



Digital Financial Services

Annual Report
2019-20





LASCO[®]
**FINANCIAL
SERVICES**

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





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Notice to Annual

General Meeting

NOTICE IS HEREBY GIVEN that the tenth Annual General Meeting of LASCO FINANCIAL SERVICES LIMITED will be held on **Tuesday, September 29, 2020** 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, 2020 and the Reports of the Directors and Auditors, circulated with the notice convening the meeting, be and are hereby adopted.”

2A. 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 **Mr. Gary Peart** and **Mr. James Rawle** 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 **Mr. Gary Peart** 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. James Rawle** be and is hereby re-elected a Director of the Company.”

2B. 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 number fixed as hereinbefore mentioned. 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. Colin Maxwell** who was appointed on May 8 2020, to fill a casual vacancy, and being eligible offer himself for re-election.

To consider and if thought fit pass the following resolution:

- (i) **"THAT** retiring Director **Mr. Colin Maxwell** 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."

5. Special Business

Special Resolution

To consider and if thought fit pass the following Special Resolution:

"THAT, the amended Articles of Incorporation of the Company be further amended, approved and adopted as the Articles of Incorporation of the Company in substitution for and to the exclusion of existing Articles 26 to 31 of the Articles of Incorporation of the Company."

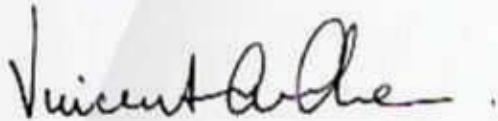
AMENDED ARTICLES OF INCORPORATION

26. "Transfer document affecting title to any of the admitted participating voting shares or other admitted securities of the Company shall be registered free of any fee."
27. "Fully paid participating voting shares or other admitted securities of the Company shall be free from any restriction or on the right of transfer."

"That Articles 28, 29, 30 and 31 shall now be in blank."

Dated this 16th day of July, 2020

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. 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.



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LASCO FINANCIAL SERVICES Ltd. is an authorized agent of Alliance Payment Services Ltd. Conditions Apply





As at March 31, 2020

Corporate DATA

REGISTERED OFFICE

LASCO Financial Services Limited, 27 Red Hills Road, Kingston 10, Jamaica, W.I.

☎ Tel: (876) 906-7473, 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, B.A (Hons.) MBA
Managing Director

Non-Executive Directors:

Mr. James Rawle, M.S.
Dr. Eileen Chin, MBA
Mr. Compton Rodney, B.Sc (Econ) FCA, FCCA
Hon. R.N.A. Henriques, O.J., Q.C.
Mr. Gary Peart, MBA
Mr. Christopher Berry, B.Sc.
Mr. Vincent A. Chen
Mr. Kenneth Sylvester

Company Secretary

Mr. Vincent A. Chen

Senior Managers:

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

Ms. Atasha Bernard, FCCA, FCA, MBA
Group Chief Financial Officer

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

Attorneys-At-Law

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

Bankers:

CIBC FirstCaribbean International Bank
Jamaica Limited
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 and Transfer Agents

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

As at March 31, 2020

Shareholders' PROFILE



TOP TEN SHAREHOLDERS

NAME	VOLUME	PERCENTAGE
East West (St. Lucia) Ltd.	382,972,852	30.15
Lascelles A. Chin	380,731,480	29.98
Mayberry Jamaican Equities Limited	251,211,463	19.78
Manwei International Ltd.	13,959,095	1.09
Mayberry Managed Clients Account	13,674,604	1.07
Guardian Life Limited/Pension Fund	13,494,345	1.06
Michael A. Campbell	12,363,280	0.97
Jacinth A. Hall-Tracey	10,794,712	0.85
Wayne Chin	7,119,650	0.56
JN Fund Managers for JN Pooled Pension Local Equity Fund	7,000,000	0.55

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES

NAME (PRIMARY HOLDER)	POSITION (*CONNECTED PARTY)	UNITS	PERCENTAGE
Jacinth Hall-Tracey		10,794,712	0.8499
Compton Rodney		300,000	0.02
Roald N.A. Henriques		1,950,344	0.1536
Lascelles Chin		380,731,480	29.9766
	*Eileen Chin - Direct	{98,060}	0.0079
	*East West St. Lucia	{382,972,852}	30.1531
Eileen Chin		98,060	0.0079
	*Lascelles Chin - Direct	{380,731,480}	{29.9766}
Gary Peart		997,000	0.0788
James Rawle		0.00	0.0000
Christopher Berry		0.00	0.0000

SHAREHOLDINGS OF SENIOR MANAGERS AND CONNECTED PARTIES

NAME (PRIMARY HOLDER)	POSITION (*JOINT HOLDER)	UNITS	PERCENTAGE
Jacinth Hall-Tracey		10,794,712	0.8499
Atasha Bernard		1,042,334	0.0822
Denise West		0.00	0.0000

Five-Year

Financial REVIEW

	YEAR ENDED 31 March 2020	YEAR ENDED 31 March 2019	YEAR ENDED 31 March 2018	YEAR ENDED 31 March 2017	YEAR ENDED 31 March 2016
REVENUE AND EXPENSES	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	2,507,304	2,211,508	1,620,265	1,070,591	870,009
% change over prior year	13%	36%	51%	23%	22%
Administrative and other expenses	1,082,153	880,422	624,994	401,402	307,261
% change over prior year	23%	41%	56%	31%	37%
Selling and Promotion Expenses	1,194,837	765,641	593,035	432,874	341,460
% change over prior year	56%	29%	37%	27%	15%
Finance Cost	208,345	168,800	66,819	4,843	318
% change over prior year	23%	153%	1280%	1423%	99%
Net Profit Before Taxation	21,969	396,645	335,417	231,472	220,970
% change over prior year	-94%	18%	45%	5%	16%
Taxation	78,887	114,890	81,133	43,694	17
% change over prior year	-31%	42%	86%	256924%	0%
Net Profit for the Year	(56,918)	281,755	254,284	187,778	203,379
% change over prior year	-120%	11%	35%	-8%	6%
STATEMENT OF FINANCIAL POSITION					
Short Term Deposits and Cash Equivalents	722,931	360,723	435,040	647,424	464,910
% change over prior year	100%	-17%	-33%	39%	-9%
Total Assets	3,962,905	3,893,393	3,386,101	1,560,281	1,149,599
% change over prior year	2%	15%	117%	36%	13%
Total Liabilities	2,422,834	2,301,804	2,016,467	404,839	154,580
% change over prior year	5%	14%	398%	162%	-24%
Total Stockholder's Equity	1,540,071	1,591,589	1,369,634	1,155,442	995,019
% change over prior year	-3%	16%	19%	16%	22%
FINANCIAL RATIOS					
Basic Earnings Per Share (\$)	-0.0449	0.2228	0.2021	0.1504	0.1655
Diluted Earnings Per Share (\$)	-0.0444	0.2228	0.1995	0.1474	0.1619
Book Value Per Share	1.2126	1.2585	1.0830	0.9210	0.8006
Market Price Per Share (JSE closing price - J\$)	2.61	4.54	4.88	3.60	2.71
Number of Issued Shares	1,270,094,391	1,264,694,391	1,264,694,391	1,254,577,725	1,242,769,657
Market Capitalisation (J\$)	3,314,946,361	5,747,712,535	6,171,708,628	4,516,479,810	3,367,905,770
Dividend Per Share (\$)	-	-	-	0.040	0.035
Dividend Payout Ratio	-	-	-	26.74%	21.39%
Dividends for the Respective Period*	-	-	-	50,208	43,497
Price Earnings Ratio	-58	20	24	24	16
Efficiency Ratio (admin exp./revenue)	43.16%	39.81%	38.57%	37.49%	35.32%
Net Profit Growth (%growth)	-120%	11%	35%	-8%	6%
Return on Average Equity	-4%	19%	20%	17%	23%
Return on Average Assets	-1%	8%	10%	14%	19%
Number of Employees	214	185	138	82	69

* paid subsequent to the year end

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- **Kingston:** 38½ Red Hills Rd., Kgn. 10, Tel: 876-906-7473
15 Chandos Place, Papine Square, Kgn. 6, Tel: 876-977-6582
Shop 13, Duhaney Park Shopping Centre, Kgn. 20, Tel: 876-934-6823
- **St. Ann:** Lot 2, Point Crescent, Ocho Rios, Tel: 876-974-6986
- **Portland:** 5 West Street, Port Antonio, Tel: 876-715-1160
- **St. James:** Bay West Shopping Centre, Harbour St., Montego Bay, Tel: 876-979-7169

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Message from the

Executive Chairman & Managing Director



Dear Shareholders,

“We will continue to build on the strengths of the business model, taking the necessary steps to balance opportunities and risks which will arise from the impact of COVID-19.”

Our financial performance in the final two months of our 2019 - 2020 financial year was adversely impacted by the fallout in the economy arising from the COVID-19 pandemic which took a toll on the industries in which we operate.

LASCO Financial Services (LFSL), the Company, generated revenues of \$1.6B and profit of \$228M, increasing by 17% from \$194M in the previous financial year. On a consolidated basis, income from the Group grew by 13% from \$2.2B to \$2.5B. There was, however, a net loss of \$57M compared with \$282M profit in the previous period. The

results were based on the impairment losses on loans of \$651M taken within the loan books of our subsidiary, LASCO Microfinance Limited.

Under accounting standards, we are required to make a judgement of whether our loan customers will default on loan payments and to estimate the extent of such default, considering a wide range of outcomes. The provision in our financial statements reflects our best estimate of possible financial implications. The LASCO Microfinance customers were immediately affected by the restrictions imposed by the government of

Jamaica to halt the spread of the Corona virus. These customers mostly operated businesses or were employed in the sectors which were ordered closed or whose operations were significantly curtailed: taxi operators, bar owners, vendors at school gates, security companies etc.

Inspite of our adverse results, we will continue to build on the strengths of the business model, taking the necessary steps to balance opportunities and risks which will arise from the impact of COVID-19, to achieve positive results for all stakeholders. Most important is the immediate need to preserve cash as we continue to assess the economic fall out.

