Director **Hon. Roald Henriques** be and is hereby re-elected a Director of the Company.”

To consider and if thought fit pass the following resolution:

- (ii) “**THAT** retiring Director **Mr. Compton Rodney**, be and is hereby re-elected a Director of the Company.”

(B) Article 98 of the Company's Articles of Incorporation empowers the Directors at any time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum of 12. Any Director so appointed shall hold office only until the next following annual general meeting, when he shall retire but shall be eligible for re-election.

The Director retiring under this Article is **Mr. James Rawle** who was appointed on March 27, 2018, and being eligible offers himself for re-election.

To consider and if thought fit pass the following resolution:

(i) "THAT retiring Director **Mr. James Rawle** be and is hereby re-elected a Director of the Company."

3. Directors' Remuneration

Article 82 of the Articles of Incorporation empowers the Directors or any appropriate Committee of the Board of Directors to fix the remuneration of the Directors.

To consider and if thought fit, pass the following resolution:

"THAT, the remuneration of the Directors be fixed by the Compensation Committee of the Board.

Article 123 empowers the Directors, or any appropriate Committee of the Board of Directors, to determine, the remuneration of the Managing Director."

To consider and if thought fit, pass the following resolution:

"THAT, the remuneration of the Managing Director be fixed by the Compensation Committee of the Board.

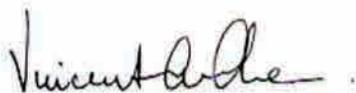
4. Remuneration of Auditors

To consider and if thought fit, pass the following resolution:

"That the remuneration of the Auditors, BDO, be fixed by the Directors of the Company".

Dated this 14th day of June, 2018

BY ORDER OF THE BOARD



Vincent A. Chen
COMPANY SECRETARY

- NOTE:
1. A Member of the Company entitled to attend and vote at this meeting is entitled to appoint another person as his/her Proxy to attend and vote in his/her stead, and a Proxy need not be a Member of the Company.
 2. All Members are entitled to attend and vote at the meeting.
 3. Enclosed is a form of Proxy which must be deposited with the Secretary at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or to the Registrar and Transfer Agent, Jamaica Central Securities Depository, 40 Harbour Street, Kingston.

Corporate DATA

As at March 31, 2018



REGISTERED OFFICE

LASCO Financial Services Limited
 27 Red Hills Road, Kingston 10, Jamaica, W.I.
 Tel: (876) 960-7473, (876) 920-0322, Fax: (876) 960-4595
 Website: www.lascojamaica.com/financial

BOARD OF DIRECTORS

Executive Directors

Hon. Lascelles Chin, O.J., C.D. LLD
 (Hon. Causa)
Executive Chairman

Mrs. Jacinth Hall-Tracey, MBA
Managing Director

Non-Executive Directors

Dr. Eileen Chin, MBA
Mr. James Rawle

Mr. Peter Chin
Deputy Chairman

Mr. Compton Rodney
Hon. R.N.A. Henriques, O.J., Q.C.

Mr. Gary Peart, MBA
Mr. Christopher Berry, B.Sc.

Company Secretary

Mr. Vincent A. Chen

Senior Managers

Mrs. Jacinth Hall-Tracey
B.A. (Hons.), MBA
Managing Director

Ms. Atasha Bernard
FCCA, FCA, MBA
Financial Controller

Ms. Denise West
LLB (Hons.), CLE
Chief Compliance Officer

Attorneys-at-Law

Chen Green & Company
 6 Haining Road, Kingston 5
 Jamaica, W. I.

Bankers

CIBC FirstCaribbean
International Bank Jamaica Ltd.
 23-27 Knutsford Boulevard
 Kingston 5, Jamaica, W. I.

National Commercial Bank
Jamaica Limited
 94 Half Way Tree Road
 Kingston 10, Jamaica, W. I.

Auditors

BDO
 26 Beechwood Avenue
 Kingston 5, Jamaica, W. I.

Registrar & Transfer Agents

Jamaica Central Securities Depository
 40 Harbour Street, Kingston
 Jamaica, W. I.

Five-Year FINANCIAL REVIEW

5 YEAR FINANCIAL HIGHLIGHTS

	Year ended 31 March, 2018	Year ended 31 March, 2017	Year ended 31 March, 2016	Year ended 31 March, 2015	Year ended 31 March, 2014
REVENUE AND EXPENSES	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	1,620,265	1,070,591	870,009	713,477	628,546
% change over prior year	51%	23%	22%	14%	30%
Administrative and Other Expenses	624,994	401,402	307,261	224,183	199,395
% change over prior year	56%	31%	37%	12%	18%
Selling and Promotion Expenses	593,035	432,874	341,460	298,062	252,273
% change over prior year	37%	27%	15%	18%	66%
Finance Cost	66,819	4,843	318	160	195
% change over prior year	1280%	1423%	99%	-18%	-48%
Net Profit Before Taxation	335,417	231,472	220,970	191,072	176,683
% change over prior year	45%	5%	16%	8%	8%
Taxation	81,133	43,694	17	-	-
% change over prior year	86%	256924%	0%	0%	0%
Net Profit for the Year	254,284	187,778	203,379	191,072	176,683
% change over prior year	35%	-8%	6%	8%	8%
STATEMENT OF FINANCIAL POSITION					
Short-Term Deposits and Cash Equivalents	435,040	647,424	464,910	512,645	395,174
% change over prior year	-33%	39%	-9%	30%	109%
Total Assets	3,386,101	1,560,281	1,149,599	1,015,223	810,726
% change over prior year	117%	36%	13%	25%	27%
Total Liabilities	2,016,467	404,839	154,580	202,889	159,458
% change over prior year	398%	162%	-24%	27%	-3%
Total Stockholder's Equity	1,369,634	1,155,442	995,019	812,334	651,268
% change over prior year	19%	16%	22%	25%	37%
FINANCIAL RATIOS					
Basic Earnings Per Share (cents)	0.2021	0.1504	0.1655	0.1560	0.1439
Diluted Earnings Per Share (cents)	0.1995	0.1474	0.1619	0.1521	0.1436
Book Value Per Share	1.0830	0.9210	0.8006	0.6615	0.5303
Market Price Per Share (JSE closing price - J\$)	4.88	3.60	2.71	1.08	1.20
Number of Issued Shares - '000	1,264,694	1,254,578	1,242,770	1,228,103	1,228,103
Market Capitalisation (J\$)	6,171,709	4,516,480	3,367,906	1,326,351	1,473,724
Dividend Per Share (cents)	-	0.040	0.035	0.0311	0.030
Dividend Payout Ratio	-	26.74%	21.39%	19.99%	20.85%
Dividends for the Respective Period*	-	50,208	43,497	38,195	36,844
Price Earnings Ratio	24	24	16	7	8
Efficiency Ratio (admin exp./revenue)	38.57%	37.49%	35.32%	31.42%	31.72%
Net Profit Growth (%growth)	35%	-8%	6%	8%	8%
Return on Average Equity	20%	17%	23%	26%	31%
Return on Average Assets	10%	14%	19%	21%	24%
Number of Employees	138	82	69	39	39

* paid subsequent to the year end

Message from the EXECUTIVE CHAIRMAN & MANAGING DIRECTOR

Dear Shareholders,

We are pleased to report the 2017/2018 results for the LASCO Financial Services Group. The value and organizational structure of the company this year has substantially grown since we reported last year. Our drive to diversify and manage the risks of our revenue streams led us to begin the transformation of our business. This culminated in the acquisition of a loans company, Scotia Jamaica MicroFinance Company Limited (CrediScotia). Upon the completion of the acquisition, LASCO Financial Services Limited's (LFSL) loan business was merged with CrediScotia and renamed LASCO Microfinance Limited (LASMF).

The newly organized LFSL Group will see LFSL (the Parent) giving focus to its Money Service Business (MSB), Cambio and Remittance, whereas LASMF, the subsidiary, will continue to make inroads into the Micro Loans Industry. LFSL

expects to create significant value from the acquisition. The annual financial cost to acquire the loan company is already covered by its existing profits. Upon the completion of the integration, LASMF is expected to be a faster growing even more profitable company. We have been investing considerable effort in the technology and processes and creating the right organizational structure to drive our mission and objectives.

LFSL, the Parent Company, will refocus on the MSB, expand its services and respond to additional market opportunities. Although these business segments continue to deliver growth of 20% or more averages over the years, we believe that there is still opportunity to maximize the growth options. The newly organized structure will be focused on extracting more value from this business.

We are excited at the Group's prospects, our EBITDA has increased 79% from \$238 million to \$426 million, Total Assets have doubled





and are now at \$3.4 billion and Earnings Per Share grew year over year by 34%. The return on Shareholders Equity is up 19% compared to 16% of the previous year. Our key to success is our strategic process for producing sustainable value for our shareholders; this includes our focus on superior financial performance for each business segment, innovations to drive competitive advantage, continuous process improvements to drive efficiency and an absolute focus on key relationships, with our staff, agents and customers.

In pursuit of financial inclusion for our customers, during the financial year we arranged with Guardian Life to provide affordable health insurance. This is a significant moment in our financial inclusion pursuit, since access to healthcare is a critical enabler of a better quality of life. In the coming year, other micro-insurance products will be rolled out through other partners. Application for a Guardian health insurance plan can now be facilitated through our Corporate LASCO Money Store.

The 2017/18 financial year was a year of celebrated successes. We achieved several of our planned growth initiatives. During all the changes, our team remained focused on delivering value to our customers and agents, essential to driving sustainable growth and profitability over the long run. We wish to extend our appreciation to them for all the

hard work, time and commitment over the past year. To our customers and shareholders, we offer our thanks and appreciation for your continued trust and confidence and we look forward to doing more in the upcoming year; our commitment to our relentless pursuit of financial inclusion.

Hon. Lascelles Chin
O.J., C.D., LLD (Hon. Causa)
Executive Chairman

Mrs. Jacinth Hall-Tracey
MBA, B.A. (Hons.)
Managing Director



Relentless Pursuit of

**SOUND
LEADERSHIP**

Directors' REPORT

As at March 31, 2018

The Directors of LASCO Financial Services Limited are pleased to present their report for the financial year ended March 31, 2018.

FINANCIAL RESULTS	\$'000
Profit before Taxation	335,417
Taxation	81,133
Net Profit for the year	254,284
Earnings per ordinary stock unit (cents per share)	0.2021

The Company listed its shares on the Junior Market of the Jamaica Stock Exchange on October 12, 2010. The Company is entitled to a remission of Corporate Income Tax for a period of ten years from the date of listing as follows:

Years 1 – 5	100%
Years 6 – 10	50%

The results for the year were approved by the Board and a comparison with the previous year is set out in the Consolidated Statement of Profit or Loss and other Comprehensive Income on Page 51.

DIVIDEND

On August 11, 2017, the Company paid an interim dividend of \$0.04 cents per share to all Shareholders on record at August 2, 2017. No further dividend was paid in respect of the year under review.

DIRECTORS

Articles 102 and 103 of the Articles of Incorporation of the Company, provide for the rotation of Directors at the Annual General Meeting. The Directors retiring under these Articles are **Hon. Roald Henriques** and **Mr. Compton Rodney**, and being eligible, offer themselves for re-election.

Pursuant to Article 98 of the Articles of Incorporation of the Company, James Rawle was appointed Director of the Company on March 27, 2018.

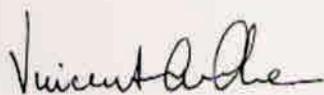
Pursuant to Article 122 of the Articles of Incorporation of the Company, the Managing Director while holding office shall not be subject to retirement by rotation. The Managing Director, who is subject to this Article, is Mrs. Jacinth Hall-Tracey.

ACQUISITION

On December 1, 2017, LASCO Financial Services Limited purchased 100% of the shares of Scotia Jamaica MicroFinance Company Limited, a subsidiary of the Scotia Group Jamaica Limited, formerly CrediScotia.

The Directors take this opportunity to thank its employees, as well as the MoneyGram agents who continue to provide fast and efficient service to our customers. Special thanks to all our corporate as well as retail cambio customers and loan customers who continue to support our business and to our shareholders and stakeholders for their confidence in the company.

Dated this 14th day of June 2018
BY ORDER OF THE BOARD



Vincent A. Chen
Company Secretary

Board of DIRECTORS



HON. LASCELLES CHIN
 OJ, CD, LLD (HON. CAUSA)
 CHAIRMAN

Lascelles Chin, a recipient of the Order of Jamaica (OJ) for his philanthropy and contribution to the development of commerce and business, is the Chairman and Founder of the LASCO Group of Companies.

This Jamaican-born entrepreneur who ventured into the field of business and commerce over 50 years ago, found opportunities in a variety of sectors, and gradually ventured into the importation of spices and teas, sale of adhesives through a partnership with Henkel, furniture manufacturing, data processing, car rental, horticulture, insurance brokerage, hair products, soya oil refining and chicken processing.

Building on his wealth of knowledge and experience in business as the years rolled on, and being always mindful of his humble beginnings, the Chairman has constantly sought to develop and distribute affordable products and offer similarly cost-effective services.

He also shares his ideas and energy with business colleagues, and has contributed greatly to a number of prominent Jamaican business organisations, including the Jamaica Industrial Development Corporation, The Jamaica Exporters' Association, and the Jamaica Promotions Corporation.

PETER CHIN
 DEPUTY CHAIRMAN

Mr. Peter Chin was appointed Managing Director of LASCO Distributors Limited in November 2011. In April 2016, he was also appointed Deputy Chairman.

Mr. Chin has over 20 years experience in the distribution industry, and has held several senior management positions at LASCO Distributors Limited. Some of the positions held include Logistics Manager with responsibility for distribution and procurement, Marketing Manager and General Manager for the Consumer Division.

He has gained wide experience in various other functional areas of the business, such as operations and new-product development.

Over the years he has developed a reputation for strong people management skills and sound leadership. Mr. Chin's performance in key areas of the business prepared him for the top managerial position which he now holds.

Mr. Chin has managed the oversight of several mission-critical projects, including leading the modernisation of the distribution centre's infrastructure and heading the steering committee that implemented the system-wide Enterprise Resource Planning Network Software that is now in place at the Company. Currently Mr. Chin serves on the Board of Directors for LASCO Distributors Limited and LASCO Manufacturing Limited.



MRS. JACINTH HALL-TRACEY

**B. A. (Hons.), MBA
MANAGING DIRECTOR**

Mrs. Jacinth Hall-Tracey joined the Company in 2004 as General Manager for both LASCO Financial Services Limited and LASCO Remittance Services Limited. In 2009 she was appointed Managing Director of LASCO Financial Services Limited and in 2017 appointed to the board of its newly acquired subsidiary LASCO Microfinance Limited as Non-Executive Director.

Under her leadership the Company has grown its services, shareholder value, customer base and reach into the Caribbean and diaspora. The company is a key industry player in the remittance, cambio and loans industries in Jamaica. Since listing on the Junior Market of the Jamaica Stock Exchange, LASCO Financial Services Limited has earned the privilege of being an award recipient at the JSE Best Practices Award each year since 2012 in the categories of Best Performing Company, Annual Report and Website.

Mrs. Hall-Tracey is the sitting President of the Jamaica Money Remitters Association, Past President of the Cambio Association of Jamaica and member of Jamaica Micro Financing Association.

She sits on the Boards of LASCO Distributors Limited and LASCO Manufacturing Limited. She has 28 years management experience, over 15 of which have been in the financial services industry. She holds an MBA from Herriot Watt University, Edinburgh Business School and in early 2018 completed the JSE E-Campus course, Director's Strategic Guide to Corporate Governance and Leadership.