Over the last three years we have evolved the business while delivering strong results, and we are still excited about the prospects for the company. The businesses that will navigate this crisis successfully are those that have developed a clear long term plan which allows for sustainable value. LFSL is one such business that is well positioned based on our breadth of services for the unbanked, to grasp the opportunities in the short and long term as they arise.

We believe we can continue to grow our revenues organically from all existing services. The greatest growth is expected to come from our expansion in remittance services and digital retail payments. Our aim is to keep costs flat, investing resources in the areas of the business which will drive the growth.

Technology is changing the way our customers desire to interact with us. Over the past two years, we have invested more than \$40M into information communication & technology and digital financial products. Over the next two years, the focus will be on front to back digitalisation, ultimately leading to a better staff and customer experience.

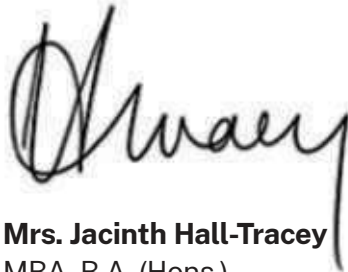
All our plans for the new financial year are conservative and will adapt to the lingering effects of COVID-19. The economy is expected to shrink and is not expected to rebound until 2023. As a company, our philosophy is resilience, we will continue to provide the well needed

financial access to our customer base in the most cost efficient way in order to deliver value to our shareholders.

We thank you for your ongoing support. We would also like to express our appreciation to our staff who worked arduously to serve our clients during the heights of the pandemic. Together we shall overcome the current challenges.



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



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





As at March 31, 2019

Directors' REPORT

The Directors of LASCO Financial Services Limited are pleased to present their report for the financial year ended March 31, 2020.

FINANCIAL RESULTS	\$'000
Profit before Taxation	21,969
Taxation	78,887
Net Loss for the year	(56,918)
Earnings per ordinary stock unit (Cents per share)	-4.49c

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 on July 16, 2020 and a comparison with the previous year is set out in the Consolidated Statement of Profit or Loss and other Comprehensive Income on Page 78.

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 Mr. Gary Peart and Mr. James Rawle and being eligible offer themselves for re-election.

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.

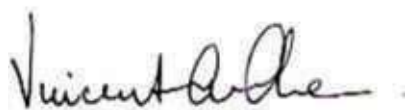
SUBSEQUENT EVENT

Subsequent to the year-end Mr. Kenneth Sylvester resigned from the Board of LASCO Financial Services Limited on April 27, 2020.

On May 8, 2020 Mr. Colin Maxwell was appointed to the Board of LASCO Financial Services Ltd. To fill a casual vacancy, created by the resignation of Mr. Kenneth Sylvester.

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 16th day of July, 2020
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 his 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 organisations, including the Jamaica Industrial Development Corporation (JIDC), The Jamaica Exporter's Association (JEA), and the Jamaica Promotions Corporation (JAMPRO).



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 Service 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 or 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 (JaMFA) Limited.

She sits on the Boards of LASCO Distributors Limited and LASCO Manufacturing Limited. She has 30 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. In early 2018 she completed the JSE E-Campus course, Director's Strategic Guide to Corporate Governance and Leadership and in 2020 completed the Frankfurt Business School's course, Certified Expert in Microfinance.



DR. EILEEN A. CHIN
MBA
NON-EXECUTIVE Director

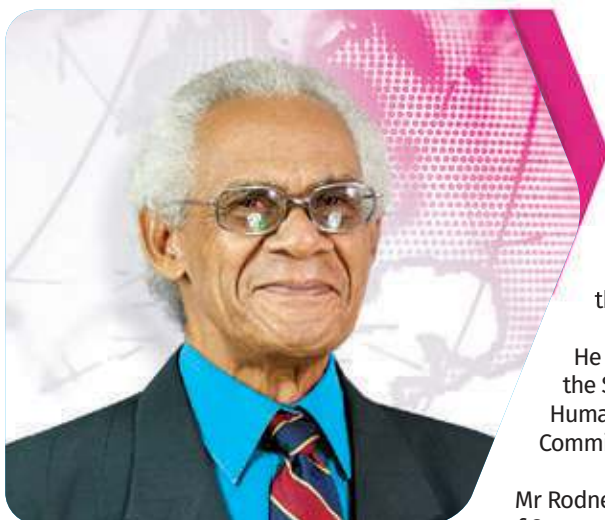
Dr. Eileen A. Chin is a Non-Executive Director of the Company. Born in Havana City, Cuba, Dr. Chin holds a post graduate degree in medicine from the Havana University School of Medicine. She specialised and taught histology from 1993 to 1998 at the Girón School of Medicine, and migrated to Jamaica in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

Dr. Chin joined the LASCO Group of Companies in 1999 serving in several positions including marketing, product and label development and international business development for Central and South American markets. She was appointed General Manager of LASCO Foods, LASCO Food (Successors) Limited and LASCO Properties in 2008 and in 2010 she was appointed Managing Director of LASCO Manufacturing Limited where she implemented US 18M expansion of the Manufacturing

facility. She served in this position until 2015.

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

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



COMPTON RODNEY
Independent
NON-EXECUTIVE Director

A Chartered Accountant, a Fellow of the Chartered Association of 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, Director of the Sports Development Foundation and chairman of its Audit and Human Resources Committees, as well as a member of its Finance Committee.

Mr Rodney served as the Secretary/Treasurer of the American Chamber of Commerce (AMCHAM) for 28 years and as the Honorary Treasurer of the Jamaica Olympic Association for over 20 years. For many years he served as Vice-Chairman of the Kingston Technical High School Board of Management as well as the Chairman of the Multicare Foundation.

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

Mr. Rodney also serves as a Director on the Board of LASCO Manufacturing Limited.

Board of

Directors (Cont'd)



CHRISTOPHER BERRY 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 (JSE), he also sits on several boards, including the Jamaica Central Securities Depository, LASCO Financial Services, Caribbean Producers (Jamaica) Limited, Apex Health Care 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 Independent NON-EXECUTIVE Director

Hon. Roald Henriques is a former senior partner of the law firm of Livingston, Alexander & Levy with over fifty-two years of experience in legal practice. He was called to the Bar at Lincoln's Inn, London in 1961, 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 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 twenty-five (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 has been the Chief Executive Officer of Mayberry since May 2005. He has over twenty years of corporate finance experience in the Jamaican financial industry, having worked in senior positions at leading financial institutions. He was first appointed to the Board of Directors of Mayberry in April 2006. Gary currently serves as Executive Chairman of Supreme Ventures Limited. He is Deputy Chairman of the Board of the Jamaica Stock Exchange (JSE). He is also a Director on several other Boards: Jamaica Central Securities Depository Limited (JCSD), LASCO Distributors Limited and IronRock Insurance Company Limited.

He is a member of the Assets and Liabilities Committee, Project Steering Committee and Managing Committee of Mayberry. He holds an MBA from Florida International University and a BSc. (Hons.) in Economics from the

University of the West Indies, Mona.

Gary has been honoured by several organisations and was named Top CEO in Jamaica for the 2015 financial year. He is a member of the Rotary Club of St. Andrew North.



JAMES RAWLE

M.Sc.

NON-EXECUTIVE Director

Mr. James E. D. Rawle is the Managing Director of LASCO Manufacturing Limited and sits on the Board of LASCO Distributors as a Non-Executive Director. He did undergraduate studies in Natural Sciences at the University of the West Indies from which he also holds the Master of Science degree in Organic Chemistry. He brings to the Board a wealth of knowledge and experience, having served in various senior managerial positions, at one of the leading multinational food companies in the world for over 41 years. His extensive training in Organic Chemistry has been the base for his far-reaching work in manufacturing, new product research and development, as well as production and plant management. He also has extensive functional experience in brand management, sales, marketing, finance and strategy formulation and execution.

Mr. Rawle has been past Chairman of several Public entities, including The Board of the Bureau of Standards, The Scientific Research Council, The Natural Resources Conservation Authority, The Environmental Foundation of Jamaica, Nutrition Products Limited and The Cocoa Industry Board.

Board of

Directors (Cont'd)



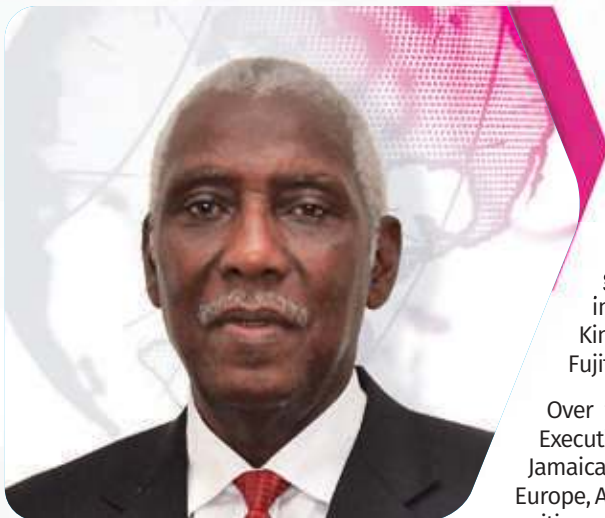
MR. VINCENT A. CHEN NON-EXECUTIVE Director

Mr. Vincent Anthony Chen holds the position of Director and Company Secretary for all the LASCO Affiliated Companies - LASCO Distributors, LASCO Manufacturing and LASCO Financial Services Limited. He serves as General Counsel/Chief Legal Officer at all three companies. Mr. Chen's duties include ensuring that the Companies abide by the standard legal and financial practices along with maintaining Corporate Governance.

Mr. Chen has over 45 years of experience in the field of law having successfully passed the solicitors qualifying examinations set by the Law Society in England and having passed the common law examinations administered by Osgoode Hall Law School in Canada. He is a partner at the law firm Chen, Green and Company as well as a Notary Public for Jamaica. He qualified as a Barrister and Solicitor in British Columbia, Canada

and as a Solicitor of the Supreme Court in England. He appears regularly in the Supreme Court, The Court of Appeal and the Privy Council in civil litigation involving commercial matters.

Mr. Chen is a part of the Board of Directors for the Level Bottom Farms and Supplies Limited, and Vanda Limited. He formerly served as the Chairman of Salada Foods Jamaica Limited. His hobbies include boating and playing cricket, being a proud member of both the Kingston Cricket Club and the Royal Jamaica Yacht Club. He is a member of St. Luke's Church where he serves as the Rector's Warden and serves as a member of the Diocesan Council - Diocese of Jamaica and the Cayman Islands and a member of that Council's Finance Board. He is married to Helen and has two daughters.



MR. KENNETH SYLVESTER Independent NON-EXECUTIVE Director

Mr. Kenneth Sylvester achieved an Honors degree in Physics from the University of Leeds in the United Kingdom, with two years postgraduate work in Quantum Physics. As a young graduate, he began his working life in 1972 as a research scientist in the development of first generation computing in the United Kingdom with the leading international computer company, Fujitsu-ICL, where he spent twenty-seven (27) years.

Over this period he rose to the position of President and Chief Executive Officer of Fujitsu Caribbean headquartered in Kingston Jamaica. His career with Fujitsu-ICL gave him the opportunity to work in Europe, Africa, Asia and the United States of America in several leadership positions.

Mr. Sylvester was one of the leading pioneers in growing the computer and information technology industry in Jamaica and the wider Caribbean.

Mr. Sylvester was also the Managing Director of the CARICOM Agency, Caribbean Knowledge and Learning Network.

Mr. Sylvester has been the Honorary Consul for Grenada in Jamaica since 1992. He is married and is the father of three children.



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As at March 31, 2020

Corporate Governance



The Board of Directors of LASCO Financial Services (LFSL) represents the interest of the shareholders of the Company. The Board's mission is to ensure that the Company continues to grow into a successful and profitable business, while achieving the highest standards of risk management, corporate governance and corporate social responsibility.

FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

The Directors are directly responsible to provide oversight to effective governance and strategic guidance in the Company and ensure that Shareholders values are protected. The Board strives to balance the interests of the Company's diverse constituencies, including its shareholders customers, suppliers, employees, creditors and the communities in which it operates. The aim of the Company is to be transparent in its activities, all of which are important to increase shareholders' confidence and maximise their value.

In carrying out its functions, the Board ensures that the Company is compliant with the applicable laws of the land, regulations and

codes of ethical business conduct, the rules of the Jamaica Stock Exchange Junior Market, its Articles of Association, policies and procedures of the Company, corporate social responsibility and sustainable environmental practices. In doing so, the Board may rely on the advice and report of its Executive Management and other independent professionals.

BOARD COMPOSITION

As at March 31, 2020, the composition of the Board of LFSL (Parent company) was ten directors, of which two are executive directors, six non-executive directors and two independent – Hon. Roald Henriques and Mr. Compton Rodney. To be considered an Independent Director, the member, at minimum must not have served as an employee of the LASCO Affiliated companies for the past three years, or is not being compensated for services other than the Director's Fees.

LASCO Microfinance, the subsidiary, established a separate Board which comprises of eight directors and has also established its own Board Committees to make recommendations to the Board.

The Board of Directors meets on a quarterly basis and from time – to – time will hold special meetings to deal with pertinent matters.

The Board of both companies met several times during the course of the Financial Year to assess the developments within the Company and the industry, approve new business and to provide guidance to management.

SELECTION AND APPOINTMENT OF DIRECTORS

The Corporate Governance Committee has been assigned the responsibility of identifying potential individuals to be appointed to the Board of Directors of the Company. The Committee will make recommendations to the Board who will grant approval for the appointment. The reference for this decision is outlined in LFSL's Corporate Governance Policy on its website.

To qualify for an appointment to the Board, the Committee shall have due regard to the skills, competence and expertise of the individual taking into consideration diversity, in terms of gender; currently, 20% of our directors are women. The members of the LFSL Board are very experienced and respected individuals, with diverse skills and knowledge from different professions relating to the core business of LFSL, including expertise in the management of Financial Services companies, expertise in regulatory and legal affairs and expertise in accounting standards. Their level of talent and experience provide a good basis for sound judgement in decision making and guiding the Company into successful endeavours.

Further details on the expertise, skills and academic qualifications of our directors are outlined in their profiles on pages 18-22 in this report.

Induction Program: A new director who has been appointed to serve as director on the Board of the Company shall participate in an induction program that covers the Company's vision, mission, strategy, regulatory requirements, market opportunities and risks. The new Board member is required to be reviewed under the

Bank of Jamaica Fit & Proper Programme, and is mandated to participate in the Company's Anti-Money Laundering training held annually.

The new director will also meet with the senior management team for a brief orientation.

Ongoing Training: The Board also recognises the importance of continuous education and training for its Directors. Each director is mandated to participate in the Company's Anti-Money Laundering training programme held annually. This is followed by an assessment of their knowledge for which they would receive a score and a certificate. The directors would also participate in Risk Management Training and Corporate Governance training.

COMPANY MENTOR

LFSL, upon its admission to the Junior Market, opted to appoint a Mentor to act as its compliance advisor in accordance with rule 503 (2) of the Junior Market rules. Hon. Roald Henriques is the appointed mentor.

Functions and Responsibilities

In his role as mentor Mr. Henriques is expected to:

- advise the Board on adequate procedures, systems and controls for the purposes of its compliance with good standards of corporate governance.
- to ensure that LFSL discloses to the JSE in a timely manner any material information concerning its non-compliance with the Junior Market Rules (JMR).

Full details on the role of the mentor may be viewed at rule 503 of the JMR book.

COMPANY SECRETARY

The Company Secretary is appointed by the Board and is a key advisor to the board and management on compliance, corporate governance and shareholders matters. The Company Secretary shall provide new directors



with information about the Company to assist them in their orientation. All directors have access to the Company Secretary's advice and services in respect of the administration of the functions of the Board.

COMMITTEES OF THE BOARD

The Board has four committees: Audit, Compensation, Corporate Governance and Assets and Liabilities Committee. The members of these Committees are appointed by the Board of Directors. All four Committees are chaired by Independent Directors and the other members are non-executive directors. The Executive Chairman is invited to these meetings. Any director, executive director or staff member may be invited to attend a committee meeting.

Each Committee has its Terms of Reference which has been approved by the Board. The individual committees have the responsibility to review and revise its policies and Charters if deemed necessary. The key responsibilities of each Committee are outlined in the Corporate Governance Terms of Reference which may be viewed on LFSL's website at: www.lascojamaica.com/financial.

AUDIT COMMITTEE

The Audit Committee is chaired by Mr. Compton Rodney. Mr. Rodney is a qualified accountant and has the skills and expertise to chair this Committee. Other appointed members are Hon. Roald Henriques and Mr. Gary Peart. Hon. Lascelles Chin attends upon invitation. The Committee meets quarterly and continues to be guided by its established Charter to ensure:

- Good fiscal discipline
- The integrity of financial reporting and
- Timely disclosures

For the financial period, Ernst & Young provided quality advisory and internal audit services on a out-sourcing basis to the Company. The Committee reviewed and approved the audit plan; for the financial year. The Internal Auditors worked closely with the management team to

establish, improve and add value to processes and controls in helping to bring effectiveness to risk management and internal controls. Systems, process-flows, policies and procedures are reviewed periodically. The Internal Auditors report to the Audit Committee at its quarterly meetings.

During the periodic meetings, members of the Committee also analysed the quarterly unaudited financial statements and the audited financial statements to ensure that they are prepared in accordance with the Rules of the International Financial Reporting Standards and the Junior Market rules of the Jamaica Stock Exchange. These financial Statements are approved by the Board of Directors for publication.

The Audit Committee Chairman reports on matters discussed at the meetings to the Board at its quarterly Board meetings.

During the year the Committee met five (5) times.

ASSETS AND LIABILITIES COMMITTEE

The Assets and Liabilities Committee (ALCO) is responsible for reviewing the company's risk, management framework operations and results and advise the Board on factors which may impact the profitability and thereby growth. This Committee is chaired by Mr. Compton Rodney. The other member is Hon. Roald Henriques. Hon. Lascelles Chin is invited to this meeting as well as the Managing Director and the Chief Risk Officer since the Risk Management Framework falls under this Committee.

The primary function of ALCO 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. It is this committee that reviews the annual budget and recommends it to the Board for approval and thereafter, monitors the performance against the plans and highlights to the Board any events which may prevent the company from achieving its strategic objectives.

During the financial year, upon the establishment of the risk management framework and subsequent risk management training, the Committee was vested with the responsibility to ensure that sound policies, procedures and practices are in place for the management of the company's material risks and to report the results of the risk register reviews and mitigations to the Board.

The Committee met four (4) times for the financial year.

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, the Non-Executive directors and Senior Management. The chairman of this Committee is Hon. Roald Henriques; other appointed members are Mr. Compton Rodney and Mr. Christopher Berry.

For the financial year under review, the Committee met once for the year as mandated, and made its recommendations to the Board of Directors. It is the duty of the Committee in discussion on matters of compensation to ensure that compensation is appropriate to attract and retain key staff and is sustainable for the company and aligned with overall business strategy.

The fees for non-executive directors are highlighted in the financial statements of the Annual Report. The fees paid for the year ended March 2020 totalled \$25,375.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is chaired by Hon. Roald Henriques. Other members are Mr. Compton Rodney and Mr. Gary Peart. The Managing Director and Group Chief Compliance Officer are invited to this meeting. The Committee meets at least once per year to give oversight in respect of the structure, composition and functioning of the Board and its Committees. Some areas covered, in this regard are:

- the monitoring and implementing of a governance structure suited for the Company;

- oversees the selection, induction, training and succession planning process for directors;
- assists the Board to determine, understand and work within the legal cultural and institutional framework that affect the goals and direction of the Company;
- it develops policies as are required for the effective governance of the Company, monitor trends and best practices in corporate governance in order to properly discharge the Committee's duties and make the necessary proposals to the Board in accordance with the Board's Charter.