DR. EILEEN A. CHIN

**MBA
NON-EXECUTIVE DIRECTOR**

Dr. Eileen A. Chin is a Non-Executive Director of the Company. Born in Havana City, Cuba, Dr. Chin holds a post-graduate degree in Medicine from the Havana University School of Medicine. She specialised and taught histology from 1993 to 1998 at the Giron School of Medicine, and migrated to Jamaica in 1998.

Dr. Chin joined the LASCO Group of Companies in 1999, serving in several areas, including marketing, product and label development, and international business development for Central and South American markets.

She was appointed General Manager of LASCO Foods (Successors) Limited in 2008, and in 2010, was appointed Managing Director prior to the name change of the Company to LASCO Manufacturing Limited.

Dr. Chin holds an MBA in Global Management, and has received knowledge and skills development training in Advance Negotiation, Risk Management and Lean Six Sigma.

She currently serves as a member of the Board of Directors of LASCO Distributors Limited, LASCO Manufacturing Limited and the Portia Simpson Miller Foundation.

Board of DIRECTORS

(Cont'd)



COMPTON RODNEY

B.Sc.
 NON-EXECUTIVE DIRECTOR

A Chartered Accountant, a Fellow of the Association of Chartered Certified Accountants (U.K.), and a Fellow of the Institute of Chartered Accountants of Jamaica, Mr. Compton Rodney also holds a B.Sc. (Economics) degree from the University of London.

He is the Registrar of the Public Accountancy Board, is a former Director of the Sports Development Foundation and Secretary/Treasurer of the American Chamber of Commerce. He served for over 20 years as the Honorary Treasurer of the Jamaica Olympic Association.

In 2009, Mr. Rodney was awarded the Distinguished Members Award from the Institute of Chartered Accountants of Jamaica.

CHRISTOPHER BERRY

B.Sc. (Hons.)
 NON-EXECUTIVE DIRECTOR

Christopher Berry has been the Executive Chairman of Mayberry Investments Limited since 1993. A former Deputy Chairman of the Jamaica Stock Exchange, he also sits on several other boards, including the Jamaica Central Securities Depository, Caribbean Producers (Jamaica) Limited, Apex Healthcare Associates Limited and Apex Pharmacy Limited.

He has over 30 years experience in the securities industry, having joined Mayberry Investments Limited in 1987, and being responsible for corporate planning and information technology. He subsequently led the company's listing on the Jamaica Stock Exchange in 2005.

Mr. Berry has a Bachelor's Degree in Industrial Engineering (Hons.) from the Georgia Institute of Technology, Atlanta, Georgia.



HON. R.N.A HENRIQUES

OJ, QC

NON-EXECUTIVE DIRECTOR

Hon. Roald Henriques is a former senior partner of the law firm Livingston, Alexander & Levy with over 52 years of experience in legal practice. He was called to the Bar at Lincoln's Inn, London in 1961, and admitted to practice in Jamaica in 1962, and appointed Queen's Counsel in 1981.

Mr. Henriques obtained the Bachelor of Laws Degree (LLB) in 1959, and the Master of Laws Degree (LLM) in 1961, both from the University of London.

He has practised in several Caribbean jurisdictions, in particular Anguilla, The Bahamas, Belize, The British Virgin Islands, Cayman Islands, Grenada, and the Turks and Caicos Islands, and has appeared several times in the Eastern Caribbean Court of Appeal and the Judicial Committee of the Privy Council. He has appeared in several leading landmark cases, in particular, constitutional, pension, commercial and several intellectual property cases involving trademark on behalf of international companies.

Mr. Henriques was honoured by the Bar Association on the 30th July 2004. He has lectured for 25 years at The University of the West Indies on Constitutional and Administrative Law, setting and marking papers not only for Jamaica, but other Caribbean Islands, and refused to take any compensation for same. He has written several articles in the Jamaica Law Journal, and delivered several papers. He was awarded the Order of Jamaica in 2008 for his contribution to the legal profession.

GARY PEART

MBA

NON-EXECUTIVE DIRECTOR

Gary Peart joined Mayberry Investments Limited in May 2005 as Chief Executive Officer after developing his management techniques throughout the financial industry over the course of about 20 years. During that time he gained experience in almost every business line locally, including Corporate Finance, Equity, Fixed Income and Treasury Management, all of which prepared him for his current role as CEO.

After being appointed to the Board of Directors only a year later in 2006, Peart has served as Director at Mayberry Investments Limited and at several other well-known Jamaican entities. Currently, Peart also sits on the Boards of LASCO Distributors Limited and the Jamaica Anti-Doping Commission.

Corporate GOVERNANCE

As at March 31, 2018

Corporate Governance and ethical principles are fundamental elements in the operation of LASCO Financial Services Limited. The Board of Directors of the Company is charged with the responsibility of overseeing management's business operations and strategies, thereby ensuring accountability, objectivity and transparency in the Company's activities. In fulfilling its obligations, the Board ensures that the Company manages and operates within the framework of established policies, legal and regulatory compliance procedures and importantly, ensures compliance with the rules of the Jamaica Stock Exchange (JSE) and the laws and regulations of the country. This is all in an effort to protect the interests of the Company and its stakeholders.

The Board Members whose competencies include legal skills, entrepreneurial and business management skills as well as accounting, financial and treasury management skills, provide guidance for management and ensures that investment strategies provide economic value added returns for shareholders. The Directors are not involved in the day to day operations of the company but are kept abreast of its operations and are provided with detailed quarterly reports of the company's activities at their Director's meetings. As part of the governance structure, major financial decisions are approved by the full board.

At the end of the period under review, March 31, 2018, the Board comprised nine Directors (two Executive and six Non-Executive Directors), all successful and experienced professionals.

In keeping with the Articles of Incorporation of the Company, the longest serving Directors are required to retire and can be re-elected by the members at the Annual General Meeting of the Company.

Board Sub-Committees

The Board has three sub-committees: Audit and Compliance Committee, the Assets and Liabilities Committee and the Compensation Committee. The members of these Committees are appointed by the Board of Directors; however, any Board Member may attend sub-committee meetings.

In an effort to maintain a level of objectivity, all three Committees are chaired by Non-Executive Directors and are comprised primarily of Non-Executive Directors.

The Audit and Compliance Committee

The Committee is guided by its established terms of reference and has the responsibility to assist the Board in overseeing the Company's financial reporting, auditing process and legal and regulatory compliance. The Committee is chaired by Mr. Compton Rodney and the other appointed members are Hon. Lascelles Chin, Mr. Gary Peart and Mr. Roald Henriques. The committee meets quarterly to:

- i. Analyze the interim financial statements before they are submitted to the Board of Directors for approval and subsequent submission to the JSE. The Committee also reviews the audited financial statements at the end of the financial year to ensure its accuracy and compliance with

international accounting standards. The Committee then submits the statements to the Board for approval.

- ii. Examine, discuss and approve the internal audit plan for the year and review the internal audit report which includes an overall assessment of the internal control, risks, financial reporting and compliance policies and procedures as well as the maintenance of good governance and best practices.
- iii. Examine, discuss and approve the Compliance Programme, which forms the basis for the Money Laundering Prevention and Counter Financing of Terrorism manuals and procedures for agents, staff and Directors.
- iv. Examine, discuss and approve the external auditors' plan and review and discuss the Auditors' Management Letter to the Company.
- v. Recommend to the Board the annual fee to be paid to the auditors.

The Committee appointed Ernst & Young in July 2015 as the company's internal auditors, to function on a co-sourcing basis to provide internal audit services.

The Committee meets four times for the year and mandates the internal auditor to:

- assess the financial operating procedures
- check the accuracy of the financial records

- assess exposures and risks
- ensure compliance with accounting regulations and internal controls
- detect fraud
- recommend improvements to internal controls
- review Anti-Money Laundering procedures and give oversight to corporate governance practices.

In keeping with the practice of good governance, the internal auditor reports to the Committee at its quarterly meeting. This facilitates the maintenance and improvement of organizational procedures and controls for tracking the company's income and expenditures as well as the safeguarding of the company's assets.

Assets and Liabilities Committee

The primary goal of the Assets and Liabilities Committee is to evaluate, monitor and advise the Board on all matters relating to values at risk, in particular, imbalances in the capital structure of the company.

In light of the controls in place, the Committee meets four times for the year. The Committee reviews the annual financial plan of the Company and recommends same for the approval of the Board.

The Committee is chaired by Mr. Compton Rodney. The other appointed members are Hon. Lascelles Chin and Hon. Roald Henriques.

Corporate GOVERNANCE (Cont'd)

As at March 31, 2018

The Compensation Committee

The Compensation Committee has the responsibility to advise the Board on all matters relating to the compensation of the Executive Chairman, the Managing Director, Senior Managers and the Non-Executive members of the Board. This Committee is chaired by Hon. Roald Henriques; the other members are Hon. Lascelles Chin, Mr. Compton Rodney and Mr. Christopher Berry. The committee ensures that the compensation programmes are appropriate and supportable and aligned with the overall business strategy.

The Committee's terms of reference require that it meets at least once per year to evaluate the performance of the Executive Chairman, Managing Director and Senior Managers. For the Financial Year under review, the Committee met as mandated and made its recommendations to the Board of Directors.

The Board's Corporate Governance code is available on the company's website: www.lascojamaica.com/financial

Below is a summary of the attendance recorded in respect of the meetings for the Financial Year ended March 31, 2018.

Meetings	LFSL AGM	LFSL BOD	LFSL Compensation Committee	LFSL Audit Committee	ALCO
No. of Meetings	1	8	1	7	4
Lascelles Chin	1	6	1	5	4
Jacinth Hall-Tracey	1	8	-	7	4
Eileen Chin	1	4	-	-	-
Roald N.A. Henriques	1	8	1	7	4
Compton Rodney	1	8	1	7	4
Peter Chin	1	7	-	-	-
Gary Peart	1	6	-	5	-
Christopher Berry	1	5	-	-	-

The following table outlines the composition of each Committee.

Meetings	LFSL Compensation Committee	LFSL Audit Committee	ALCO
Lascelles Chin	✓	✓	✓
Compton Rodney**	✓	✓	✓
Jacinth Hall-Tracey	-	-	-
Eileen Chin	-	-	-
Roald N.A. Henriques *	✓	✓	✓
Peter Chin	-	-	-
Gary Peart	-	✓	-
Christopher Berry	✓	-	-

* Chairman – Compensation Committee ** Chairman – Assets and Liabilities Committee (ALCO) – Audit Committee

The Board of LASCO Financial Services Limited is dedicated to the practice of good governance and will continue in its efforts to achieve increased shareholders' confidence and maximize shareholders' value.

Top Ten Shareholders as at March 31, 2018

Name	Volume	Percentage
East West (St. Lucia) Ltd.	382,972,852	30.28
Lascelles A. Chin	378,731,480	29.94
Mayberry Jamaican Equities Ltd.	250,845,826	19.83
Ian C. Kelly	16,882,429	1.33
Manwei International Ltd.	13,968,095	1.10
Guardian Life Ltd./Pension Fund	13,494,345	1.06
Mayberry Managed Clients Account	12,708,068	1.00
Michael A. Campbell	12,363,280	0.97
Jacinth A. Hall-Tracey	12,169,712	0.96
Wayne M. Chin	4,519,650	0.35

Shareholdings of Directors and Connected Parties as at March 31, 2018

Name: Primary Holder	Position *Connected Party	Units	Percentage
Jacinth Hall-Tracey		12,169,712	0.9622
Compton Rodney		0.00	0.00
Roald N.A. Henriques		1,950,344	0.1569
Lascelles Chin		378,731,480	30.2819
	*Eileen Chin - Direct	{98,060}	0.0079
	*East West St. Lucia	{382,972,852}	29.9465
Eileen Chin		98,060	0.0079
	*Lascelles Chin - Direct	{378,731,480}	{30.2819}
Peter Chin		158,000	0.0126
Gary Peart		997,000	0.0788
Christopher Berry		0.00	0.0000

*Connected Party

Shareholdings of Senior Managers and Connected Parties as at March 31, 2018

Name: Primary Holder	Position *Joint Holder	Units	Percentage
Jacinth Hall-Tracey		12,169,712	0.9623
Atasha Bernard		1,542,334	0.1219
Denise West		1,094,968	0.0866



RISK MANAGEMENT

LASCO Financial Services Limited's (LFSL) principal business activities are by nature subject to various risks. As a result of this exposure, keen attention is paid to the following risks:

- **Money Laundering risks**
- **Cyber Risks**
- **Security Risks**
- **Foreign Exchange Risks**
- **Credit Risks**

RISKS

LFSL's risk oversight process seeks to ensure that mitigations implemented are adequate and the framework is in place to monitor changes in the business or regulatory environment that could impact the strategic objectives. The Board is satisfied that the Executive Management brings to bear the appropriate expertise, processes and information to identify new and complex risks which are likely to impact the enterprise's strategy and business model. It is indeed our philosophy on risk management which helps to drive our innovations and growth objectives.

ANTI-MONEY LAUNDERING RISK MANAGEMENT

>> The risk based compliance programme is effective for the management of the over 130 agents in the LASCO MoneyGram network and the three LASCO Cambio agents. This involves assigning dedicated Analysts and Network Liaison Officers to agents based on geographic risks, customer risks and agent risks.

>> An emphasis on training is key to the successful management of our compliance programme, as such, in addition to on-boarding training sessions for new agents and staff, all LFSL Directors, agent owners and staff, LFSL staff and third party contractors are trained on an annual basis in Anti-Money Laundering (AML) procedures. In the coming year, our training will be further enhanced upon the commissioning of our Learning Management System whereby all members of the LFSL network will be required to do self-guided lessons based on courses developed for AML as well as to complete a test to ensure that the information has been assimilated.

>> The risk of conducting transactions with customers who participate in Advanced Fee Fraud is very high and requires significant allocation of our resources to detect and prevent. Nevertheless the team, along with the highly motivated agent network, which is frequently trained in AML/CFT procedures and fraud detection was able to keep the incidents on our network at a low level. This is a result of the focus of the compliance team who dedicate the time and resources to managing the levels of risk on their network.

The company's compliance program is given oversight by Attorney-at-Law & Chief Compliance Officer Denise West who for the purposes of the relevant legislation and regulation is deemed the Nominated Officer.

BUSINESS



LOANS

MADE EASY

Start your business and watch it grow. You can depend on **LASCO Microfinance Limited** to provide solid financial support and business advice.

Let's talk

CALL (876) 948-1224

DIGI (876) 877-5155



Visit us online @lascomicrofinance.com
Visit any of our 13 locations islandwide
Follow us   





LASCO Money and its Partners Across the Diaspora

LASCO Money ramped up marketing for our LASCO Rewards campaign in the US which includes ads in partnership with CIN TV in the diaspora, among other events.

A couple in New York share a drink in front of a promotional screen with LASCO Rewards advertisement being displayed.



LASCO Money and MoneyGram connecting with customers in their community.



Promotional staff interact with customers in front of an eatery.





TESTIMONIALS |



I frequent the Baywest location because it is so convenient and more intimate. I use MoneyGram and when my sister and mom are in Jamaica, I bring them to Baywest for the great experience. Aside from the attractive location and the service, I enjoy the high professionalism the ladies display. I particularly enjoy the service of teller number one, who always gives me great customer service.

Nicholas Thompson
MoneyGram Customer



The experience with LASCO has been fantastic, it has boosted my confidence and has allowed me and my business to grow. My loan officer was very confident and she exhibited genuine interest in my business and in assisting me with taking it to the next level. I would recommend a loan from LASCO to any small or upcoming business owner who needs that little extra to start off. Speak to a loan officer there and receive guidance, as they not only grant loans but give excellent financial advice. To this day my loan officer checks in with me occasionally.