The Corporate Governance policy can be viewed on the Company's website at www.lascojamaica.com/financial.

PERFORMANCE EVALUATION

The Company is now in the process of conducting its annual performance evaluation facilitated by an external Corporate Governance Consultant; areas will cover: Directors' self-evaluation, Overall Board Evaluation and Committee Evaluation.

The following policies can be viewed on the Company's website: Compensation Committee Charter, Audit Committee Charter and Corporate Governance Terms of Reference at: <https://www.lascojamaica.com/financial>.

RELATIONSHIP WITH SHAREHOLDERS

It is important that our stakeholders understand our vision and thereby continue to support our programmes. Equally important is the opportunity to receive feedback.

One of the key channels used to disseminate information to our shareholders is the Annual General Meeting (AGM); a session for questions and answers is made available to shareholders at the AGM, where views are clarified and the plans explained. The Management Discussion & Analysis in the Annual Report provides detailed information on the Company's plans and opportunities and we also explain our business performance in our quarterly earnings release.

During the year press releases relating to marketing activities and corporate social responsibility activities were done to keep shareholders abreast of the Company's activities.

MINUTES OF AGM

Shareholders may request a copy of the AGM Minutes from the Company Secretary's Office via telephoning 876-749-5272.

ATTENDANCE REGISTERS

Below is a summary of the attendance recorded in respect of the meetings for the Financial Year ended March 31, 2020.

MEETINGS	LFSL AGM	LFSL BOD	LFSL COMPENSATION COMMITTEE	LFSL AUDIT COMMITTEE	ALCO	CORPORATE GOVERNANCE
NO. OF MEETINGS	1	6	2	5	4	1
Lascelles Chin	1	6	-	-	-	-
Jacinth Hall-Tracey	1	6	-	5	4	-
Eileen Chin	-	4	-	-	-	-
Roald N.A. Henriques	1	4	2	5	4	1
Compton Rodney	1	6	2	5	4	1
Gary Peart	1	6	-	1	-	1
James Rawle	1	6	-	-	-	-
Kenneth Sylvester	1	2	-	-	-	-
Vincent Chen	1	3	-	-	-	-
Christopher Berry	-	3	1	-	-	-

*Mr. Kenneth Sylvester resigned on April 27, 2020

The following table outlines the composition of each Committee.

MEETINGS	LFSL COMPENSATION COMMITTEE	LFSL AUDIT COMMITTEE	ALCO	CORPORATE GOVERNANCE
Compton Rodney**	✓	✓	✓	✓
Roald N.A. Henriques *	✓	✓	✓	✓
Gary Peart	—	✓	—	✓
Christopher Berry	✓	—	—	—

* Chairman – Compensation Committee/Corporate Governance Committee

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

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Enterprise Risk Management Framework

In the previous financial year, we began implementing our Enterprise Risk Management (ERM) Framework and completed the process in the fourth quarter of the 2019-2020 financial year. The full implementation included refining the risk registers, a final review of the ERM Framework and policy manual.

The policy has fostered and encouraged a risk-awareness culture among the staff members, where risk management is seen as a positive attribute and a tool for planning and decision-making on a day-to-day basis.

THE FRAMEWORK

The oversight of risk management activities is an important role of LSFL's Board and Management. The approval of the ERM Framework by the board, ensures that an adequate and effective Enterprise

The Managing Director has the mandate to implement the ERM framework and ensure its effectiveness across the organization, based on defined criteria. The Managing Director is also responsible to ensure that the Senior Management team is adequately trained and resourced to carry out its management and monitoring mandate under the COSO ERM Framework. The Board and Senior Managers have been trained in Enterprise Risk Management and the following oversight committees have been put in place; the roles are herein described:

› **The Board** approves the risk management framework, the policy and the risk appetite

- Discussions on risks affecting the company must be included in the Board Meetings
- Strategic, new or emerging risks discussed at the Board meeting which impact the company should be formally noted by the Managing Director and taken to the Executive Committee meetings where the risks are discussed and assigned

Here's what's important: Enterprise risk management is as much about understanding the implications from the strategy and the possibility of strategy not aligning as it is about managing risks to set objectives. The figure below illustrates these considerations in the context of mission, vision, core values, and as a driver of an entity's overall direction and performance.



Enterprise risk management, as it has typically been practiced, has helped many organizations identify, assess, and manage risks to the strategy. But the most significant causes of value destruction are embedded in the possibility of the strategy not supporting the entity's mission and vision, and the implications from the strategy.

Enterprise risk management enhances strategy selection. Choosing a strategy calls for structured decision-making that analyzes risk and aligns resources with the mission and vision of the organization.

Wide Risk Management programme is in place for identifying, measuring, monitoring and controlling all material risks which could impact the organization. The COSO ERM framework is the basis for the LFSL ERM Framework.

› **The ALCO** Committee will take on the role to formally review the risk reports submitted by the Risk Management Committee. As such, ALCO will review risks and ensure that management is paying attention, and monitoring the risk exposure

› **The Audit Committee** will monitor the risks in line with

Ernst & Young, our internal audit outsourced partner. The Audit Committee reviews the top risks submitted by the ALCO committee and ensures that the Internal Auditors assess the systems implemented to control the risks

- › **The Internal Auditors** incorporate a process to prioritize the testing of key controls emanating from the ERM Framework
- › **The Managing Director** ensures staff are trained at all key levels and involves all key stakeholders across the company in the rollout of the various aspects of ERM. She ensures that Enterprise Risk Management is placed on the agenda of the Executive management meetings and that the key “Red” risks are reviewed and discussed before they are presented to the Board
- › **The Risk Management Committee** is in place to ensure the efficient implementation of the ERM Framework. The committee provides oversight to ensure that standards are met, responses are appropriate and high level risks are treated and escalated
- › **The Chief Risk Officer** heads the Risk Management committee and is responsible for formulating and maintaining the Risk Management Framework. This entails, among other things:
 - Drafting, Reviewing and Implementing the Group Risk Management Policy, Standards and Guidelines
 - Ensuring uniformity and roll-out of the Risk Management Framework, including training of management and the Board of Directors on risk management techniques
 - Creating an annual Risk Management Framework development plan.

The Board, Senior Managers and Risk Officers have been trained in the principles and techniques of identifying risks, along with their roles and responsibilities related to the ERM Framework. Job Descriptions are adjusted to include the role and responsibilities of each member of the committee including the Risk Officer.

RISK POLICY (summary)

The full policy may be viewed on our website (lascojamaica.com/financial).

The Risk Policy guides the framework and incorporates it as part of LFSL’s overall Corporate Plan, ensuring that management controls are

effectively integrated within the daily operations of the organization and is continuously developed and improved. The Policy governs LASCO Financial Services Limited’s risk-based approach to managing its business which is designed to provide reasonable assurance that the organization’s objectives will be met.

LASCO Financial Services Limited’s approach to risk management is based on the following principles:

- › Risk represents both opportunity and threat and therefore effective management is required to manage uncertainty associated with significant risks and increase the potential for reward through opportunities
- › Effective risk management equips management and staff with the tools to make appropriate risk and return decisions and provides greater assurance that LFSL’s vision, strategy and objectives will be achieved
- › The Risk Assessment Reporting Standard requires the reporting of material risks to LFSL’s Executive Committee, the Asset & Liability Committee (ALCO), the Audit Committee, and the Board of Directors (BOD).

MEASUREMENT CRITERIA

The following criteria must be used to measure LASCO Financial Services Limited’s risk management capability:

- › Evidence of documented and up-to-date risk assessments in all LFSL’s departments
- › Mitigating controls in all LFSL’s businesses for risks with major or catastrophic impact which have a gross risk rating between Medium to High; and;
- › Evidence of ongoing application and monitoring of Management Action Plans.

RISK APPETITE SUMMARY (summary)

The full policy may be viewed on our website (lascojamaica.com/financial).

RISK APPETITE STATEMENT

The Risk Appetite Statement is the articulation of the aggregate level and types of risk that our organization is willing to accept, or to avoid, in order to achieve our objectives. It includes qualitative statements expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. See summary table below.

This Risk Appetite Statement characterizes our tolerance for each risk as low, moderate, or high, according to the following definitions:

Low – The level of risk will not substantially impede our ability to achieve our mission, goals, or strategic objectives. Controls are prudently designed and effective.

Medium – The level of risk may delay or disrupt achievement of our mission, goals, or strategic objectives. Controls are adequately designed and are generally effective.

High – The level of risk will impede the ability to achieve our mission, goals, or strategic objectives. Controls may be inadequately designed or ineffective.

Zero – The level of risk will significantly impede the company's ability to achieve its mission, goals, or strategic objectives.

LFSL 's principal business activities are subject to the below risk types.