Judith Dodd
Entrepreneur



LASCO Financial is the best and that's all I have to say. It is more convenient and the customer service is good as well. I feel fearless, safe and appreciate the "no hats and no glasses on" policy when doing business as no one in the Baywest store disguises themselves. I have even brought my cousin to use the cambio when he comes to Jamaica.

Denver Manderson
Cambio, Remittance and Quik n EZ Customer



Good healthcare is the right of anyone to have in a country. The complimentary health card I have received has been a blessing. I am able to access healthcare that is affordable and accommodating. With the additional 10% that I was given, I am able to complete more than one procedure within a doctor's visit. I am grateful and thankful for the gift.

Jeneva Walker-Burrell
Health Card Recipient



Relentless Pursuit of

**POSITIVE
TEAMWORK**

OUR MANAGEMENT T E A M



Management TEAM

ATASHA BERNARD

FCCA, FCA, MBA
Financial Controller

Atasha Bernard has been working with LASCO Financial Services Limited (LFSL) for over seven years; providing strategic financial guidance and other support in achieving the group's objectives. She provides oversight of the LFSL Group's financial operations in accordance with best practices and is responsible for the accuracy and reliability of financial reports while implementing and monitoring internal controls. Her role was instrumental in the transitioning of the recently acquired subsidiary; LASCO Microfinance Limited.

Ms. Bernard is a fellow of the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of Jamaica. She holds an Associate Degree in Business Studies (Accounting) and has completed a Master's in Business Administration majoring in Strategic Planning from the Herriot Watt University (Edinburgh Business School).

She has also successfully completed the Jamaican Securities Certificate Course through UTECH/Jamaica Institute of Management and has recently completed the Director's Strategic Guide to Corporate Governance and Leadership course with the Jamaica Stock Exchange/Private Sector Organization of Jamaica.

Atasha Bernard is a Director of LASCO Microfinance Limited and the elected President for 2019/2020 for the Rotary Club of Kingston East and Port Royal.

DENISE E. WEST,

B.Sc., LLB (Hons.), LEC
Attorney-at-Law & Chief Compliance Officer

Ms. Denise West joined the team at LASCO Financial Services Limited (LFSL) in February 2013. She has effectively implemented a robust risk-based compliance programme for the business. Another hallmark of her tenure is the cultivation of a compliance focused relationship with the Board of Directors, senior management, staff, sub-agents and their representatives.

Ms. West is currently the first Vice President for the Cambio Association of Jamaica.

Her strong background in operations, coupled with her compliance and legal expertise is responsible for the company's effective balancing of compliance and commerce.

As the financial sector transitions to a new phase of compliance, with a renewed emphasis on data analysis and data protection, Ms. West's professionalism will play an integral role in this process. Her team-oriented approach, will be the key amalgamating factor that will vet and properly mitigate against critical business risks and proper corporate governance.

She leads a team of motivated, customer-oriented compliance personnel ready to ensure LFSL's compliance regime is globally recognised.





Ramon Davis

Remittance Manager

In October 2008 Mr. Ramon Davis joined LASCO Financial Services Limited (LFSL); since then, he has given over eight years of dedicated service to the remittance industry. In October 2016 he was made head of the Remittance Division in the capacity of Remittance Manager. Mr. Davis has managed to establish key relationships with the LASCO MoneyGram agent network and reorganised process flows fostering sustainable growth. This rapport with our growing network of sub-agents, allows LFSL to offer a range of services to a wider customer base, improve service delivery and promote agency loyalty. He has been a key player in several of the company's most recent major process changes, including spearheading the implementation of a new remittance application process and the flow of information to over 100 agents across the island, thereby increasing efficiency.

He is a final year student pursuing a Bachelors of Business Administration in Finance and Economics at the University of Technology, Jamaica. Ramon is an ACCA Certified Accounting Technician. He is the secretary of the Jamaica Money Remitters Association and a member of the National Working Group on International Migration and Development.



NORDEL LEACH

B.Sc. (Hons.), DIP. ED.

Human Resource Manager

Since joining the company in 2008, Ms. NorDEL Leach has served in various capacities. What commenced as a short-term engagement has now blossomed into a long-term relationship that has seen her give service in the areas of operations, marketing and human resource management. Ms. Leach ensures that the human resource needs of the company are handled with high priority as she directs the responsibility for staff welfare, recruitment, training and development. Her current role is critical to delivering on the company's vision and mission.

Ms. Leach holds a BSc. (Hons.) major in Economics and minor in Statistics from the University of the West Indies, Mona, a Diploma in Primary Education from St. Joseph's Teachers' College and has successfully completed the Jamaican Securities Certificate Course from University of Technology/ Jamaican Institute of Management. She has also participated in other short developmental courses which have helped to mold her into the professional she is today.

Management TEAM (Cont'd)

Nicolene Worthy-Donaldson

B.Sc., MBA
Marketing Manager

Nicolene Worthy-Donaldson has over ten years marketing, sales and promotional management experience. Her strong passion for her craft, unique style and creativity have facilitated a successful professional journey in marketing, promotion and distribution of fast moving consumer goods. Mrs. Worthy-Donaldson joined the LASCO Financial Services Limited (LFSL) team as the Marketing Manager in 2015 with responsibility for developing and executing marketing strategy that aided growth stimulation. She has worked with organizations such as Unicom, Samsung, Digicel and National Commercial Bank. This energetic and motivated team player came to LFSL with a proven track record of top level performances in marketing.

She holds a Bachelor's Degree in Business Administration (Finance) from the University of Technology and a Masters in Business Administration from the University of New Orleans (Executive Education). She has a Certificate in Project Management from the University of Technology/Jamaica Institute of Management.



Maria Campbell

B.Sc.
Branch Operations Manager

Ms. Maria Campbell's career at LASCO Financial Services Limited (LFSL) has been marked by upward trajectory.

Since joining the company over 13 years ago, Ms. Campbell has served in several capacities including Customer Service Representative and Branch Supervisor and most recently in 2016 promoted to Branch Operations Manager.

It is here that Ms. Campbell's tenure at LFSL has paid off, taking on challenges and succeeding at them. When it came to considering who would head this burgeoning division, both her name and her reputation readily came to mind. Ms. Campbell now oversees the operations of LASCO Financial Services, which include its three main branches as well as its cambio services. Her mission is to improve efficiency and customer service experience.

She holds a Bachelor's Degree in Business Administration in Marketing (Hons.) from the University of Technology (UTECH). She has also successfully completed the Jamaica Securities Certificate Course through UTECH/Jamaica Institute of Management.

Ms. Campbell is poised to take the branch operations at LFSL to new heights and to establish the brand as a significant and reliable partner for Jamaicans, both home and abroad.

**Frank Whyllie**

B.Sc. DIP. ED.
General Manager,
LASCO Microfinance Limited

Frank Whyllie joined the company in 2017 and brings to LASCO Financial Services Limited (LFSL), a wealth of experience, having served in various senior management positions at leading financial institutions for over 30 years.

He comes with substantial experience in the financial services sector and demonstrates expertise in micro and small business credit as well as the management of technical assistance programmes. Over the course of his career, he has established a commitment to professional growth and development in financial management through steady academic success.

He has served on the boards of The Self Start Fund, Micro Investment Development Agency and other small business loan facilities.

Mr. Whyllie's impressive track record of excellence in the financial industry will be a tremendous asset to LFSL's newly formed subsidiary LASCO MicroFinance Limited.

He holds a Bachelor of Science Degree in Public Administration from the University of the West Indies and a Diploma in Teaching from the Mico Teachers' College.

Shared Services MANAGERS



Joel Gonzales
Property Manager



Peter Hylton
Information Technology Manager



Ruel Thompson
Safety/Security & Community
Relations Manager

Human Resource TRAINING & DEVELOPMENT

LASCO Financial Services is proud of its dedicated team that continues to be the driving force behind our company's high performance.

Over the past year, we have put some systems in place to increase efficiency in the management of our processes and staff, as we work together to meet the company's objectives. One such technological advance was our Human Resource (HR) Information System to replace the manual approach to HR Data Management. Additionally, the system combines several processes to ensure some ease in the management of human resource functions, business processes and provides staff and management with a portal to access their information.

During the year, we engaged our team members in a number of initiatives to promote unity and healthy relationships among the varying teams. As team members worked assiduously to achieve the company's objectives, the HR Department in partnership with the department heads ensured that we rewarded and recognized the exceptional contribution of our staff when deadlines were met and targets achieved. High on our agenda was talent management and training; placing our talents in right fit positions resulting in a number of staff movements to align our talents.

As the business continued to evolve, the need for more human resources grew with the changed strategies, thus, we saw a 80% increase in our staff complement, up from 82 to 138 during the financial year. This was primarily because of the acquisition and our mission to grow the loans business.

Talent Management

We continue to employ strategies that promote and encourage professional development among our employees and ensure they are always positioned for upward mobility within the company when opportunities arise.

We place an emphasis on recruiting and retaining competent staff who demonstrate a passion for meeting the company's objectives.

Realizing that there are team members with strengths in specific areas, we monitor those talents, assign them additional responsibilities, where necessary, to unearth and develop their strengths. Demonstrations of this can be seen as we continuously promote team members to new roles where their attitude, aptitude and passions best align with the needs of the position. This helps to ensure a low staff turnover rate as employees develop synergies from working together overtime to achieve the company's objectives.

Training and Development

At LFSL, we aim to provide the necessary resources to help staff grow and develop in their chosen fields. To this end, several of our team members were sent on courses throughout the year, and have shared lessons learnt with their respective teams or implemented initiatives based on their lessons learnt.

Rewards and Recognition

Engagement of our staff is essential, as such we are constantly looking at ways to improve performance-based rewards and recognition.

As the year progressed, we implemented a programme where employees are rewarded for accomplishments such as meeting and exceeding targets. All managers are encouraged to publicly recognize team members who meet or exceed expectations.

Staff Welfare

While our team members work hard to achieve our corporate objectives, we also ensure that a healthy work life balance is in place, setting aside some time for rest and rejuvenation.

Annual socials have become a staple on LFSL's social calendar, the team was able to shift their focus from the day-to-day office intensity and share in fun and excitement at our Christmas party.

We continue to honour special days such as Mother's Day, Father's Day, five and 10 year employment anniversaries, as well as provide assistance for staff who are parents with school-aged children during the back-to-school period.

Health and Safety

Last year we engaged a partnership with Life Fit Training Centre located at Dunn's Electrical Complex as we promote health and wellness among our team members. We continue to support charity walks and runs, as a means of not only giving back to the community, but to promote fitness among our staff.

Also during the year, we were able to launch our occupational health and safety programme with fire safety training.

Outlook

We are privileged to have a team of knowledgeable, highly trained and talented individuals, who strive to make a lasting impact on the company and the lives of its customers.



Relentless Pursuit of

**SUSTAINABLE
GROWTH**



LASCO Financial Services Limited, Head Office (Red Hills Road).

Founded by our Chairman Lascelles Chin, LASCO Financial Services Limited is a publicly listed company on the Junior Market of the Jamaica Stock Exchange and a leading provider of retail financial services.

The Group provides a host of financial services and products for the banked and marginally banked under two main business lines, money services and loans, through LASCO Financial Services Limited and its subsidiary LASCO Microfinance Limited respectively.

It also operates the LASCO Financial Services (Barbados) Limited, which handles MoneyGram through agent Courts Unicomer Barbados Limited (Courts).

The company holds the unrivalled position of number one agent for MoneyGram International in Jamaica and the Caribbean.

Under the LASF Group, LASCO Financial Services Limited specifically deals with money transfer (send/receive transactions) within Jamaica, as well as transactions to and from Jamaica to the world through MoneyGram. The business also deals in currency exchange (in cash and drafts for USD, and cash only for GBP, CAD, KYD and EURO) to local businesses, small entrepreneurs and the general public.

Through our consumer facing brand, LASCO Money, which was established in 2016, LASCO Financial Services – provides a full suite of financial and value added services including bill payment under the Quick & EZ brand, JUTC and phone credit top-ups at our branches in Red Hills Road, Papine and Montego Bay.

Our distribution channel through our agent network includes large groups such as Mobile Electronics, Prime Trust Financial, Paymaster, FHC Credit Union, COK Credit Union, C&WJ Credit Union, and several independent business owners.

We are also pleased to offer affordable health insurance for our customers through our group health insurance with Guardian Group, a service we introduced under LASCO Financial Services in 2017. The packages for individuals and families cover doctors' visits, prescriptions, laboratory services, imaging services, dental and hospitalization.

Through our loans business, now named LASCO Microfinance Limited, we provide consumer loans to salaried customers and business loans and support to micro and small businesses.

LASCO Microfinance, formerly Scotia Jamaica MicroFinance Limited (CrediScotia) operates a network of 13 branches, with locations in Downtown Kingston, Papine, Linstead, Santa Cruz, Montego Bay, Mandeville, May Pen, Old Harbour, Morant Bay, Brown's Town and Duke Street.

The Group's financial services (cambio & remittance) are licensed and supervised by the Bank of Jamaica and are subject to anti-money laundering regulations. It is a member of the Cambio Association of Jamaica, Jamaica Money Remitters Association and the Jamaica Micro Financing Association.

ABOUT US

Management Discussion & Analysis

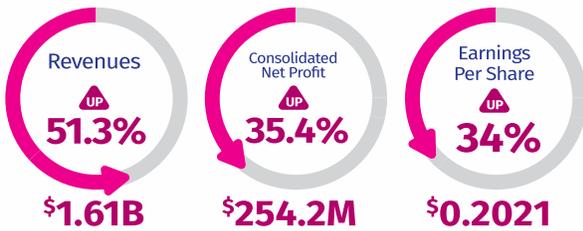
of Financial & Operating Results

Performance Overview

The financial year ended March 2018 was focused on diversifying our revenue stream by developing our micro loans business, which culminated in the acquisition of Scotia Jamaica MicroFinance Company Limited (CrediScotia) through a Share Purchase Agreement on December 1, 2017.

Subsequent to the acquisition, the loans division of LASCO Financial Services Limited was transferred to CreditScotia, and renamed LASCO Microfinance Limited, now a 100% subsidiary of LASCO Financial Services Group.

LASCO Financial Services Limited (LFSL) now operates cambio, remittance services and other value added services through its Money Stores and network of agents islandwide, whereas LASCO Microfinance Limited is focused solely on providing loans. LASCO Financial Services (Barbados) Limited provides MoneyGram Services through its agent Unicomer Barbados Limited (Courts) in that Eastern Caribbean market.



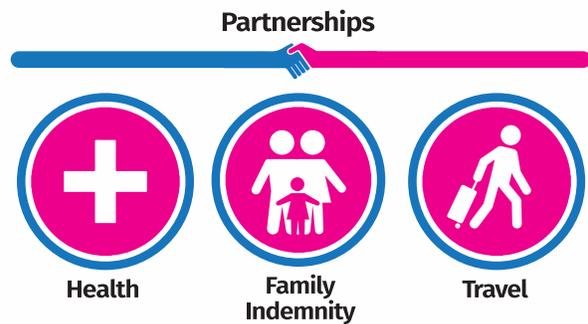
LFSL's consolidated net profit for the Financial Year ended 31 March 2018 increased by 35.4% from \$187.7 million to \$254.2 million. Revenues increased by 51.3% from \$1.07 billion to \$1.61 billion and earnings per share increased by 34%.

Our strong performance is a culmination of the strategies implemented over the past two years to expand the business and bring more value to our customers and shareholders. All key business segments increased in line with our plans, the results being further enhanced with the additional revenue from the loans company.

Our Operating Environment

LFSL's strategic mission is to provide financial services to the unbanked and marginally banked with the aim of bringing them further opportunities for financial

inclusion through our loans, remittance and cambio businesses. We have also recently made available a few micro insurance products from Guardian Life Limited, Cuna Caribbean Insurance and Caribbean Assurance Brokers. Through these partnerships our customers will receive affordable insurance options for health, family indemnity and travel.



Remittance

The Money Transfer Business remains the largest business segment for LFSL, contributing 59% of total income. For the 2017/18 Financial Year, this business segment grew 17% in transactions and increased revenues by 31%. At a national level, Bank of Jamaica reported that Jamaica's total remittance for the fiscal year ended March 2018 was \$2.3 billion, a 0.5% decrease in comparison to the previous period. Of note, the remittance company transactions declined 0.6% from \$1.998 billion to \$1.987 billion.

There are currently eight remittance service providers.

Jamaica remains a net receiver of remittances with inflows mainly from the USA, UK, Canada and the Cayman Islands.



Through its key strategic initiatives locally and in the diaspora, LFSL was able to grow its customer base, transactions and market share. Also during the year, our network of agents for remittance grew by 7%. The network of over 130 locations islandwide comprises pharmacies, supermarkets, financial services, convenience stores and other community based stores.

Through our partnership with the second largest global remittance company, MoneyGram - our customers have a safe and reliable way to fulfill their financial obligations and provide a safety net for a large number of persons who need financial support from time to time.

Cambio

LFSL offers cambio services through its LASCO Money Stores (Red Hills Road, Papine and Montego Bay) and three cambio agents (Duhaney Park, Ocho Rios and Port Antonio). As a percentage of our total revenue, cambio accounted for 21% during the period, up from 20%.



In an effort to upgrade and modernize its intervention and trading framework for foreign currency, the Bank of Jamaica (BOJ), in July 2017, developed a framework, BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT), a rules-based, competitive, multiple-price intervention system to buy and sell foreign exchange to Authorized Dealers and Cambios. Through B-FXITT, interested members of the public will receive more precise and timely information on the foreign exchange market.

Cambios continue to play a vital role in the contribution to the orderly functioning of the foreign exchange market but authorised dealers remained the dominant foreign exchange market intermediaries during the year, accounting for 63.0% of total foreign exchange sales compared to 61.4% in 2016, according to the BOJ.

The total number of cambio outlets at end-December 2017 was 138, compared to 144 at end-December 2016. Accordingly, the market share for cambios declined to 37.0% from 38.6% in 2016.

The Jamaican Dollar traded at an average monthly rate of \$128.87 at the beginning of our Financial Year and closed at an average monthly rate of \$127.72. This represented an overall small appreciation of just under 1%. There were however, cyclical swings from month to month as the forces of demand and supply were reflected in the closing rates.

Microfinance Industry

Several micro and small businesses, and individuals find it difficult to access loans through the formal banking system, resulting in a proliferation of microfinance institutions seeking to fill this void. Many of the players are however, mostly focused on consumer credit. There is still a large opportunity as more than 40% of firms in

Jamaica consider access to finance a major constraint, in particular, small enterprises.*

Our recent CrediScotia acquisition in December 2017 has given us the foundation and scale we need to serve the microfinance sector. It is now our intention to put in place, the necessary strategies, processes and technology to serve the micro and small business.

There was a sizeable increase in our loans portfolio at the end of the financial year, particularly when compared to the end of the previous year. Although a large percentage of the increase was due to the acquisition of CrediScotia, LFSL, The Company was able to increase the portfolio by just under 100% from \$281 million in March 2017 to \$546 million in March 2018. We had embarked upon growth objectives, expanded our network to nine locations and finally culminating in the acquisition. Our current network comprises 13 branches offering micro business and consumer loans and a unit dedicated to small and medium enterprises (SMEs).



Subsequent to the acquisition, LFSL has reorganized the business to concentrate all the loans transactions into its new company, a wholly owned subsidiary which was renamed LASCO Microfinance Limited (LASMF). The focus for this company is to bring flexible and affordable micro finance products to market which is in keeping with the overall LASCO philosophy; making living affordable.

Management and staff are excited at the prospects and are currently focused on the integration of the teams, culture, processes and technology to drive the business to achieve its objectives.

Operating Results

Net Profit for the Year

LASCO Financial Services Group net profit for the Financial Year ended 31 March 2018 increased by 35.4% from \$187.7 million to \$254.2 million. Net Profit attributable to the subsidiaries, increased from \$1.5 million in the previous year to \$82.2 million.

Profit from operations increased by \$165.9 million, an increase of 70% over the prior year.

* 2010 World Bank Enterprise Surveys.



The LASF Group now comprises LFSL and two subsidiaries: LASCO Microfinance Limited and LASCO Financial Services (Barbados) Limited with total assets of \$3.4 billion and earnings before interest, taxation, depreciation and amortization (EBITDA) of \$432 million.

Revenues

Total revenue for the 2017-2018 Financial Year increased by 51% from \$1.07 billion to \$1.6 billion, an increase of \$549.6 million. Income from core activity amounted to \$1.5 billion up from \$1.03 billion in the comparative period, while other income totalled \$72 million for the year, up from \$46 million.



Our goal for 2017-2018 was to organically increase the loans division by market penetration; the acquisition was a significant addition which allowed us to surpass our growth objectives.

Other objectives included the growth of our remittance business; which grew its revenues by over 31%, whereas cambio and loans grew 59% and 400% respectively.

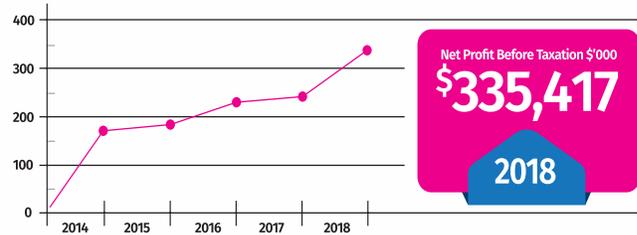
Operating Expenses

Total operating expenses for the year ended March 2018 increased by 46%, moving from \$834 million in the comparative year to \$1.2 billion during the review year.

Administrative and other expenses totalled \$625 million in 2018, an increase of 55% up from \$401 million in the comparative period. Over \$100 million of the increase is attributed to additional staff costs primarily because of the acquisition and expansion of the loans business. Our staff increased from 82 to 138, an increase of 68%. Other major expenses included the increased commission fees paid to agents which rose in relation to the growth in transactions and the increased promotional expense as we ramped up marketing for our LASCO Rewards campaign locally and in the US which include ads in partnership with Caribbean International Network TV in the diaspora among other events. Locally we continued to support the SDC's National T20 Community Cricket Competition and the JCDC Festival Queen Competition among other sponsorships as well as we increased our digital presence.

Other significant expenses incurred from the acquisition manifested in increased legal fees and bad debt provision. LFSL decided to take a very conservative approach to the management of its portfolio by increasing the loans provision.

Taxation



LFSL is entitled to a remission of taxes for ten years in the proportions set out below:

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

Accordingly, for the Financial Years 2010 to 2016, only \$17M in taxes were accrued, representing taxes on net income for the period October 2015 to March 2016. For the Financial Years 2017 and 2018, however, the Company accrued over \$125M in taxes and has grown its net profit after tax by 90% over the past five years.

Finance Cost

The Finance cost for the 2017/2018 Financial Year was significantly increased as a result of costs incurred to finance the acquisition of Scotia Jamaica MicroFinance Limited (CrediScotia). A combination of short and long-term financing was required for the purchase cost including the issue of an unsecured fixed rate five year bond for \$1.5 billion.

All short-term loans were repaid during the financial year. The bond, however, is fixed at an interest rate of 9.5% per annum and matures in 2023. Interest is payable semi-annually commencing August 2018 and principal is repayable semi-annually commencing February 2019. The facility was arranged by Mayberry Investments Limited and JMMB Securities Limited.

Financial Position

Total assets at March 2018 were \$3.3 billion, an increase of \$1.8 billion, more than double the 2017 amount. The increase in total assets is due mainly to growth in the loan portfolio and goodwill which arose from the acquisition of Scotia Jamiaca MicroFinance Company Limited.

Subsequent to the year end, LFSL combined its loan business, including its own loan portfolio balance, branches and staff, with LASMF. As such all future loan contracts will be in the subsidiary company, LASMF. The acquisition has increased LFSL's loan portfolio to \$1.35

billion. The merger has also almost tripled the loans team to just under 90, spread over the now 13 loans offices islandwide.



Meanwhile, liabilities for the year ended March 2018 were \$2 billion, compared to the \$404 million in the corresponding year. Loans for that period increased by \$1.4 billion, due to the unsecured corporate bond to fund the acquisition, net of transaction cost which is being amortized over the life of the bond. The proceeds were received in February 2018.

Equity Base



LFSL's equity base as at March 2018 grew to \$1.3 billion, an increase of \$214 million compared to the prior year. This net increase is largely attributable to profit growth and dividends paid.

Share Capital

Share Capital increased from \$83 million to \$95.4 million. During the year the company issued 10.1 million shares, compared to 11.8 million in 2017 shares to its directors and managers with market value at approximately \$48 million. The shares were issued under the company's stock option plan. Since August 2014, options were granted to key management staff and Directors at a subscription price of \$1 and are exercisable over a period of seven years.

Dividend



Dividends paid out to shareholders for the financial year ended March 2018 totalled \$50.2 million or 4 cents per share, an increase of 15% over the previous year's dividend payout ratio of 26%.

Subsidiary Performance

During the third quarter, LFSL completed the acquisition of Scotia MicroFinance and transferred its loans

business. It was renamed LASCO Microfinance, now a 100% subsidiary of LASCO Financial Services Group.

There are now two subsidiaries, including LASCO Financial Services (Barbados) Limited established in 2010 to penetrate the remittance market opportunities in Barbados.

The remittance business continues to grow through the relationship with Unicomer. Throughout the year, we did some investment in software changes which have brought more efficiencies and convenience for customers.

For the year ended March 2018, net profit from subsidiaries, including Barbados grew to \$82 million, an increase of \$80.7 million, up from \$1.5 million in the corresponding year.

LFSBL, through its sole agent, Unicomer Barbados Limited (Courts), offers MoneyGram services from five of the Courts Furniture stores on the island of Barbados. LFSBL is one of two MoneyGram primary agents in Barbados.

LASMF has expanded its branch network and staff and is presently preparing for the implementation of a modern customer focused loan management system which is expected to drive its customer acquisition strategies, credit management and collections management. LASMF is expected to be a major player in the micro loans industry and is being positioned to be the leading provider of financial services to the unbanked.

Outlook

The LFSL Group continues to drive shareholder value through its growth and expansion strategies. The current organizational structure whereby the loans business has been separated into its own company, will provide the focus, structure and resources to drive our objectives of becoming a leading lender to micro customers. LFSL through its LASCO Money brand will place more emphasis on the money service business in the areas where we believe that more value can be extracted.

Our digital transformation is continuing and is required for the success of the growth plans for the 2018/2019 Financial Year. We expect that the developmental plans which began in 2017 will culminate in the new year.

Driving the sustainable value of our company is the adoption of new processes and improvement of key processes. We recognize that LFSL's success has catapulted us into a large company category which requires different risk management processes. These gaps will be addressed in the new financial year as we now set our objectives on extracting more value for the LASCO brand.



Relentless Pursuit of

**SOCIAL
INTEGRATION**

Corporate Social Responsibility

In 'Relentless Pursuit of Financial Inclusion' for Jamaicans, LASCO Financial Services Limited (LFSL) continued and also initiated a number of Corporate Social Responsibility efforts geared toward education, sports and civic pride.

EDUCATION

At the Primary Level



In May 2017, LFSL team members honoured the students and teachers of United Early Childhood Development Centre in Kingston during Read Across Jamaica and Teachers' Day. Students were gifted with books and engaged in vibrant story telling sessions which were well received. Teachers at the institution were presented with LASCO tokens and words of appreciation expressed by the LASCO team for their devotion to the sector.

Working further to make a valuable impact on educational institutions in dire need of support, LFSL, through the LASCO Money brand, provided a much needed phonics educational kit, valued at approximately \$130,000, to the Montego Bay Infant School during the launch of the LASCO Money Store in Montego Bay in June 2017.

As a follow up to LFSL representatives' participation in Read Across Jamaica Day at the neighbouring United Early Childhood Development Centre, Kindergarten students toured the new LASCO Money Store at 38 1/2 Red Hills Road in Kingston on their return to school in September. The gesture was greatly appreciated by the enthusiastic bunch who were feted and engaged through interactive activities to enhance their writing, work, life and basic financial management skills.

At the Secondary Level



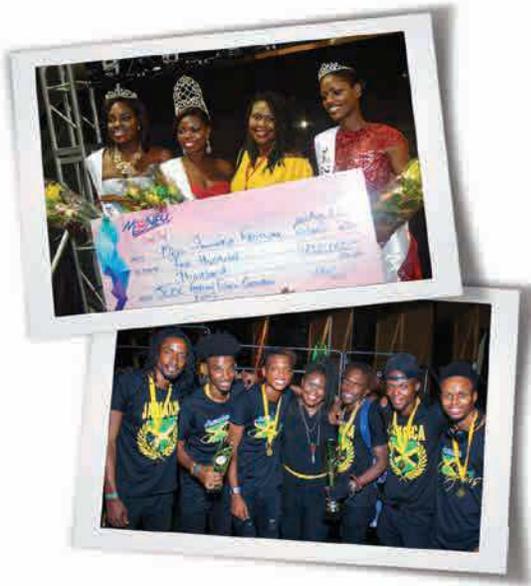
LFSL awarded scholarships, valued at \$10,000 each, to students sitting the annual Caribbean Secondary Education Certificate (CSEC) examinations in Jamaica. This is the second year of the programme, 2017 saw an increase in the number of recipients to 14 students from seven high schools across the island, up from the initial 10 scholarships, from five schools, awarded in the 2016-2017 academic year.

2018 also marked the second staging of the LASCO Money Lunch and Learn experience on Budgeting, Goal Planning & Entrepreneurship. LASCO Money's Lunch and Learn is a follow-up to the CSEC scholarship presentations as a way to celebrate the scholarship recipients and to further encourage them along the path to success.

Corporate Social Responsibility

COMMUNITY

National Development



LASCO Financial Services Limited reaffirmed its commitment to national development through youth and cultural development. The Jamaica Cultural Development Commission's Festival Queen Coronation Show retained our continued support with a mandate to exalt Jamaica's rich heritage and to help sustain civic pride.

Health



In an effort to provide affordable healthcare for Jamaicans, LASCO Financial Services Limited (LFSL) and Guardian Life Limited joined forces for LFSL to act as a facilitator of the Guardian Health Plan. The insurance product grants policy holders access to affordable premiums; discounts when they use FFK Health First Premiere Cards at participating pharmacies; more timely access to healthcare as well as better and wider access to healthcare services – with no medical required. As a special incentive, LFSL awarded the first 70 applicants with free Guardian Health Cards for one year.



Environment

As we continue the 'Relentless Pursuit of Financial Inclusion' for our clients, LFSL's annual involvement in the LASCO REAP programme, is a means to help build environmental awareness and encourage habits of environmental preservation among Jamaicans while educating about the benefits of recycling.