	RISK	APPETITE
i.	Industry Risk	Medium
ii.	Legal & Regulatory Risk	Low
iii.	Settlement Risk	Low
iv.	Credit Risk	Medium
v.	IT & Data Security	Low
vi.	Technology Risk	Low
vii.	Change Risk	Medium
viii.	Third Party Risk	Low
ix.	Governance Risk	Low
x.	Strategic Risk	Medium
xi.	Operational Risk	Low
xii.	Reputational Risk	Zero
xiii.	Market Risk	Medium

CUSTOMIZED RISK UNIVERSE



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IT Resilience & Support
Application Development & Maintenance
IT Projects
Data Security
Payments
Pre-launch
Post Launch
Cambio
Cash Processing
Loan Payment Collection
Value-added Service
Vault Management
Procurement
Vendor Management
Forecasting
Billing
Facilities
Infrastructure
Health
Safety
Remittance
AML/CFT
Transaction Processing
COMPLIANCE
Code of Conduct
Integrity & Ethics
Internal Fraud
Appeals & Grievances
Regulatory
International and Local Regulatory Requirements
Data Protection & Privacy

Legal
Contracts
Litigation
FID Reporting
Daily/Monthly/Quarterly/Annually
Due Diligence
AML/CFT
Agents Compliance
Fit & Proper
Products & Services
Definition and Implementation
Product Profitability
FINANCIAL
Financial Accounting & Reporting
General Accounting
Financial Accounting & Disclosure
Capital Structure
Capital Management
Market
Foreign Exchange
Interest Rate
Price Fluctuation
Liquidity
Liquidity Risk
Cash Management
Investment
Credit Risk
Origination, Administration, Processing, Collection
Counterparty



LFSL Compliance & Risk Management



LASCO Financial Services Limited has charged the Group Chief Compliance Officer Denise West with the responsibility for the development and maintenance of its Anti Money Laundering (AML), Counter Financing of Terrorism, Proliferation and Anti-fraud policies; as well as the Enterprise Risk Management, Whistleblowing and Data Protection regime. The primary responsibilities in these areas include: -

- Ensuring maintenance and communication of the AML/CFT and Anti-fraud policies and procedure
- Ensuring the Board, management and staff are fully aware and sensitized to the changes in legislation and regulations;
- Monitoring and Interrogating of financial transactions on a daily basis to identify suspicious and threshold reportable items;
- Coordinating all information received from the operating departments on reportable transactions;
- Ensuring that adequate anti-money laundering, counter financing of terrorism and anti-fraud controls and their awareness programmes are in place.
- Recommending and proactively implementing initiatives to curtail fraud and minimize LFSL's money laundering and terrorist financing risks; and filing the required AML reports with the Board of Directors, Management and Regulatory bodies.
- Keeping abreast of laws and regulations affecting the business entity;
- Developing, managing and maintaining the compliance framework, ensuring the appropriate implementation of regulatory changes within the business;
- Developing and implementing compliance policies;
- Providing guidance to Management and the Board on regulatory changes impacting the business to ensure the appropriate implementation of operational processes to conform with these changes;
- Monitoring the timely submission of all required regulatory filings by the respective departments and agents across the Company among other things.

Second Line of Defense Risk & Control Monitoring

In response to Parliament's passing of the Amendments to the Proceeds of Crime Act and the Proceeds of Crime (Money Laundering Prevention) Regulations in 2019 which addressed issues such as Control of entities, Company/ies controlled by person directly or indirectly, Holding Company, Beneficial Ownership and Ultimate beneficiary, simplified due diligence, and risk-based approach for managing money laundering and terrorist financing risks; LFSL responded by ensuring that:

- The compliance updates and performance reports are provided to Management, the Board of Directors, Audit and Compliance Committees of the Board; as well the Independent reviewer;
- All staff are trained in the relevant AML/CFT, Proliferation and Anti-fraud, Bribery and Corruption measures, as well as how to go behind the veil of holding companies to identify beneficial owners and how to enact effective risk-based approach measures in carrying out their duties and responsibilities;
- Training, refresher training and testing of all staff and Agent staff is provided
- Compliance with regulations are interpreted and monitored ;
- The Regulations are communicated to the Agent Network;
- Risk-based assessment compliance testing is performed annually;
- All are advised on Regulatory issues;
- Compliance monitoring of policies and procedures are conducted;
- Risk registers are reviewed across departments; and
- Critical risks and control issues are escalated to Senior Management and Audit Committee.

LFSL's Regulatory Compliance Risk

The responsibility for ensuring a high level of compliance with legal and regulatory standards is also assigned to Executive Management being the Group Chief Compliance Officer; tasked with the day-to-day compliance functions carried out by the Group Compliance team. The Group Chief Compliance Officer and the team of highly motivated staff has the responsibility for and gives effective oversight of the Compliance regime by giving their time, interest, use of sound strategic judgement and prudent thinking to execute the compliance mandate.

LFSL Group has a moderate to low appetite for legal and regulatory risk; as such we premise the success of our business by giving effective oversight to the company's obligations under the Know Your Customer Regime through the implementation of policies and procedures in accordance with the BOJ's Gazetted Guidance Notes of 2018 and in keeping with the amended laws and regulations. We ensure compliance with all legal and regulatory requirements applicable to the business and apply sound judgement to foster a culture of compliance and implement measures to mitigate risk from third party engagements.

Enterprise Risk Management

In order to ensure first standard internal control in keeping with its overall mission and vision LFSL Group commissioned and implemented the widely accepted enterprise risk management framework COSO 2004 to enhance the organization's ability to manage uncertainty in the industry within which it operates.







Leadership



Leadership



A) Atasha Bernard - MBA, FCCA, FCA
Group Chief Financial Officer

Atasha Bernard has been working with LASCO Financial Services Limited (LFSL) for over nine (9) 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 promoting a work life balance. Her role was instrumental in the transitioning of the 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, The Director's Strategic Guide to Corporate Governance and Leadership post graduate diploma with the Jamaica Stock Exchange/Private Sector Organization of Jamaica and is a Certified Expert in Microfinance, accredited by the Frankfurt School of Business.

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

B) Danielle Drysdale - BA, Dip.
Marketing Manager

Danielle Drysdale has over seven (7) years experience in the advertising and marketing industry. She joined the LASCO Financial Services Ltd in April, 2017 as the Senior Marketing Communications Executive and was appointed Marketing Manager in June 2019.

Danielle's experience includes client services and creative direction at the agency level, where she was responsible for conceptualising and creating integrated marketing communication campaigns for companies in the financial and tourism industries and non-profit organizations.

Her time at LFSL, has garnered significant improvements in the marketing communications operations of the department, with key focus on supporting the company's overall growth objectives. She is passionate about bringing the products of LFSL and its subsidiary LASCO Microfinance Limited to life. Danielle also serves as a safety monitor and risk officer.

She holds a Bachelor of Arts in Literatures in English, with a focus in communications from the University of the West Indies, Mona and a Diploma in Theatre Arts from the Edna Manley College of the Visual and Performing Arts, School of Drama.

C) Nordel Leach Murphy - B.Sc., Dip. ED
Human Resource Manager

Since joining the company in 2008, Mrs. Nordel Leach Murphy 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. Mrs. Leach Murphy 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.

Mrs. Leach Murphy 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 UTECH/Jamaican Institute of Management. She has also participated in other short developmental courses which has helped to mold her into the professional she is today.

D) Ramon Davis - B.Sc.
Payments Services Manager

Since joining LASCO Financial Services Limited in 2008, Ramon Davis operated in various capacities before transitioning to Payments Services Manager from Manager – Remittance Services in July 2019. In his current capacity as Payments Services Manager, Mr. Davis was integral in the development of LFSL's Digital Payments Division and later led the launch of the company's new electronic retail payments product – LASCO Pay. This marked a significant milestone for the company, enabling the company to participate in Jamaica's retail payments space. Ramon further developed the company's Remittance operation through strategic partnerships and brought value to both company and customers with a new direct deposit product – allowing remittance receivers to conveniently have their remittances credited to their accounts.

He holds a Bachelor of Business Administration Degree with a Finance Major and Economics Minor at the University of Technology, Jamaica (UTECH). Ramon holds certification in ACCA's Certified Accounting Technician (C.A.T.) and is a Certified Digital Finance Practitioner (CDFP) candidate. He is the secretary of the Jamaica Money Remitters Association (JMRA) and a member of the National Working Group on International Migration and Development (NWGIMD).



Leadership



E **Richard Trusty - MBA, B.Sc.**
Cambio Services Manager

Richard Trusty joined the company in 2019 as Cambio Services Manager with responsibility for leading, managing and growing LFSL's retail network in line with established objectives; lead the implementation of strategies to achieve growth, profit, operational efficiency and best-in-class customer experience.

He brings to LASCO Financial Services Limited, a wealth of experience, having served in management positions at other financial institutions for over fifteen (15) years.

Richard comes to LFSL with substantial experience in the financial services and has expertise in Cambio operations, Remittances Services, and Payment Services.

He has a strong passion for money services and is a motivated team player who has performed at a high level throughout his career. Mr. Trusty holds both a Masters of Business Administration and a Bachelors of Science degree from Nova Southeastern University.

F **Maria Campbell - B.Sc.**
Group Facilities Manager

Ms. Maria Campbell is currently the Group Facilities Manager. Prior to her present position she served in several capacities including Customer Service Representative, Branch Supervisor, Branch Operations Manager over a time span of 15 year of service. As the Group Facilities Manager she oversees the branches of the Group, being LASCO Financial Services Limited and LASCO Microfinance Limited With responsibilities for ensuring optimal building conditions, implementing safety policies, overseeing security, cleaning, handling emergency operations, planning space reorganization and ensuring legislation compliance. All these with an aim to ensure that the organization is able to carry out a smooth operation at all times in a manner and standard that is keeping with high customer and staff experience.

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

G **Randolph Burgess - B.Sc.**
Business Applications Manager

Randolph joined LASCO Financial in October 2015, bringing with him considerable years of experience in customer service, technology, and project management. Randy has led various projects to improve our operational processes and information service platforms, particularly in our Finance, Compliance and Remittance and Loans departments. He has also worked to assist the design and implementation of our Risk Management Framework.

Randy is keen on using technology to advance organizational goals, and to transform information technology from a cost centre to a revenue generating business partner. He is customer focused and believes that all processes should reflect on a positive customer experience. He holds a B.Sc. in Political Science from The University of the West Indies.

H **Denise E. West - B.Sc., LLB (HONS.) LEC**
Attorney-at-Law & Group Chief Compliance Officer

Denise E. West BSc, LLB, LEC, the Group Chief Compliance Officer is an Attorney-at-Law by designation with a big personality and the expertise and refined professional skills to back it up. Her superior expertise in Customer Service, Legal and Regulatory Compliance affairs and its link to company operations, is the "sandbox" dynamic, which the company relies heavily on, to maintain its pristine image, its viability, competitiveness and of course its regulatory compliance.

As a longstanding Financial Industry Professional, her personal mantra is; "Compliance enables Reliance" which, in other words, is translated to "Compliance Facilitates Trust". She also has a favorite professional phrase, which you often hear her uttering and that is "Clean profits." These are two concepts which keep her grounded, in what can be described as a testy industry to be a leader in.