Sports



The long standing sponsorship of the Social Development Commission's annual National T20 Community Cricket Competition was another demonstration of LFSL's support for initiatives which promote better camaraderie among Jamaicans.

LFSL also fielded strong teams for the annual Sagicor Sigma Corporate Run and the ICWI/Ja Reach to Recovery Pink Run in October 2017 and February 2018 respectively.

LFSL is keen on youth development in sports and therefore was pleased to support the Mayberry Investment and Amature Swimming Association of Jamaica Swim Meet.

Civil Service



Our support of the annual LASCO Police, Nurse and Teacher of the Year programmes is testament to the importance of team work within the LASCO Affiliated Companies. These initiatives which highlight the contributions made by civil servants is high on LFSL's calendar as an outlet to reward our nation's stalwarts.

Corporate Social Responsibility



In The Press





AUDITED
FINANCIAL
STATEMENTS

31 MARCH 2018

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Chartered Accountants
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 Kingston 5, Jamaica

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
 Lasco Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lasco Financial Services Limited set out on pages 51 to 104, which comprise the group and the company's statement of financial position at 31 March 2018, and the group and the company's 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 group and 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 (IFRSs) 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 group and 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.

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 (CONT'D)

To the Shareholders of
Lasco Financial Services Limited

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment losses on loans and advances to customers</i></p> <p><i>See notes 3 (m) and 16 to the consolidated financial statements for management's disclosures of related accounting policies</i></p> <p>As at 31 March 2018, loans and advances, net of provision for credit losses represented \$1.24 billion or 36% of total assets of the group. An impairment provision of \$114 million has been recognized by the group.</p> <p>The adequacy of the provision for credit losses on the group's loans receivable involves a high degree of estimation and judgement. The total loan portfolio is comprised of secured loans of \$279 million or 23% and unsecured loans of \$957 million or 77%. The unsecured loans by nature often times carry a high risk of delinquency.</p>	<p>Our audit procedures to address the key matter relating to provisions for credit losses included:</p> <ul style="list-style-type: none"> • Challenging management's process by examining a sample of loans that had not been identified by management as doubtful accounts by checking their payment history in order to form our own judgement as to whether management's position was appropriate; • Testing the completeness of management's listing of doubtful accounts by re-performing the process using management's credit and collection policy; and • Evaluating the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events such as non-payments and any other adverse events which may have occurred subsequent to the year end.
<p><i>Transactions with related parties</i></p> <p><i>See note 17 to the consolidated financial statements for management's disclosures of related accounting policies</i></p> <p>A significant portion of the foreign currencies are sold to related parties and as such these transactions could present a risk if not conducted at arm's length.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We verified that the transactions were approved in accordance with internal procedures including involvement of key personnel at the appropriate level; • We verified a sample of the sales of foreign currencies to related parties to determine that the transactions were at market rates offered to other customers.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Lasco Financial Services Limited

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the Key audit matter
<p><i>Going concern assumption</i></p> <p>22% of the group's revenue is derived from Cambio operations. In an effort to de-risk, commercial banks have been de-banking players in the Cambio industry.</p> <p>We considered de-banking a significant risk and its possible impact on the going concern of the group.</p>	<p>We assessed and tested the appropriateness of preparing the consolidated financial statements of the group on the going concern basis.</p> <p>As part of our audit procedures, we have reviewed minutes of board meetings (including the sub-committees) relating to the de-banking issues and assessed the adequacy of the group's anti-money laundering procedures.</p> <p>Based on our review management has not identified a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern, and accordingly none is disclosed in the consolidated financial statements of the group.</p>

Other Information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Lasco Financial Services Limited

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

Management is responsible for the preparation of the financial statements that give a true and fair view 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 group'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 group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group'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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone 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 group'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 group'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 group to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Lasco Financial Services Limited

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

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.

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.

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 Sonia McFarlane.

Chartered Accountants

29 May 2018

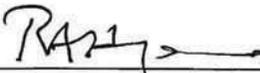
LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
REVENUE:			
Income	6	1,548,248	1,023,626
Other operating income	7	<u>72,017</u>	<u>46,965</u>
		<u>1,620,265</u>	<u>1,070,591</u>
EXPENSES:			
Administrative and other expenses		(624,994)	(401,402)
Selling and promotion expenses		<u>(593,035)</u>	<u>(432,874)</u>
	8	<u>(1,218,029)</u>	<u>(834,276)</u>
PROFIT FROM OPERATIONS		402,236	236,315
Finance costs	10	<u>(66,819)</u>	<u>(4,843)</u>
PROFIT BEFORE TAXATION		335,417	231,472
Taxation	11(a)	<u>(81,133)</u>	<u>(43,694)</u>
NET PROFIT FOR THE YEAR	12	254,284	187,778
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss - Share option plan	26(b)	<u>-</u>	<u>4,334</u>
TOTAL COMPREHENSIVE INCOME		<u>254,284</u>	<u>192,112</u>
EARNINGS PER STOCK UNIT			
Basic	13	<u>20.21¢</u>	<u>15.04¢</u>
Diluted		<u>19.95¢</u>	<u>14.74¢</u>

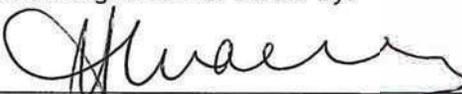
LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
<u>ASSETS</u>			
Cash and bank balances	14	366,893	284,501
Short term deposits	15	79,255	370,843
Receivables	16	1,828,426	663,083
Related companies	17(c)	319	239
Taxation recoverable		10,235	8,881
Deferred tax asset	18	3,599	-
Investment property	19	118,000	115,000
Intangible assets	20	842,708	17,713
Property, plant and equipment	21	<u>136,666</u>	<u>100,021</u>
TOTAL ASSETS		<u>3,386,101</u>	<u>1,560,281</u>
<u>LIABILITIES AND EQUITY</u>			
LIABILITIES:			
Bank overdraft	14	11,108	7,920
Payables	23	430,956	311,902
Related companies	17(c)	15,331	1,687
Taxation		73,905	36,795
Deferred tax liability	18	-	4,179
Loans	24	<u>1,485,167</u>	<u>42,356</u>
		<u>2,016,467</u>	<u>404,839</u>
EQUITY:			
Share capital	25	95,459	83,036
Other reserve	26(c)	5,661	7,968
Retained earnings	27	<u>1,268,514</u>	<u>1,064,438</u>
		<u>1,369,634</u>	<u>1,155,442</u>
TOTAL LIABILITIES AND EQUITY		<u>3,386,101</u>	<u>1,560,281</u>

Approved for issue by the Board of Directors on 29 May 2018 and signed on its behalf by:



 Hon. R.N.A Henriques, O.J., Q.C.
 Director



 Mrs. Jacinth Hall-Tracey, MBA, BA (Hons.)
 Managing Director

LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Other Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
BALANCE AT 1 APRIL 2016		68,535	6,327	920,157	995,019
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	187,778	187,778
Other comprehensive income		-	4,334	-	4,334
		-	4,334	187,778	192,112
TRANSACTION WITH OWNERS					
Issued shares	25	11,808	-	-	11,808
Transfer from other reserve	26(c)	2,693	(2,693)	-	-
Dividends paid	28	-	-	(43,497)	(43,497)
		14,501	(2,693)	(43,497)	(31,689)
BALANCE AT 31 MARCH 2017		83,036	7,968	1,064,438	1,155,442
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	254,284	254,284
TRANSACTION WITH OWNERS					
Issued shares	25	10,116	-	-	10,116
Transfer from other reserve	26(c)	2,307	(2,307)	-	-
Dividends paid	28	-	-	(50,208)	(50,208)
		12,423	(2,307)	(50,208)	(40,092)
BALANCE AT 31 MARCH 2018		95,459	5,661	1,268,514	1,369,634

LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		254,284	187,778
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances		12,051	(21,042)
Stock options - value of service expensed	26(b)	-	4,334
Fair value gain on investment property		(3,000)	-
Amortisation of intangibles	20	6,308	5,073
Depreciation	21	23,462	9,134
Interest income from loans		(264,384)	(69,861)
Interest income from securities		(5,845)	(12,715)
Taxation expense	11(a)	86,438	40,821
Deferred taxation	18	(5,305)	2,873
Interest expense		<u>66,819</u>	<u>4,843</u>
		170,828	151,238
Changes in operating assets and liabilities:			
Receivables		(530,020)	(180,755)
Related companies		13,564	570
Payables		102,794	171,957
Inventories		-	<u>23,686</u>
		<u>(242,834)</u>	<u>166,696</u>
Interest received		263,044	61,476
Interest paid		(14,754)	(4,843)
Taxation paid		<u>(69,670)</u>	<u>(19,495)</u>
Cash (used in)/provided by operating activities		<u>(64,214)</u>	<u>203,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		5,845	12,715
Additions to intangible assets	20	(7,287)	(8,351)
Additions to property, plant and equipment	21	(51,151)	(51,292)
Short term deposits		287,628	(230,816)
Cash flow from acquisition of subsidiary	30	<u>(1,269,017)</u>	<u>-</u>
Cash used in investing activities		<u>(1,033,982)</u>	<u>(277,744)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(32,427)	-
Issued shares	25	10,116	11,808
Dividends paid	28	(50,208)	(43,497)
Loan proceeds	14	2,748,020	80,616
Loan repayments	14	<u>(1,497,346)</u>	<u>(38,260)</u>
Cash provided by financing activities		<u>1,178,155</u>	<u>10,667</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		79,959	(63,243)
Exchange (loss)/gain on cash balances		(755)	5,764
Cash and cash equivalents at beginning of year		<u>276,581</u>	<u>334,060</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u>355,785</u>	<u>276,581</u>

LASCO FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
REVENUE:			
Income	6	1,391,753	1,017,501
Other operating income	7	<u>53,327</u>	<u>46,965</u>
		<u>1,445,080</u>	<u>1,064,466</u>
EXPENSES:			
Administrative and other expenses		(568,963)	(397,323)
Selling and promotion expenses		<u>(593,035)</u>	<u>(432,874)</u>
	8	<u>(1,161,998)</u>	<u>(830,197)</u>
PROFIT FROM OPERATIONS		283,082	234,269
Finance costs	10	<u>(62,822)</u>	<u>(4,843)</u>
PROFIT BEFORE TAXATION		220,260	229,426
Taxation	11(a)	<u>(48,263)</u>	<u>(43,152)</u>
NET PROFIT FOR THE YEAR	12	171,997	136,274
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss -			
Share option plan	26(b)	<u>-</u>	<u>4,334</u>
TOTAL COMPREHENSIVE INCOME		<u>171,997</u>	<u>190,608</u>

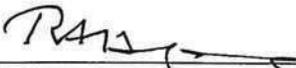
LASCO FINANCIAL SERVICES LIMITED

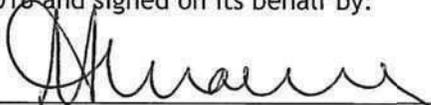
STATEMENT OF FINANCIAL POSITION

31 MARCH 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
ASSETS			
Cash and bank balances	14	265,285	273,432
Short term deposits	15	79,255	370,843
Receivables	16	1,120,312	648,416
Related companies	17(c)	163,622	15,826
Taxation recoverable		10,235	8,881
Deferred tax asset	18	400	-
Investment property	19	118,000	115,000
Intangible assets	20	17,071	17,713
Property, plant and equipment	21	125,482	99,803
Investment in subsidiaries	22	<u>1,350,045</u>	<u>45</u>
TOTAL ASSETS		<u>3,249,707</u>	<u>1,549,959</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Bank overdraft	14	11,108	7,920
Payables	23	403,252	305,907
Related companies	17(c)	15,331	1,687
Taxation		50,710	35,676
Deferred tax liability	18	-	4,179
Loans	24	<u>1,485,167</u>	<u>42,356</u>
		<u>1,965,568</u>	<u>397,725</u>
EQUITY:			
Share capital	25	95,459	83,036
Other reserve	26(c)	5,661	7,968
Retained earnings	27	<u>1,183,019</u>	<u>1,061,230</u>
		<u>1,284,139</u>	<u>1,152,234</u>
TOTAL LIABILITIES AND EQUITY		<u>3,249,707</u>	<u>1,549,959</u>

Approved for issue by the Board of Directors on 29 May 2018 and signed on its behalf by:


 Hon. R.N.A Henriques, O.J., Q.C.
 Director


 Mrs. Jacinth Hall-Tracey, MBA, BA (Hons.)
 Managing Director

LASCO FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Other Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
BALANCE AT 1 APRIL 2016		68,535	6,327	918,453	993,315
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	186,274	186,274
Other comprehensive income		-	4,334	-	4,334
		-	4,334	186,274	190,608
TRANSACTION WITH OWNERS					
Issued shares	25	11,808	-	-	11,808
Transfer from other reserve	26(c)	2,693	(2,693)	-	-
Dividends paid	28	-	-	(43,497)	(43,497)
		14,501	(2,693)	(43,497)	(31,689)
BALANCE AT 31 MARCH 2017		83,036	7,968	1,061,230	1,152,234
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	171,997	171,997
TRANSACTION WITH OWNERS					
Issued shares	25	10,116	-	-	10,116
Transfer from other reserve	26(c)	2,307	(2,307)	-	-
Dividends paid	28	-	-	(50,208)	(50,208)
		12,423	(2,307)	(50,208)	(40,092)
BALANCE AT 31 MARCH 2018		95,459	5,661	1,183,019	1,284,139

LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		171,997	186,274
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances		11,560	(21,042)
Stock options - value of services expensed	26(b)	-	4,334
Fair value gain on investment property		(3,000)	-
Amortisation of intangibles	20	5,993	5,073
Depreciation	21	22,540	9,100
Interest income from loans		(114,475)	(69,861)
Interest income from securities		(5,789)	(12,715)
Taxation expense	11(a)	52,842	40,279
Deferred taxation	18	(4,579)	2,873
Interest expense		<u>62,822</u>	<u>4,843</u>
		199,911	149,158
Changes in operating assets and liabilities:			
Receivables		(481,660)	(182,661)
Related companies		(134,152)	(1,510)
Payables		99,013	171,505
Inventories		-	<u>23,686</u>
		(316,888)	160,178
Interest received		115,447	61,476
Interest paid		(10,757)	(4,843)
Taxation paid		<u>(39,162)</u>	<u>(19,495)</u>
Cash (used in)/provided by operating activities		<u>(251,360)</u>	<u>197,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		5,789	12,715
Additions to intangibles	20	(5,351)	(8,351)
Additions to property, plant and equipment	21	(48,219)	(51,292)
Short term deposits		287,628	(230,816)
Investment in subsidiary		<u>(1,350,000)</u>	<u>-</u>
Cash used in investing activities		<u>(1,110,153)</u>	<u>(277,744)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(32,427)	-
Issued shares	25	10,116	11,808
Dividends paid	28	(50,208)	(43,497)
Loan proceeds	14	2,748,020	80,616
Loan repayments	14	<u>(1,324,846)</u>	<u>(38,260)</u>
Cash provided by financing activities		<u>1,350,655</u>	<u>10,667</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,858)	(69,761)
Exchange (loss)/gain on foreign cash balances		(477)	5,764
Cash and cash equivalents at beginning of year		<u>265,512</u>	<u>329,509</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u><u>254,177</u></u>	<u><u>265,512</u></u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Lasco Financial Services Limited (“the company”) is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 27 Red Hills Road, Kingston 10. The company is listed on the Junior Market of the Jamaica Stock Exchange.
- (b) The principal activities of the company are:
- i. The sale and purchase of foreign currencies through its Cambio. The company is a licenced Cambio dealer regulated by the Bank of Jamaica.
 - ii. The provision of services as an agent of MoneyGram International Money Transfer which is a remittance company facilitating person to person transfers for a fee, in accordance with licences issued by the Bank of Jamaica.
 - iii. The granting of loans for personal and business purposes. The company is exempted from the provisions of the Moneylending Act by the Minister of Finance for one year. The exemption expired on 20 March 2018, however it was not renewed as the company’s loan portfolio was sold in April 2018 to its subsidiary, Lasco Microfinance Limited (note 33).

(c) Remission of income tax:

The company’s shares were listed on the Jamaica Stock Exchange Junior Market, effective 12 October 2010. 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.

- (d) Lasco Financial Services (Barbados) Limited is incorporated in Barbados under the Companies Act Cap. 308 of the Laws of Barbados and is a 100% owned subsidiary of the company. The principal activity is the provision of services as an agent of MoneyGram International/Money Transfer which is a remittance company facilitating the receiving of funds.

On 30 November 2017, the company acquired Scotia Jamaica Microfinance Company Limited which is incorporated and domiciled in Jamaica. Subsequently, on 12 March 2018, the name was changed to Lasco Microfinance Limited. Lasco Microfinance Limited is a 100% owned subsidiary of the company. The principal activity is retail lending to the micro enterprise sector for personal and business purposes.

The company and its subsidiaries are referred to as “the Group”.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. REPORTING CURRENCY:

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

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary prior year comparatives have been reclassified to conform to current year presentation. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of investment property. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, 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 group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following interpretations and amendments are relevant to its operations:

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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

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

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements:

IFRS 9, 'Financial Instruments', (effective for accounting periods beginning on or after 1 January 2018). The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

There is no expected impact on the group's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the group does not currently have any such liabilities.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The group is in the process of implementing the system and control changes that it believes will be necessary to capture the required data.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

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)

Amendments to IFRS 9, 'Financial Instruments', (effective retrospectively for accounting periods beginning on or after 1 January 2019). The amendments clarify the treatment of (cont'd):

- **Modifications to financial liabilities**

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognized as an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified liability.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for accounting periods beginning on or after 1 January 2018). The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The group is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for accounting periods 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 uncertainty over income tax treatments. The IFRS IC 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 uncertainty over a tax treatment. The adoption of this standard is not expected to have a significant impact on the group.

(b) **Basis of consolidation**

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Basis of consolidation (cont'd)

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

The group uses the audited financial statements of its subsidiaries, Lasco Financial Services (Barbados) Limited and Lasco Microfinance Limited at 31 March 2018 for the purpose of consolidation.

(c) 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 group's chief operating decision maker.

(d) 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. Non-monetary items measured at historical cost denominated in foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) Property, plant and equipment

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives of property, plant and equipment are as follows:

Leasehold improvements	2-10 years
Furniture, fixtures and equipment	5-10 years
Computer hardware	4-5 years
Motor vehicles	5 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

(f) Intangible assets

Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the groups interest in net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is tested at the end of each reporting period for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Computer software

Computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Investment property

Investment property is initially recognized at cost and subsequently carried at fair value with changes in the carrying value recognized in profit or loss.

Fair value is determined periodically by an independent registered valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition.

Rent receivable is spread on a straight-line basis over the period of the lease.

(h) Provisions

Provisions are recognized when the group 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.

(i) 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 asset 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) Current and deferred income taxes

Taxation expense in profit or loss comprises current and deferred tax charges.

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 group'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.

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 plan

The group participates in a defined contribution pension plan which is funded by employees' contributions and employer's contributions made on the basis provided by the rules. Once the contributions have been paid, the group has no further obligations. Contributions are charged to the statement of profit or loss, in the year to which they relate.

Share-based compensation

The company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with corresponding increase in equity, over the period in which the employee becomes vested to the company. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At the end of each reporting period, the company revises its estimates of the number of options that are expected to become exercisable.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) Employee benefits (cont'd)

Share-based compensation (cont'd)

It recognizes the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The fair value of employee stock options is measured using the Black-Scholes-Merton formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviours), expected dividends, and the risk-free interest rate (based on treasury bill rates). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

Other

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration profit attributable to the group's stockholders after certain adjustments.

(l) Revenue recognition

Revenue from the provision of services is measured at the fair value of the consideration received or receivable.

Income is recognized upon delivery of funds and/or customer acceptance. Interest earned on loans is recognized as it accrues unless it is impaired.

Interest income on securities is recognized in profit or loss for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(m) 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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) Financial instruments (cont'd)

Financial assets

(i) Classification

The group classifies its financial assets as loans and receivables. 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. They arise principally through the provision of goods and services to customers (eg. trade receivables) but also incorporate other types of contractually monetary asset.

The group's loans and receivables comprise trade and other receivables, related company balances, short term deposits and cash and bank balances.

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 90 days or less and bank overdraft.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the group commits to purchase or sell the asset. The group's financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss (FVTPL). Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less provision for impairment.

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) Financial instruments (cont'd)

Financial assets (cont'd)

(ii) Recognition and Measurement

For loans and receivables impairment provisions are recognized when there is objective evidence that the group will not collect all of the amounts due under the terms receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in profit or loss. On confirmation that the trade receivable is uncollectible, it is written off against the associated allowance. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When a loan is classified as impaired, recognition of interest in accordance with the original terms and conditions of the loan ceases and interest is taken into account on the cash basis. IFRS requires that where loans become doubtful of collection, they are written down to their recoverable amounts and interest income on loans is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However, such amounts as would have been determined under IFRS are considered to be immaterial.

Financial liabilities

The group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: trade and other payables, loans, related company balances and bank overdraft.

(n) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred and are subsequently measured at amortized cost. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(o) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Investment in subsidiaries

Investment by the company in its subsidiaries is stated at cost.

(r) Dividend distribution

Dividends are recorded as a deduction from equity and recognized as a liability in the group's financial statements in the period in which the dividends are declared or approved. In the case of interim dividends to shareholders, this is when declared by the directors and final dividends when approved by the group's shareholders.

Dividend 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 group's accounting policies

In the process of applying the group'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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(b) Key sources of estimation uncertainty

The group makes certain estimates and assumptions regarding 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:

(i) Fair value estimation

Assets and liabilities, as applicable, included in the group'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.

The fair value measurement of the group's financial and non-financial assets and liabilities utilises 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 utilised are; the ('fair value hierarchy'):

Level 1	Quoted prices in active markets for identical assets or liabilities (unadjusted).
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.

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

The group measures investment property at fair value (note 19).

The investment property was valued on 5 March 2018 using the Highest and Best Use Analysis carried out by external independent qualified valuers with recent experience valuing investment properties in the location held by the group.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

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

(i) Fair value estimation (cont'd)

The fair value of investment property is categorised as a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Opening balance (level 3 recurring fair value)	115,000	115,000
Gain: Included in other operating income - Unrealized change in fair value	<u>3,000</u>	<u>-</u>
Closing balance (level 3 recurring fair value)	<u>118,000</u>	<u>115,000</u>

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment property, as well as the inter-relationship between key unobservable inputs and fair value, is detailed below:

The fair value of investment property was derived using the income approach based on the estimated rental value of the property; comparison approach based on the sale price of similar recently sold properties in same location; and cost approach based on the principle of substitution whereby a purchaser with knowledge would pay no more than the cost of constructing a substitute facility with same utility as the subject. These were weighted, adjusted and reconciled to arrive at the fair value.

There were no changes to the valuation techniques of level 3 fair value measurement in the period.

The fair value measurement is based on the above item's highest and best use, which does not differ from its actual use.

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

- (i) The carrying value, less any impairment provision of financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values due to the short term maturity of these instruments. These financial assets and liabilities are cash and cash equivalents, receivables, trade payables and related company balances.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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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 (cont'd):

(ii) The carrying values of loans approximate their fair values, as these loans are carried at amortized cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(ii) 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 group 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.

(iii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Impairment losses on loans and advances

The group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized, the group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults of assets in the group.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

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

(iv) Impairment losses on loans and advances (cont'd)

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating the amount and timing of its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly reduce any differences between loss estimates and actual loss experience.

5. FINANCIAL RISK MANAGEMENT:

The group 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 group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(a) Principal financial instruments

There have been no substantive changes in the group'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.

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

- Trade and other receivables
- Cash and bank balances
- Trade and other payables
- Due to/from related companies
- Short term deposits
- Loans
- Bank overdraft

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Financial instruments by category

Financial assets

	<u>Loans and receivables</u>			
	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Receivables	1,818,348	628,657	1,051,438	613,990
Related companies	319	239	163,622	15,826
Short term deposits	79,255	370,843	79,255	370,843
Cash and bank balances	<u>366,893</u>	<u>284,501</u>	<u>265,285</u>	<u>273,432</u>
Total financial assets	<u>2,264,815</u>	<u>1,284,240</u>	<u>1,559,600</u>	<u>1,274,091</u>

Financial liabilities

	<u>Financial liabilities at amortized cost</u>			
	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Loans	1,485,167	42,356	1,485,167	42,356
Related companies	15,331	1,687	15,331	1,687
Payables	378,518	270,190	369,867	265,142
Bank overdraft	<u>11,108</u>	<u>7,920</u>	<u>11,108</u>	<u>7,920</u>
Total financial liabilities	<u>1,890,124</u>	<u>322,153</u>	<u>1,881,473</u>	<u>317,105</u>

(c) Financial risk factors

The Board has overall responsibility for the determination of the group'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 group's finance function. The Board receives quarterly reports from the Audit Committee through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

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

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

(i) **Market risk**

Market risk arises from the group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price 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 property rental income, trade receivables, payables, short term deposits and foreign currency cash and bank balances. The group 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 group further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

The table below summarises the group's exposure to foreign currency rate risk at 31 March 2018.

	The Group				
	<u>US</u> <u>J\$'000</u>	<u>GBP</u> <u>J\$'000</u>	<u>Euro</u> <u>J\$'000</u>	<u>CAN</u> <u>J\$'000</u>	<u>Barbados</u> <u>J\$'000</u>
At 31 March 2018					
Financial assets:					
Cash and bank balances	24,810	3,519	831	3,640	15,050
Short term deposits	79,232	-	-	-	-
Trade receivables	<u>416,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,591</u>
Total financial assets	<u>520,488</u>	<u>3,519</u>	<u>831</u>	<u>3,640</u>	<u>27,641</u>
Financial liability:					
Payables	<u>76,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,131</u>
Total financial liability	<u>76,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,131</u>
Net financial position	<u>443,865</u>	<u>3,519</u>	<u>831</u>	<u>3,640</u>	<u>19,510</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Concentration of currency risk (cont'd)

The table below summarises the group's exposure to foreign currency rate risk at 31 March 2018 (cont'd).

	The Group				
	<u>US</u> <u>J\$'000</u>	<u>GBP</u> <u>J\$'000</u>	<u>Euro</u> <u>J\$'000</u>	<u>CAN</u> <u>J\$'000</u>	<u>Barbados</u> <u>J\$'000</u>
At 31 March 2017					
Total financial assets	616,479	681	640	811	24,276
Total financial liability	<u>86,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,048</u>
Net financial position	<u>529,781</u>	<u>681</u>	<u>640</u>	<u>811</u>	<u>19,228</u>

	The Company			
	<u>US</u> <u>J\$'000</u>	<u>GBP</u> <u>J\$'000</u>	<u>Euro</u> <u>J\$'000</u>	<u>CAN</u> <u>J\$'000</u>
At 31 March 2018				
Financial assets:				
Cash and bank balances	24,810	3,519	831	3,640
Short term deposits	79,232	-	-	-
Trade receivables	<u>412,230</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>516,272</u>	<u>3,519</u>	<u>831</u>	<u>3,640</u>
Financial liability:				
Payables	<u>76,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liability	<u>76,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial position	<u>440,169</u>	<u>3,519</u>	<u>831</u>	<u>3,640</u>
At 31 March 2017				
Total financial assets	615,018	681	640	811
Total financial liability	<u>86,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial position	<u>528,320</u>	<u>681</u>	<u>640</u>	<u>811</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Currency 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 cash equivalents, short term deposits, payables and receivable balances, 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 various currencies. The changes below would have no impact on other components of equity.

The Group				
<u>Currency</u>	<u>% Change in Currency Rate 2018</u>	<u>Effect on Profit before Taxation 2018 \$'000</u>	<u>% Change in Currency Rate 2017</u>	<u>Effect on Profit before Taxation 2017 \$'000</u>
USD	+2	(8,877)	+1	(5,298)
GBP	+2	(70)	+1	(7)
Euro	+2	(17)	+1	(6)
CAN	+2	(73)	+1	(8)
Barbados	+2	(390)	+1	(192)
USD	-4	17,755	-6	31,787
GBP	-4	141	-6	41
Euro	-4	33	-6	38
CAN	-4	146	-6	49
Barbados	-4	780	-6	1,154

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Currency risk (cont'd)

Foreign currency sensitivity (cont'd)

The Company				
Currency	% Change in Currency Rate 2018	Effect on Profit before Taxation 2018 \$'000	% Change in Currency Rate 2017	Effect on Profit before Taxation 2017 \$'000
USD	+2	(8,803)	+1	(5,283)
GBP	+2	(70)	+1	(7)
Euro	+2	(17)	+1	(6)
CAN	+2	(73)	+1	(8)
USD	-4	17,607	-6	31,699
GBP	-4	141	-6	41
Euro	-4	33	-6	38
CAN	-4	146	-6	49

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 group does not have a significant exposure and as such, 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 group to cash flow interest rate risk, whereas fixed rate instruments expose the group to fair value interest rate risk.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

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

The group is primarily exposed to fair value interest rate risk on its fixed 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.

The loan portfolio, short term deposits and some bank accounts are the only interest bearing assets within the group. The group's short term deposits are due to mature within 12 months of the reporting date.

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.

(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 trade receivables, short term deposits, bank balances and related company balances.

Trade receivables

Revenue transactions in respect of the group's primary operations are settled in cash. For its operations done on a credit basis, the group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

Cash and bank balances

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

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

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

(c) **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 trade and other receivables, short term deposits, cash and bank balances and related company balances in the statement of financial position.

Trade receivables that are past due but not impaired

As at 31 March 2018, the group had trade receivables of \$161,536,000 (2017 - \$16,032,000) which were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

As of 31 March 2018, the group had trade receivables of \$114,159,000 (2017 - \$15,803,000) that were considered impaired. The amount of the provision was \$114,159,000 (2017 - \$15,803,000). These receivables were aged from current to over twelve months overdue.

Movements on the provision for impairment of trade receivables are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At 1 April	15,803	9,894	15,803	9,894
Acquisition through business combination	58,609	-	-	-
Provision for receivables impairment	72,199	12,641	58,466	12,641
Receivables written off during the year as uncollectible	<u>(32,452)</u>	<u>(6,732)</u>	<u>(19,928)</u>	<u>(6,732)</u>
At 31 March	<u>114,159</u>	<u>15,803</u>	<u>54,341</u>	<u>15,803</u>

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Concentration of risk - trade receivables

The following table summarises the group's credit exposure for trade receivables at their carrying amounts, as categorized by the customer sector:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
International:				
MoneyGram	447,345	235,048	443,130	233,286
Local:				
Loans	1,350,531	297,412	600,428	297,412
Other	<u>12,592</u>	<u>12,905</u>	<u>-</u>	<u>-</u>
	1,810,468	545,365	1,043,558	530,698
Less: Provision for credit losses	<u>(114,159)</u>	<u>(15,803)</u>	<u>(54,341)</u>	<u>(15,803)</u>
	<u>1,696,309</u>	<u>529,562</u>	<u>989,217</u>	<u>514,895</u>

(iii) Liquidity risk

Liquidity risk is the risk that the group 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.