Denise and her team of dedicated experts and officers, have successfully positioned the LFSL Compliance Department as the conduit through which the operations must flow and by this she ensures that the LFSL Group operations are kept honest yet profitable.



Leadership



A

B

C

A) Marsharee Burrell-Johnson - B.Sc.
Sales & Product Manager

Marsharee Burrell-Johnson joined LASCO Microfinance Limited in November 2017, as the Sales and Product Manager. She has been in the microfinance industry for over fifteen (15) years and has served in various capacities which includes lending/credit adjudication/collections etc. She has also served at various management levels throughout the period and has grown an energetic sales team from 17 to 31. She was instrumental in having the company take on a new product which accounts for 60% of the company's total portfolio. She has been successful in increasing our footprints with a strong sales force while building partnerships.

She has a Bachelors Degree in Marketing from the Excelsior Community College and have completed several short courses which has contributed to her rounded approach.

B) Rohan Ford
Credit Risk Manager

Mr. Rohan Ford has served in his current capacity as Credit Risk Manager for over seven years, having joined LASCO Microfinance Limited's legacy operation CrediScotia, immediately after start up in 2012.

Originally an Aviator by training, Mr. Ford developed a passion for Credit Risk Management, having served for over eleven years in several key Credit Risk and Delinquency Management capacities, in one of Jamaica's leading lending institutions.

Mr. Ford has also spearheaded the establishment of the Credit Risk Management framework for a number of local MFI start up entities, currently operating in the Jamaican microfinance space.

All together Mr. Ford has a total of over twenty-two (22) years experience in lending operations and credit risk management and has completed numerous relevant certifications in Credit Risk & Delinquency Management.

C) Kamal Gilzene - M.Sc., B.Sc. (HONS.)
Operations Manager

Kamal's career has covered several areas of the financial services business. Kamal spent 9 years with the Bank of Nova Scotia, during which, he transitioned to CrediScotia Jamaica Ltd. as the HR & Operations Manager. With LASCO Financial Services' acquisition of CrediScotia Jamaica Ltd. in 2017, Kamal joined the subsidiary company, LASCO Microfinance Limited (LASMF) where he has held the position of Operations Manager since April 2018.

Kamal Gilzene earned a B.Sc. (Hons.) degree in Political Science and a Master of Science degree in Public Sector Management from the University of the West Indies. He also earned the Certificate in Project Management from the Mona School of Business. He is currently pursuing a Master of Science degree in Procurement, Logistics and Supply Chain Management with the University of Salford.

Since joining LASMF, Kamal has been consistently applying his diverse qualifications and experiences in Operations Management, Process and Logistics Management to work with Team members to formulate and implement policies and strategies that would allow for LASMF to remain competitive in the Microfinance Sector as well as enhancing customer service delivery to our customers that would lead to greater market share.

Kamal currently serves on various Committees (STATHS TRUST FUND, Jamaica House of Prayer and other non-governmental organizations), where his leadership qualities are consistently demonstrated. He is currently a Justice of the Peace for the St. Andrew.

Shared Services

Managers

Joel Gonzales
Property Manager



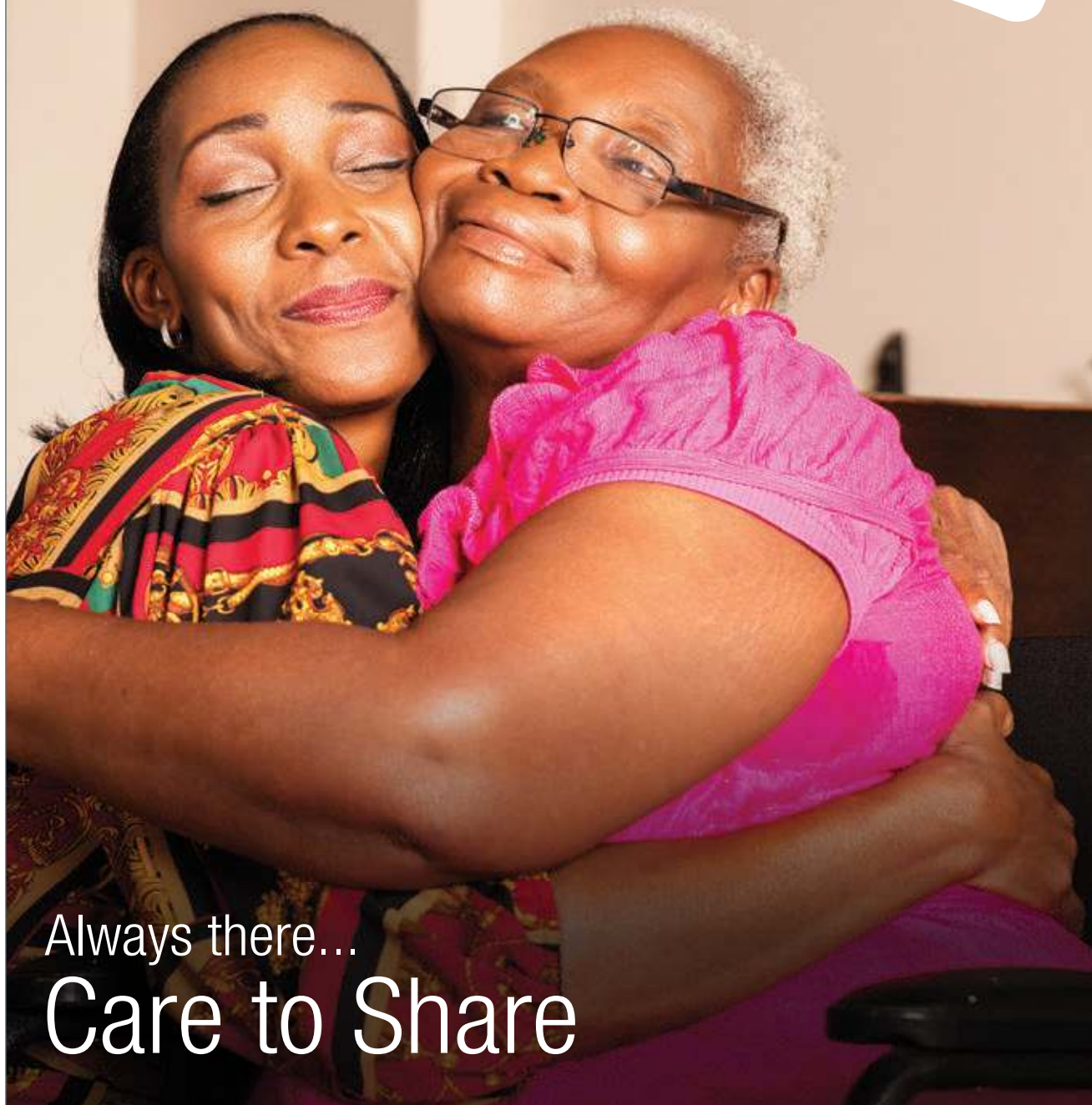
Peter Hylton
Information
Technology Manager



Ruel Thompson
Safety/Security & Community
Relations Manager



“ I was able to send money to
take care of her medical expenses



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Human Resource Training & Development

Our Human Resources – our major success factor
and our most valuable assets

The success of an organization is directly linked
to the calibre of human resources in its employ.

Building a High-Performance Culture

Having a workforce that is highly knowledgeable of the company's services is the first step in equipping our ambassadors to confidently articulate the services to customers, in order to achieve the business' objectives.

One of our core HR strategies over the next two to three years is to build a team of high performers who will invest in themselves and by

extension the business' success. During the year we pursued a full review and revamp of our Performance management process. This in a bid to re-establish how we appraise our team on their contribution to making the company remain a success. We performed an end-to-end assessment of our then process and noted some necessary process improvements.

We convened numerous workshops with our team members to give them a test run of the new and

improved Performance Management Framework and collected their feedback to simplify and manage the process. Our team members were very receptive and are rearing to implement the new programme that is intended to highlight their performance efficiencies. As we keep in focus our mantra to build a high-performance workforce and culture, we are leading the process of implementing workable tools to help us achieve success in this regard.

The new and improved team

As we work to establish the winning team, we realized that for our team members to feel like winners, they had to look like winners. During the year, we invested heavily in standardizing our uniform across the group. Our

team members were presented with high quality apparel that created a professional, smart and successful aura and presence. We were most delighted to see the boost of confidence and commanding presence derived from this major



investment. In our thrust to build the winning team, we pulled on the strengths we saw in our employees and used this to build the rest of the team. We have been using our high performers to supplement the middle management tier as we build our team of successors.

Training and Development

LASCO Financial Services Limited has always prided itself on being an organization that motivates and encourages personal development. It is no wonder a significant portion of the workforce continues to pursue developmental programs so that they will be aligned to best in market. The company in its thrust to support such initiatives have continued to offer and absorb the cost for short to medium term developmental courses for team members.



We recognize that equipping the team members with the requisite knowledge to carry out their duties only presents a win-win situation. We heavily engaged our sales and customer service workforce to develop the competencies that will ensure customer satisfaction and increased business. We continued to provide cross-functional training so that the business would be able to respond to any shocks. As we believe in promoting from within, during the year we had a batch of trainee managers who were developed to take on some more senior functionalities.

Employee Engagement

Key to doing your best is feeling your best and having that “make it happen” approach to achieve. We continue to openly recognize exceptional work from our high performers who are so committed to ensure success.

Everybody likes a little extra, so the company ensures that there is just that to keep the employees expecting. We continued to fete our team with the customary Easter eats of bun and cheese, Mothers’ Day and Fathers’ Day tokens and the big “little help” of the Back-to-school grant that our team members anticipate close to school’s resumption in September.

We could not close out on the year without a bang. After a long and exhausting year of serving the business, the team came out to celebrate a successful year on December 20, 2019 all donned in their white attire for our ‘All White Affair’. The team members made sure to fully immerse themselves in the fun, food and fabulous music. The saying goes ‘all work and no play makes you dull’.

Movie Night 2019 was a success as we moved the cinema to our Parking lot and had a blast. We shouted, screamed and dodged together as the intensity of the movie created a cinema-like experience. Our team members were happy to devour the “free” cinema eats such as popcorn, hot dogs and snow cone. The Human Resource team understands



that pausing to take a breath rejuvenates the mind, soul and body.

Our Partnerships

A major partnership we engaged during the financial year was with the Ministry of Labour and Social Security’s Electronic Labour Exchange unit. In support of their mission to provide training and job placement for unemployed Jamaicans, they commissioned our participation in their scheduled Job Fairs. The halls of the Jamaica



Conference Centre were filled to capacity, as hungry job seekers descended on our booth in a bid to join the winning team. We engaged hundreds of Jamaicans in interviews searching for the best talents to complement our business.



Our 15th Anniversary Celebrations

There is a deep sense of accomplishment and achievement in all of us when we look back at our past, assess our current and plan for our future. Our team members were most delighted to have been a part of the company's milestone celebrations of 15 years of operations – serving the Jamaican populace. We were happy to have included the team in the planning and execution of activities to celebrate our 15-year anniversary. Staff members were treated to a small token and feted by the Marketing team. We also gathered as a team to give thanks to the Almighty for showering us with an abundance of blessings.



A Pause to Praise

A family that prays together stays together. In celebration of anniversary number 15 we gathered as a family and gave thanks to the Almighty for His many blessings on the growth we have basked in over the years. We are a team who understands that we should always place our faith

in God to guide our actions as this centres our mind, soul and body and creates that unison that yields positive results.



As we continue on our path to be an employer of choice, we move to full implementation

of our five-year HR strategy, focused on the factors that matter to our employees and linking this with company success.

**PERSONAL &
BUSINESS**



LOANS

MADE EASY

Whether it's business or personal, your goals are important to us. With a loan from **LASCO Microfinance Limited** you can grow your business, further your education or take the vacation you've always wanted.

Let's talk

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DIGI (876) 877-5155



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About us



LASCO Financial Services Limited (LFSL) is a publicly listed company on the Junior Market of the Jamaica Stock Exchange and a leading provider of retail financial services. The Group offers several financial service products for the banked and marginally banked under two main business lines, money services and retail loans through the parent company LASCO Financial Services Limited and its subsidiary LASCO Microfinance Limited respectively. LFSL holds the unrivalled position of number one agent for MoneyGram International among the English-speaking Caribbean countries.

The Group is structured in such that the Money Stores offer a mix of retail financial services, money transfer (send/receive transactions) within Jamaica, as well as transactions to and from Jamaica to the world through MoneyGram and Ria Money Transfer. Foreign Exchange services are offered; customers may exchange USD, GBP, CAD, KYD and EURO in cash at the counter rates whereas small entrepreneurs and established corporate companies and authorized foreign exchange dealers may settle their trades in draft and International wire transfer through our banks, or USD cheque.

The LASCO Money Stores, offer a full suite of value-added services, taking into consideration the convenience of our customers. These include

bill payment under the Quik & EZ brand, JUTC smarter bus cards and phone credit top-ups at our branches in Red Hills Road, Papine and Montego Bay.

Our Money Transfer services are offered through our agent network which comprises over 140 locations and includes large groups such as Mobile Electronics, Prime Trust Financial, Paymaster, FHC Credit Union, C&WJ Credit Union, and several independent business owners.

In 2019 we partnered with Alliance Payment Solutions (ePay) to launch the LASCO PAY Prepaid MasterCard, providing a range of payment solutions and benefits for customers and businesses. LASCO PAY empowers consumers to conduct a myriad of cashless transactions with greater convenience and purchasing power. The card is backed by the security, reliability and global acceptance of MasterCard. Customers can walk into over 100 select agent locations islandwide to register for a card in minutes or apply online for a personalized card; the agent network also supports the cash-in process for customers to load their cards. Supported by a website lascopayja.com and mobile application, available on Google Play and Apple Store, customers can transfer money using person-person, pay bills, check balances and purchase call credit. The

card also facilitates online shopping, contactless payment in store and ATM withdrawals. As an added benefit to our remittance customers, the card can be loaded with their remittance, through our new SKIP DI LINE service.

Our customers may also benefit from doing business with us through our arrangements with Cuna Mutual for Family Indemnity Insurance. LFSL has strategically developed this relationship to bring the insurance company and our customers together so that our customers may benefit from the scale of our customer base and thereby lower rates of transactions. Our customers also have

LFSL supports several initiatives on an annual basis, but our core sponsorships have been the support of the Social Development Commission's (SDC's) National T-20 Cricket competition and the Jamaica Cultural Development Commission (JCDC) Independence Celebrations, including the National Festival Queen programme. On an annual basis, we provide a grant to high school students sitting CSEC examinations towards their fees. The students are chosen from 10 or more schools in locations near to our MoneyGram agents. In the 2019-20 financial year we increased the grant up from JM\$10,000 to JM\$30,000. In February 2020, all 20 students were treated to a luncheon, where



the convenience of purchasing their airport VIP Lounge tickets in our locations prior to travelling. LASCO Microfinance Limited (LASMF), offers consumer loans to salaried customers and business loans to support micro, small and medium businesses. With 11 locations islandwide, LASMF has branches in Half-Way-Tree, Red Hills Rd, Papine, Linstead, Santa Cruz, Montego Bay, Mandeville, May Pen, Morant Bay, Brown's Town and head office on Duke Street. LASMF is listed among the top 5 microfinance companies in Jamaica.

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

they were engaged in a one-day mentorship programme by our senior management team, who spoke on life skills, including goal planning and budgeting.

We do care for our community and the at risk youths in our society and as such, through our contributions to the LASCO Chin Foundation, we were able to assist with two of their major projects; the parenting programme at the Clan Carthy High School and The Liquid Streets Entrepreneurship programme established in various communities across Jamaica.



Discussion & Analysis

THE IMPACT OF COVID-19 ON THE GLOBAL AND LOCAL ECONOMY

In May 2020 the IMF Executive Board approved Jamaica's request for emergency financial assistance of about US\$520 million under the Rapid Financing Instrument (RFI) to help meet the urgent balance-of-payments needs stemming from the COVID-19 pandemic. The speed with which this request was approved was based to a considerable extent on the Jamaican government's adoption of timely and targeted measures to boost health spending and mitigate the economic impact of the pandemic, supporting jobs and vulnerable segments of the population and the country's established track record of economic reforms.

Despite the authorities' proactive mitigation strategies, the pandemic has significantly impacted Jamaica's economy. This led to the Government of Jamaica declaring the entire island as a disaster area and to the establishment of a special taskforce to coordinate the country's COVID-19 response and recovery efforts. The key objectives are meant to minimize the loss of human life and protect livelihoods.

LFSL'S BUSINESS ENVIRONMENT

Prior to the COVID-19 pandemic the Jamaican economy was being strengthened. The last decade, and 2019 in particular, saw the Central Government comfortably meeting some key fiscal targets. There was a record low level of unemployment particularly among the low skilled workers, positive real growth of 0.9%, low inflation and strong performance of tax revenues.

The latter gave the Government the fiscal space to support growth inducing spending, social protection and public safety. The resulting impact on the economy from the expansion in employment was an expansion of credit due to increased access to loans and an increase in cash-flow particularly among small entrepreneurs and community businesses.

Tourism and remittances are two massive foreign exchange earners that generate large balance-of-payments support, but these have been severely curtailed. As a result the economic outlook remains subject to an unusually high degree of uncertainty. And the COVID-19 emergency warrants a temporary reduction of the primary surplus and a modest delay in achieving the Fiscal Responsibility Law's goal of bringing debt down to 60 percent of GDP.

Nonetheless, the government's policy response to the COVID-19 crisis is considered by the IMF to be appropriate as it includes the timely adoption of targeted measures to support jobs and provide resources to vulnerable segments of the population. The government's renewed commitment to debt sustainability, to include plans to accelerate debt reduction efforts, should growth over perform over the medium term, is of great significance.

In all of this The Bank of Jamaica's monetary policy shows on-going efforts to support systemic liquidity and ensure financial stability. Its exchange rate flexibility absorbs much of the shock in the system and so far FX intervention has been limited as a means of stemming excessive volatility.

Supported by a pre COVID-19 robust economic environment in the United States, Jamaica's key source of remittance, there was a 1.435% increase in inflows through remittance companies while in the Foreign Exchange markets (FX Markets) the dollar depreciated on an annual average basis by 3.6% in a year where the Bank of Jamaica (BOJ), through its B-FXITT programme promoted flexible two way FX movements. During the period, there were several significant upswings followed by downswings in the value of the dollar prompting large gains or large losses among financial institutions.

There were some significant legislations in particular the Micro Credit Bill whose latest amendments placed the BOJ as the regulators for Microfinancing Institutions (MFIs). There was

much push back by the industry particularly in relation to the benchmarking of interest rates against the Treasury Bill which potentially posed a significant threat to the viability of MFIs. A subsequent amendment was done after the financial year (FY) end, removing this provision. Other noteworthy regulations include the

BOJ Fintech Regulatory Sandbox, intended to facilitate a framework of greater innovation within the financial services sector. The adoption of this framework augers well for the industry as transformation of payment systems particularly among the masses becomes an imperative for all industry players.

OUR INDUSTRIES

LFSL's long term strategy is to create a sustainable and highly valuable financial service ecosystem, that is SIMPLE to use, CONVENIENT to access and INNOVATIVE. LFSL's mission is to dominate financial services for the masses. To that end, it is positioned as a significant market leader in remittance business, cambio services, micro lending services and is fast becoming a major player in electronic retail payments.

LFSL is currently the sole company in Jamaica which is a major player in all segments targeting the underserved. We specialize in products that facilitate the movement of cash on behalf of

consumers, businesses, and government while we enable our digital capabilities to transition our customer base in a manner that is relevant to their needs and lifestyle.

Our customer segment comprises the informal sector, the micro and medium entrepreneurs, customers with little or no access to credit from banks for savings or deposit services and electronic payments. Our segment is largely cash based with a slow adoption rate into digital services. It comprises low skilled, low wage earners who are highly susceptible to income shocks from external events, as they have little to no safety net.