Liquidity risk management process

The group's liquidity risk management process, as carried out within the group 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) Optimising cash returns on investments.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

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

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

(iii) **Liquidity risk (cont'd)**

Cash flows of financial liabilities

The maturity profile of the group's financial liabilities, based on contractual undiscounted payments, is as follows:

	The Group			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
31 March 2018				
Payables	378,518	-	-	378,518
Related companies	15,331	-	-	15,331
Loans	178,398	1,964,640	-	2,143,038
Bank overdraft	<u>11,108</u>	<u>-</u>	<u>-</u>	<u>11,108</u>
Total financial liabilities (contractual maturity dates)	<u>583,355</u>	<u>1,964,640</u>	<u>-</u>	<u>2,547,995</u>

	The Group			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
31 March 2017				
Payables	270,190	-	-	270,190
Related companies	1,687	-	-	1,687
Loans	43,976	-	-	43,976
Bank overdraft	<u>7,920</u>	<u>-</u>	<u>-</u>	<u>7,920</u>
Total financial liabilities (contractual maturity dates)	<u>323,773</u>	<u>-</u>	<u>-</u>	<u>323,773</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

Cash flows of financial liabilities (cont'd)

	The Company			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
31 March 2018				
Payables	369,867	-	-	369,867
Related companies	15,331	-	-	15,331
Loans	178,398	1,964,640	-	2,143,038
Bank overdraft	<u>11,108</u>	<u>-</u>	<u>-</u>	<u>11,108</u>
Total financial liabilities (contractual maturity dates)	<u>574,704</u>	<u>1,964,640</u>	<u>-</u>	<u>2,539,344</u>

	The Company			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
31 March 2017				
Payables	265,142	-	-	265,142
Related companies	1,687	-	-	1,687
Loans	43,976	-	-	43,976
Bank overdraft	<u>7,920</u>	<u>-</u>	<u>-</u>	<u>7,920</u>
Total financial liabilities (contractual maturity dates)	<u>318,725</u>	<u>-</u>	<u>-</u>	<u>318,725</u>

(d) Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure.

LASCO FINANCIAL SERVICES LIMITED
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6. INCOME:

Income represents the margin between the buying and selling rates of foreign currencies, commission received as a percentage of send fees from send and receive transactions, send fees collected on behalf of MoneyGram and interest earned on the granting of loans.

7. OTHER OPERATING INCOME:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income on securities	5,845	12,715	5,789	12,715
Fair value gain on investment property	3,000	-	3,000	-
Rental income	2,619	6,474	2,619	6,474
Revaluation gain	-	6,269	-	6,269
Credit related fees	27,096	8,983	14,768	8,983
Commission	11,634	10,450	11,634	10,450
Software maintenance	5,350	4,371	5,350	4,371
Other (see below)	<u>16,473</u>	<u>(2,297)</u>	<u>10,167</u>	<u>(2,297)</u>
	<u>72,017</u>	<u>46,965</u>	<u>53,327</u>	<u>46,965</u>

Included in other are income categories amounting to less than \$2 million.

8. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Staff costs (note 9)	366,439	259,048	332,130	257,908
Building rental	23,741	18,375	20,808	18,375
Security services	12,655	7,672	12,111	7,672
Depreciation and amortisation	29,770	14,207	28,534	14,173
Agents' commission and fees	427,561	323,261	426,114	321,985
Advertising and promotion	106,815	83,378	106,815	83,378
Audit fees	5,650	3,350	3,200	2,850
Legal and professional fees	47,288	15,777	46,089	15,777
Directors' fees	11,087	8,497	10,437	8,497
Bank charges	10,085	9,200	9,959	9,084
Printing and stationery	15,379	10,540	14,327	10,540
Repairs and maintenance	26,476	11,599	25,794	11,599
Electricity	4,766	2,446	3,876	2,446
Insurance	8,204	10,159	7,948	10,159
Telephone	14,633	9,414	12,875	9,414
Bad debts	60,107	27,509	60,107	27,509
Other operating expenses (see below)	40,790	14,460	34,597	13,447
Motor vehicle expenses	<u>6,583</u>	<u>5,384</u>	<u>6,277</u>	<u>5,384</u>
	<u>1,218,029</u>	<u>834,276</u>	<u>1,161,998</u>	<u>830,197</u>

Included in other operating expenses are expense categories amounting to less than \$4 million.

LASCO FINANCIAL SERVICES LIMITED
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9. STAFF COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Salaries and wages	229,457	162,420	201,325	161,280
Directors' remuneration	45,789	39,899	45,789	39,899
Statutory deductions	29,476	19,091	24,029	19,091
Pension costs	8,284	6,224	7,554	6,224
Other	53,433	27,080	53,433	27,080
Share options - employees	-	4,334	-	4,334
	<u>366,439</u>	<u>259,048</u>	<u>332,130</u>	<u>257,908</u>

Included in other are amounts for health and life insurance, staff lunch, training, accommodation and other welfare benefits.

The number of persons employed by the group at year end was one hundred and thirty eight (138) (2017 - eighty two (82)).

10. FINANCE COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Interest expense -				
Overdraft interest	8,446	265	8,446	265
Loan interest	<u>58,373</u>	<u>4,578</u>	<u>54,376</u>	<u>4,578</u>
	<u>66,819</u>	<u>4,843</u>	<u>62,822</u>	<u>4,843</u>

11. TAXATION EXPENSE:

- (a) Taxation is based on the operating results for the year, adjusted for taxation purposes, and comprises:-

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Current taxation	86,438	40,821	52,842	40,279
Deferred taxation (note 18)	(5,305)	<u>2,873</u>	(4,579)	<u>2,873</u>
	<u>81,133</u>	<u>43,694</u>	<u>48,263</u>	<u>43,152</u>

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11. TAXATION EXPENSE (CONT'D):

- (b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Profit before taxation	<u>335,417</u>	<u>231,472</u>	<u>220,260</u>	<u>229,426</u>
Tax calculated @ 33 1/3%	73,420	76,475	73,420	76,475
Tax calculated @ 25%	28,790	512	-	-
Adjusted for the effects of:				
Expenses not deducted for tax purposes	51,644	17,483	51,644	17,483
Net effect of other charges and allowances	<u>(15,421)</u>	<u>(10,497)</u>	<u>(19,501)</u>	<u>(10,527)</u>
	138,433	83,973	105,563	83,431
Adjustment for the effect of tax remission:				
Current tax	<u>(57,300)</u>	<u>(40,279)</u>	<u>(57,300)</u>	<u>(40,279)</u>
Taxation charge in income Statement	<u>81,133</u>	<u>43,694</u>	<u>48,263</u>	<u>43,152</u>

12. NET PROFIT:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Reflected in the financial statements of:		
The company	171,997	186,274
Subsidiaries	<u>82,287</u>	<u>1,504</u>
	<u>254,284</u>	<u>187,778</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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13. EARNINGS PER STOCK UNIT:

Basic 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.

	<u>2018</u>	<u>2017</u>
Net profit attributable to stockholders (\$'000)	254,284	187,778
Weighted average number of ordinary stock units ('000)	1,258,006	1,248,439
Earnings per stock unit (¢ per share)	<u>20.21</u>	<u>15.04</u>

The diluted earnings per stock unit is calculated by adjusting the number of ordinary stock units in issue at the year end to assume conversion of all dilutive potential ordinary stock units.

	<u>2018</u>	<u>2017</u>
Net profit attributable to stockholders (\$'000)	<u>254,284</u>	<u>187,778</u>
Weighted average number of ordinary stock units ('000)	1,258,006	1,248,439
Adjusted for share options ('000)	<u>16,307</u>	<u>25,360</u>
	<u>1,274,313</u>	<u>1,273,799</u>
Diluted earnings per stock unit (¢ per share)	<u>19.95</u>	<u>14.74</u>

14. CASH AND CASH EQUIVALENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and bank balances -				
Foreign currency accounts	25,491	28,217	10,441	17,148
Jamaican currency current accounts	224,184	172,139	138,858	172,139
Short term deposit	1,224	-	-	-
Cash in hand	<u>115,994</u>	<u>84,145</u>	<u>115,986</u>	<u>84,145</u>
	<u>366,893</u>	<u>284,501</u>	<u>265,285</u>	<u>273,432</u>
Bank overdraft -				
Jamaican currency current accounts	(11,108)	(7,707)	(11,108)	(7,707)
Foreign currency current account	<u>-</u>	<u>(213)</u>	<u>-</u>	<u>(213)</u>
	<u>(11,108)</u>	<u>(7,920)</u>	<u>(11,108)</u>	<u>(7,920)</u>
	<u>355,785</u>	<u>276,581</u>	<u>254,177</u>	<u>265,512</u>

LASCO FINANCIAL SERVICES LIMITED
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14. **CASH AND CASH EQUIVALENTS (CONT'D):**

- (a) The company has general banking facilities with the National Commercial Bank Jamaica Limited (NCB) of \$136,650,000 for the purpose of providing working capital support. The general banking facility is for 12 months and is available for overdraft, guarantee, short term loans, letters of credit and credit cards.
- Overdrafts attract a fixed interest rate of 12.50% per annum
 - Guarantee will be priced at 1.5% of the respective guarantee amount plus General Consumption Tax

The facilities are secured as follows:

Lien over credit balance on short term deposit accounts (listed below) with combined balance of US\$630,635 held at NCB in the name of NCB/Lasco Financial Services Limited.

<u>Account Number</u>	<u>Balance</u>
• 097054207	US\$528,864
• 097054215	US\$101,811

- (b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans, excluding bank overdraft.

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
At 1 April	42,356	-	42,356	-
Cash -				
Loans received	2,748,020	80,616	2,748,020	80,616
Loans repaid	(1,497,346)	(38,260)	(1,324,846)	(38,260)
Non-cash -				
Interest accrued	19,637	-	19,637	-
Acquisition through business combination (note 30)	<u>172,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March	<u>1,485,167</u>	<u>42,356</u>	<u>1,485,167</u>	<u>42,356</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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15. SHORT TERM DEPOSITS:

This represents deposits with original maturities of greater than 90 days but less than 1 year.

16. RECEIVABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables -				
MoneyGram International	447,345	235,048	443,130	233,286
Loans	1,236,372	281,609	546,087	281,609
Other	12,592	12,905	-	-
Prepayments	6,902	10,025	6,604	10,025
Other receivables	85,036	102,158	84,312	102,158
GCT recoverable	<u>40,179</u>	<u>21,338</u>	<u>40,179</u>	<u>21,338</u>
	<u>1,828,426</u>	<u>663,083</u>	<u>1,120,312</u>	<u>648,416</u>

Loans:

(i) Loans are comprised of and mature as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due within 1 month	16,612	18,547	2,821	18,547
1 to 3 months	36,116	6,758	15,470	6,758
3 to 12 months	244,739	26,409	62,464	26,409
Over 12 months	<u>1,053,064</u>	<u>245,698</u>	<u>519,673</u>	<u>245,698</u>
Gross loans	1,350,531	297,412	600,428	297,412
Less: allowance for loan losses	<u>(114,159)</u>	<u>(15,803)</u>	<u>(54,341)</u>	<u>(15,803)</u>
	<u>1,236,372</u>	<u>281,609</u>	<u>546,087</u>	<u>281,609</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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16. **RECEIVABLES (CONT'D):**

(ii) Impairment losses on loans:

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

	<u>The Group</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Current	1,080,028	-	269,835	-
1 to 3 months past due	167,294	38,915	2,060	206
3 to 12 months past due	77,652	49,687	6,255	1,876
Over 12 months past due	<u>25,557</u>	<u>25,557</u>	<u>19,262</u>	<u>13,721</u>
	<u>1,350,531</u>	<u>114,159</u>	<u>297,412</u>	<u>15,803</u>

	<u>The Company</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Current	461,874	-	269,835	-
1 to 3 months past due	106,770	28,449	2,060	206
3 to 12 months past due	31,759	25,867	6,255	1,876
Over 12 months past due	<u>25</u>	<u>25</u>	<u>19,262</u>	<u>13,721</u>
	<u>600,428</u>	<u>54,341</u>	<u>297,412</u>	<u>15,803</u>

The fair values of trade and other receivables approximate the carrying values.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17. RELATED PARTY TRANSACTIONS AND BALANCES:

The Group and the Company
2018 2017
\$'000 \$'000

(a) Transactions between the group and its related companies

Sale of foreign currency to:		
Lasco Distributors Limited	3,201,664	1,901,401
Lasco Manufacturing Limited	<u>3,850,260</u>	<u>3,581,517</u>
Loans granted and repaid:		
Lasco Distributors Limited	303,042	-
Lasco Manufacturing Limited	<u>125,710</u>	<u>-</u>

(b) Key management compensation (included in staff costs - note 9):

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Key management includes directors and senior managers -				
Salaries and other short-term employee benefits	106,745	94,969	106,745	94,969
Share based payments	<u>-</u>	<u>4,334</u>	<u>-</u>	<u>4,334</u>
Directors' emoluments -				
Fees	11,087	8,497	10,437	8,497
Management remuneration (included above)	45,789	39,899	45,789	39,899
Share based payments - executive (included above)	<u>-</u>	<u>2,129</u>	<u>-</u>	<u>2,129</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>

(c) Year end balances arising from transactions with related parties

Due from -				
Lasco Financial Services (Barbados) Limited	-	-	19,613	15,587
Lasco Distributors Limited	319	227	319	227
Lasco Manufacturing Limited	-	12	-	12
Lasco Microfinance Limited	<u>-</u>	<u>-</u>	<u>143,690</u>	<u>-</u>
	<u>319</u>	<u>239</u>	<u>163,622</u>	<u>15,826</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

(c) Year end balances arising from transactions with related parties (cont'd)

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Due to-		
Lasco Distributors Limited	15,331	1,664
Lasco Manufacturing Limited	-	23
	<u>15,331</u>	<u>1,687</u>

18. DEFERRED TAX:

Deferred tax is calculated in full on temporary differences under the liability method using the applicable tax rate. Based on the tax remission, the effective rate used to calculate the deferred tax is 50% of the enacted rate.

Deferred 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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Liability at beginning of year	4,179	1,306	4,179	1,306
Acquisition through business combination (note 30)	(2,473)	-	-	-
(Credited)/charged to profit or loss (note 11)	(5,305)	2,873	(4,579)	2,873
(Asset)/liability at end of year	<u>(3,599)</u>	<u>4,179</u>	<u>(400)</u>	<u>4,179</u>

Deferred tax is due to the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Accelerated tax depreciation	514	3,807	915	3,807
Fair value gain on investment property	500	-	500	-
Interest receivables and loan allowances	466	1,397	2,109	1,397
Employee benefits	(2,021)	(1,025)	(866)	(1,025)
Interest payable	(3,058)	-	(3,058)	-
	<u>(3,599)</u>	<u>4,179</u>	<u>(400)</u>	<u>4,179</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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19. INVESTMENT PROPERTY:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
1 April	115,000	115,000
Fair value gain recognized in profit or loss	<u>3,000</u>	<u>-</u>
At 31 March	<u>118,000</u>	<u>115,000</u>

(a) The fair value of investment property as at the reporting date is based on estimates of open market value, which may be defined as the best price at which an interest in a property might reasonably be expected to be sold by private treaty at the date of valuation, assuming:

- a willing seller;
- a willing buyer;
- a reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market;
- values are expected to remain stable throughout the period of market exposure and disposal by way of sale;
- the property will be freely exposed to the market;
- that no account has been taken of any possible additional bid(s) reflecting any premium in price which might be forth-coming from a potential purchaser with a special interest in acquiring the premises; and
- that the subject premises, in its current zoned use class, can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its land use class, in the open market.

(b) The property was valued on 5 March 2018 by D.C. Tavares & Finson Realty, an independent qualified property Appraiser and Valuer. The directors intend to value the property periodically.

(c) Rental income and direct operating expenses in relation to the investment property are as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Rental income	2,619	6,474
Direct operating expenses	<u>(1,111)</u>	<u>(2,332)</u>

LASCO FINANCIAL SERVICES LIMITED
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20. INTANGIBLE ASSETS:

	<u>The Group</u>		
	<u>Goodwill</u> <u>\$'000</u>	<u>Computer</u> <u>Software</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Cost -			
1 April 2016	-	19,115	19,115
Additions	<u>-</u>	<u>8,351</u>	<u>8,351</u>
31 March 2017	-	27,466	27,466
Additions	<u>-</u>	<u>7,287</u>	<u>7,287</u>
Acquisition through business combination (note 30)	<u>824,016</u>	<u>-</u>	<u>824,016</u>
31 March 2018	<u>824,016</u>	<u>34,753</u>	<u>858,769</u>
Amortisation -			
1 April 2016	-	4,680	4,680
Charge for the year	<u>-</u>	<u>5,073</u>	<u>5,073</u>
31 March 2017	-	9,753	9,753
Charge for the year	<u>-</u>	<u>6,308</u>	<u>6,308</u>
31 March 2018	<u>-</u>	<u>16,061</u>	<u>16,061</u>
Net Book Value -			
31 March 2018	<u>824,016</u>	<u>18,692</u>	<u>842,708</u>
31 March 2017	<u>-</u>	<u>17,713</u>	<u>17,713</u>

Goodwill -

Goodwill arose on the acquisition of Scotia Microfinance Company Limited and is largely attributable to synergies and economies of scale. This arose from years of creation and maintenance of solid customer base, good customer relations and general business operations.

Impairment tests for goodwill -

The group determines whether goodwill is impaired at the end of each reporting period or when events or changes in circumstances indicate that the carrying value may be impaired. The time elapsed between the acquisition date and the reporting date is relatively short, therefore no testing of goodwill for impairment was deemed necessary by the group.

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20. INTANGIBLE ASSETS (CONT'D):

	<u>The Company</u>
	<u>Computer Software</u>
	<u>\$'000</u>
Cost -	
1 April 2016	19,115
Additions	<u>8,351</u>
31 March 2017	27,466
Additions	<u>5,351</u>
31 March 2018	<u>32,817</u>
Amortisation -	
1 April 2016	4,680
Charge for the year	<u>5,073</u>
31 March 2017	9,753
Charge for the year	<u>5,993</u>
31 March 2018	<u>15,746</u>
Net Book Value -	
31 March 2018	<u>17,071</u>
31 March 2017	<u>17,713</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

21. **PROPERTY, PLANT AND EQUIPMENT:**

	<u>The Group</u>				
	<u>Leasehold Improvements</u> \$'000	<u>Furniture, Fixtures & Equipment</u> \$'000	<u>Computer Hardware</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Total</u> \$'000
Cost -					
1 April 2016	22,222	36,547	14,458	6,695	79,922
Additions	<u>36,031</u>	<u>11,949</u>	<u>3,312</u>	<u>-</u>	<u>51,292</u>
31 March 2017	58,253	48,496	17,770	6,695	131,214
Additions	20,052	18,891	7,064	5,144	51,151
Acquisition through business combination (note 30)	<u>1,723</u>	<u>7,061</u>	<u>172</u>	<u>-</u>	<u>8,956</u>
31 March 2018	<u>80,028</u>	<u>74,448</u>	<u>25,006</u>	<u>11,839</u>	<u>191,321</u>
Depreciation -					
1 April 2016	2,359	9,619	6,706	3,375	22,059
Charge for the year	<u>1,523</u>	<u>4,133</u>	<u>2,139</u>	<u>1,339</u>	<u>9,134</u>
31 March 2017	3,882	13,752	8,845	4,714	31,193
Charge for the year	<u>12,268</u>	<u>6,346</u>	<u>3,213</u>	<u>1,635</u>	<u>23,462</u>
31 March 2018	<u>16,150</u>	<u>20,098</u>	<u>12,058</u>	<u>6,349</u>	<u>54,655</u>
Net Book Value -					
31 March 2018	<u>63,878</u>	<u>54,350</u>	<u>12,948</u>	<u>5,490</u>	<u>136,666</u>
31 March 2017	<u>54,371</u>	<u>34,744</u>	<u>8,925</u>	<u>1,981</u>	<u>100,021</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

21. PROPERTY, PLANT AND EQUIPMENT (CONT'D):

	<u>The Company</u>				
	<u>Leasehold</u>	<u>Furniture,</u>	<u>Computer</u>	<u>Motor</u>	<u>Total</u>
	<u>Improvements</u>	<u>Fixtures &</u>	<u>Hardware</u>	<u>Vehicles</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cost -					
1 April 2016	22,222	36,259	14,458	6,695	79,634
Additions	<u>36,031</u>	<u>11,949</u>	<u>3,312</u>	<u>-</u>	<u>51,292</u>
31 March 2017	58,253	48,208	17,770	6,695	130,926
Additions	<u>19,818</u>	<u>18,103</u>	<u>5,154</u>	<u>5,144</u>	<u>48,219</u>
31 March 2018	<u>78,071</u>	<u>66,311</u>	<u>22,924</u>	<u>11,839</u>	<u>179,145</u>
Depreciation -					
1 April 2016	2,359	9,583	6,706	3,375	22,023
Charge for the year	<u>1,523</u>	<u>4,099</u>	<u>2,139</u>	<u>1,339</u>	<u>9,100</u>
31 March 2017	3,882	13,682	8,845	4,714	31,123
Charge for the year	<u>12,106</u>	<u>5,843</u>	<u>2,956</u>	<u>1,635</u>	<u>22,540</u>
31 March 2018	<u>15,988</u>	<u>19,525</u>	<u>11,801</u>	<u>6,349</u>	<u>53,663</u>
Net Book Value -					
31 March 2018	<u>62,083</u>	<u>46,786</u>	<u>11,123</u>	<u>5,490</u>	<u>125,482</u>
31 March 2017	<u>54,371</u>	<u>34,526</u>	<u>8,925</u>	<u>1,981</u>	<u>99,803</u>

22. INVESTMENT IN SUBSIDIARIES:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Investment of the company in the shares of its subsidiaries:		
Lasco Financial Services (Barbados) Limited	45	45
Lasco Microfinance Limited	<u>1,350,000</u>	<u>-</u>
	<u>1,350,045</u>	<u>45</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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23. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Trade payables -				
Sub-agents payables	326,290	180,676	318,253	175,628
MoneyGram advance	62,993	64,334	62,993	64,334
Other	<u>18,880</u>	<u>6,683</u>	<u>18,880</u>	<u>6,683</u>
	408,163	251,693	400,126	246,645
Other payables and accruals	<u>22,793</u>	<u>60,209</u>	<u>3,126</u>	<u>59,262</u>
	<u>430,956</u>	<u>311,902</u>	<u>403,252</u>	<u>305,907</u>

24. LOANS:

	<u>The Group and the Company</u>	
	<u>2018</u> <u>\$000</u>	<u>2017</u> <u>\$'000</u>
Development Bank of Jamaica Limited (i)	-	11,387
Development Bank of Jamaica Limited (ii)	-	30,969
Development Bank of Jamaica Limited (iii)	7,476	-
Development Bank of Jamaica Limited (iv)	13,965	-
Development Bank of Jamaica Limited (v)	7,532	-
Corporate Bond	<u>1,456,194</u>	<u>-</u>
	<u>1,485,167</u>	<u>42,356</u>

Development Bank of Jamaica Limited -

The company entered into an agreement with the Development Bank of Jamaica Limited under its Micro Finance Institution loan facility, for \$746,000,000 line of credit. This agreement relates to loans (i) to (v).

- (i) - (ii) The loans were disbursed in 2017 and were repayable in 12 months. The loans were at an interest rate of 10% per annum and were secured on promissory notes and assignment of all sub-loans. They were repaid during the financial year.
- (iii) - (v) The loans were disbursed during the year and are repayable in 12 months, 42 months and 24 months, respectively. The loans are at an interest rate of 9.80% per annum and are secured on promissory notes and assignments of all sub-loans.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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24. LOANS (CONT'D):

Corporate Bond -

This represents an unsecured corporate bond, net of transaction cost which is being amortized over the life of the bond. The proceeds were received in February 2018. The bond is at a fixed interest rate of 9.5% per annum and matures in 2023. The bond was arranged by Mayberry Investments Limited and JMMB Securities Limited and is registered with JCSD Trustee Service Limited. Interest is payable semi-annually commencing 12 August 2018 and principal is repayable semi-annually commencing 12 February 2019.

25. SHARE CAPITAL:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised - 1,961,200,000 ordinary shares of no par value		
Stated capital - Issued and fully paid - 1,264,694,000 (2017 - 1,254,578,000) ordinary shares of no par value	<u>95,459</u>	<u>83,036</u>

During the year the company issued 10,116,000 (2017 - 11,808,000) shares to its directors and managers for cash of \$10,116,000 (2017 - \$11,808,000). The shares were issued under the company's stock option plan and the fair value of the option exercised during the year was \$2,307,000.

26. OTHER RESERVE:

Stock Option Reserve

(a) Stock option description and movement:

On 30 September 2013, the company obtained approval from stockholders at its annual general meeting for authorised but unissued shares up to a maximum of 5% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors and key personnel of the company. Consequently, the company has set aside 61,405,000 of the authorised but unissued shares for the stock option plan.

On 1 August 2014, under the rules of the stock option plan, the following allocations were made:

	<u>No. of shares</u>
	<u>'000</u>
Non-executive directors and key personnel	<u>61,405</u>

LASCO FINANCIAL SERVICES LIMITED
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26. OTHER RESERVE (CONT'D):

Stock Option Reserve (cont'd)

(a) Stock option description and movement (cont'd):

The options were granted at a subscription price of \$1.00 and are exercisable over a period of seven (7) years, at the end of which time unexercised options will expire. The total grant of each director and key personnel will fully vest on the third anniversary of the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

	<u>2018</u> <u>'000</u>	<u>2017</u> <u>'000</u>
Movement on the option:		
At 1 April	34,930	46,738
Exercised	(10,116)	(11,808)
At 31 March	<u>24,814</u>	<u>34,930</u>

(b) Fair value of options granted:

The fair value of options granted determined using the Black-Scholes-Merton valuation model was \$14,006,000. The significant inputs into the model were the share price of \$0.80 at the grant date, exercise price of \$1.00, the risk free interest rate of 8.22%, standard deviation of expected share price returns of 42.49%, the option life of seven (7) years and expected dividends of \$0.03. It is expected that these options will be exercised within four and a half (4½) years.

The breakdown of the fair value of options granted is as follows:

	<u>\$'000</u>
Fair value of options granted	14,006
Expensed in 2015	(6,838)
Expensed in 2016	(2,834)
Expensed in 2017	(4,334)
Expensed in 2018	<u>-</u>
Amount to be expensed in future periods	<u>-</u>

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26. OTHER RESERVE (CONT'D):

Stock Option Reserve (cont'd)

(c) Movement on the share option reserve is as follows:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
At 1 April	7,968	6,327
Fair value of options recognized during the year	-	4,334
Fair value of options exercised transferred to share capital	(2,307)	(2,693)
At 31 March	<u>5,661</u>	<u>7,968</u>

27. RETAINED EARNINGS:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Reflected in the financial statements of:		
The company	1,183,019	1,061,230
Subsidiaries	<u>85,495</u>	<u>3,208</u>
	<u>1,268,514</u>	<u>1,064,438</u>

28. DIVIDENDS:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
In respect of 31 March 2017 (4.0¢ per share)	50,208	-
In respect of 31 March 2016 (3.5¢ per share)	<u>-</u>	<u>43,497</u>
	<u>50,208</u>	<u>43,497</u>

By resolution dated 18 July 2017, dividend payment of \$0.04 per share was approved by the Board of Directors.

29. PENSION PLAN:

The company and one of the subsidiaries participates in a defined contribution pension plan which is administered by Sagicor Life Jamaica Limited and Guardian Life Limited, respectively. The pension plans are open to all permanent employees.

The plans are funded by the group's and employees' contributions. The group's contributions to the plans are expensed and amounted to \$8,284,000 for the year (2017 - \$6,224,000).



LASCO FINANCIAL SERVICES LIMITED
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30. BUSINESS COMBINATION:

On 30 November 2017, the group acquired 100% of the share capital of Scotia Jamaica Microfinance Company Limited through a share purchase agreement. Subsequently, on the 12 March 2018 the name was changed to Lasco Microfinance Limited. The principal activity of Lasco Microfinance Limited is retail lending to the micro enterprise sector for personal and business purposes.

In accordance with IFRS 3, Business Combinations, the transaction was accounted for using the acquisition method. The estimated initial goodwill was computed under this methodology.

Details of the net assets acquired, purchase consideration and goodwill at the acquisition date are as follows:

	<u>\$'000</u>
Net assets arising on the acquisition:	
Cash resources	80,983
Loan receivables	642,546
Other receivables	573
Deferred tax asset	2,473
Property, plant and equipment	8,956
Other payables	(18,059)
Taxation	(18,988)
Loan	<u>(172,500)</u>
Fair value of net assets acquired	<u>525,984</u>
Goodwill (note 20):	
Purchase consideration	1,350,000
Net assets acquired as above	<u>525,984</u>
	<u>824,016</u>
Cash outflow on acquisition:	
Purchase consideration	1,350,000
Cash and cash equivalents in business acquired	<u>(80,983)</u>
Net cash flow	<u>1,269,017</u>

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31. SEGMENT INFORMATION:

The group generates its revenue from Cambio operations, Money Transfer and Loans. The property division earns rental income from a property it owns.

Based on the information presented to and reviewed by the CODM, the entire operation of the group is considered as one operating segment.

Financial information related to the group as a whole can be found in the consolidated statement of profit or loss and other comprehensive income, in the consolidated statement of financial position and related notes. There are no differences in the measurement of the reportable segment results and the group's results.

32. LEASE COMMITMENTS:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	5,497	4,484	3,912	4,484
Subsequent years (2-5)	<u>12,163</u>	<u>7,250</u>	<u>7,830</u>	<u>7,250</u>
	<u>17,660</u>	<u>11,734</u>	<u>11,742</u>	<u>11,734</u>

32. RECLASSIFICATION:

The consolidated statement of financial position and the statement of financial position were reclassified to reflect cash and bank balances and bank overdraft separately.

33. SUBSEQUENT EVENTS:

Effective 1 April 2018, Lasco Financial Services Limited (LFSL) ceased lending activities and all loans are now being processed by Lasco Microfinance Limited (LASMF), a 100% subsidiary of LFSL. As a result, all LFSL loans staff were seconded to LASMF and the loan portfolio from LFSL was sold to LASMF.

The annual exemption from the provisions of the Moneylending Act by the Minister of Finance was therefore not renewed in the name of LFSL. The moneylending exemption which was issued to Scotia Jamaica Microfinance Company Limited on 16 July 2017 has remained in effect as it is renewed annually. At which time the renewal will be done in the name of Lasco Microfinance Limited.

NOTES I

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