REMITTANCE

Our remittance business continues to be the dominant income earner for LFSL. There are six (6) Remittance Service Providers in Jamaica operating from 482 locations. LFSL ranks among the top 3 based on annual inflows.

In recent times with the acceleration in the digital transformation of Money Transfer Operators (MTOs), the segment has become open to competition from other financial institutions including FINTECHs who focus on niche segments. Cash based person to person transfers is still the dominant model represented by a small number of large players and a large number of niche

competitors globally who facilitate transfers to Jamaica. LFSL is currently principal agent for the global industry's number 2 and number 3 MTOs.

Remittance inflows into Jamaica represent 15.3% of GDP. Jamaica is currently on its second consecutive year of growth, ending the 2019-2020 fiscal with US\$2.014B in inflows from remittance companies. The major source market continues to be the United States with 69.5% of inflows, followed by the United Kingdom's 10.1% and Canada's 8.3%. Remittance inflows to Jamaica have always been resilient and is a result of the diaspora's earnings profile, being largely from the healthcare sector, construction and hospitality.

CAMBIO

Cambio services in Jamaica are offered through 136 locations (54 licensed entities). The majority of the cambios are cash based with just a few entities (including LFSL) trading in corporate transactions. LFSL is counted among the top 3 cambios (not including broker dealers).

Cambios are susceptible to shocks in currency availability and margins based on consumer demand and demand pressures to fund portfolio related transactions. LFSL's major source of USD funding is consistent due to daily inflows from remittance settlement while a smaller percentage is from retail cash purchases from its branch network.



MICROFINANCE

Microfinancing institutions are an important pillar in granting access to credit for a large segment of Jamaicans. They currently play a significant role in the wider financial sector and are expected to remain relevant for the foreseeable future. Segments largely served by MFIs are concentrated in the hourly paid wage earners in the following employment categories: for consumer loans – security companies, call centres, wholesale and retail trade and construction. For micro business segment, a substantial part of MFI portfolio are public passenger operators, transportation, distribution and retail.

LFSL's subsidiary, LASCO Microfinance Limited's (LASMF) portfolio is exposed to this profile of customers following on LASCO's philosophy to grant access to financial services to eligible clients in these segments. Whereas consumer loans to this sector are generally straightforward and assessed based on fairly consistent income from salary, micro loans are assessed based on

estimates of the micro businesses with little to no formal structure and little to no assets to secure their loans. As such MFI portfolios are largely unsecured. LASMF, based on portfolio size is estimated to be within the top 6 MFIs in Jamaica. The clients we serve are characterized by low savings, highly leveraged incomes, low access to financial services and their incomes are subject to shock leading to high default rates.

Whereas the GOJ classifies the Micro enterprise to be entities earning up to \$15M per annum with less than 5 employees, the micro businesses we serve are largely owner operators of informal businesses operating from their homes, markets, school gates and their communities. The average loan size to this segment range from \$30,000 to \$100,000. More formal entities include taxi operators and wholesalers whose loans can exceed \$500,000. Loans exceeding \$500,000 are generally secured. These entities described above often fall below the assistance programmes of governments and banks.

LFSL'S 5 YEAR STRATEGIC GOALS (2017-2023)

KEY PRIORITIES	ACTION	PROGRESS
➤ Diversify its earnings to reduce risk of debanking of its money service business	Acquired a loan company	Completed
➤ Increase market share from remittances	Partner with additional key remittance providers	In progress
➤ Diversify services to remain relevant to the unbanked	Add micro insurance services (unemployment & disability & critical illness to cover loans)	Completed
➤ Digital transformation of our services & processes	Add electronic access to services, new partners, new service offerings	In progress
➤ Staying true to the local underserved	Provide relevant blended services (cash & digital) and assist our customers to transition	In progress
➤ Develop and entrench a high performance culture	Develop performance management framework whereby all units are managed by objectives	In progress
➤ Strengthen internal technical capabilities to support digital transformation of products and services	Build out IT organizational structure	To commence in Q2 2020-2021

RISK FACTORS RELATED TO OUR INDUSTRY

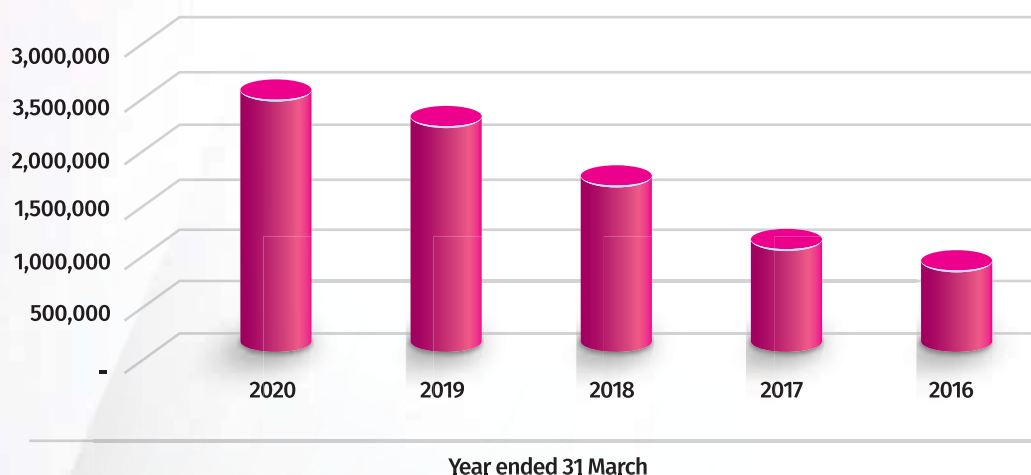
- › Increased competition from large international financial platforms seeking to offer direct loan and remittance services to our customers without the need for an agent in Jamaica.
 - **Mitigations:** transitioning our business model to include partnership with global entities that offer fintech products boosting compliance capabilities to ensure continued adherence to regulations
- › LFSL also currently competes on:
 - Breadth of agent network and cash distribution
 - Availability of pre-paid card services
 - Reliability of system performance
 - Convenience of branch and agent network
 - Compliance and regulatory capabilities
 - Brand recognition and reputation
 - Key partner's speed and quality of digital services
- › Most of our operating revenues are derived from transactions processed on behalf of key partners whose interests over time and operational decisions might not always align with our interests
 - **Mitigation:** since 2017, LFSL began to diversify its income streams to reduce the reliance on one key revenue source (acquisition of loans business). Currently, LFSL is in the process of increasing its income from remittance through new partnerships to reduce its reliance on any one key partner or market.
- › Change in the economic outlook of Jamaica could impact the ability of our segment to honour their loan payments and lead to high default rates.
 - **Mitigation:** LASMF has always applied higher than market risk ratings on its customer base applying aggressive impairment provisions for loans which are not repaid in a timely manner. Loans 90 days and over are fully provided for.

GROUP FINANCIAL PERFORMANCE

FINANCIAL HIGHLIGHTS	Year ended March		Change	Percentage
	2020 \$'000	2019 \$'000		
REVENUE AND EXPENSES				
Total Revenue	2,507,304	2,211,508	295,796	13%
Administrative and other expenses	1,082,153	880,422	201,731	23%
Selling and Promotion Expenses	1,194,837	765,641	429,196	56%
Finance Cost	208,345	168,800	39,545	23%
Net Profit Before Taxation	21,969	396,645	(374,676)	-94%
Taxation	78,887	114,890	(36,003)	-31%
Net (Loss)/Profit for the Year	(56,918)	281,755	(338,673)	-120%



Total Revenue Over 5 Years



INCOME PROFILE



REVENUES

- 36% ■ REMITTANCE
- 35% ■ LOANS
- 24% ■ CAMBIO
- 5% ■ OTHER

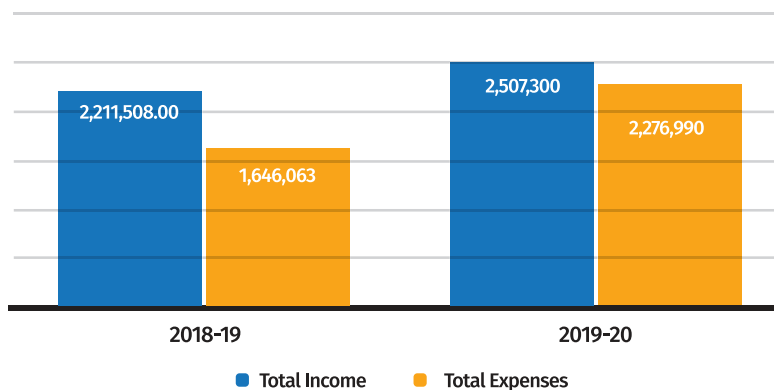
Trading Income for the year ended March 31, 2020 increased 13.0% over the prior year, moving from \$2,119.1M to \$2,404.4M. Our growth was driven by year-over-year increases in Cambio Services and increased income from our subsidiary LASCO Microfinance. Our income from remittance transactions, the major contributor to revenues declined marginally year-over-year despite the increases in transactions and overall inflows throughout the year. This was attributable to lower revenues per transaction (RPT) as consumers began to shift to digital channels to fulfil their send transfers into Jamaica. Transaction fees on digital channels cost the consumers less. This was further compounded by the fact that our key partner implemented loyalty campaigns to acquire customers seeking to send at lower price points. LFSL's response was to implement the capability to increase its digital payments thereby managing its cost per customer. Towards the end of the year, instigated by COVID-19, our customer adoption rates tripled for remittance payments to digital platforms.

Loan Interest Income increased by 22% year over year in spite of the downfall in collections in the last 2 months in the financial year. During this period LASMF took steps to curtail disbursements and preserve cash in anticipation of the contraction in the economy upon the enactment of restrictions to curtail the spread of COVID-19. The restrictions included the closure of our borders, the imposition of curfews and the closure of select businesses and schools. Other businesses though operational saw an immediate reduction in customer counts affecting our customers from the following sectors: taxi & transportation, wholesale, market services, security companies and tourist related entities.

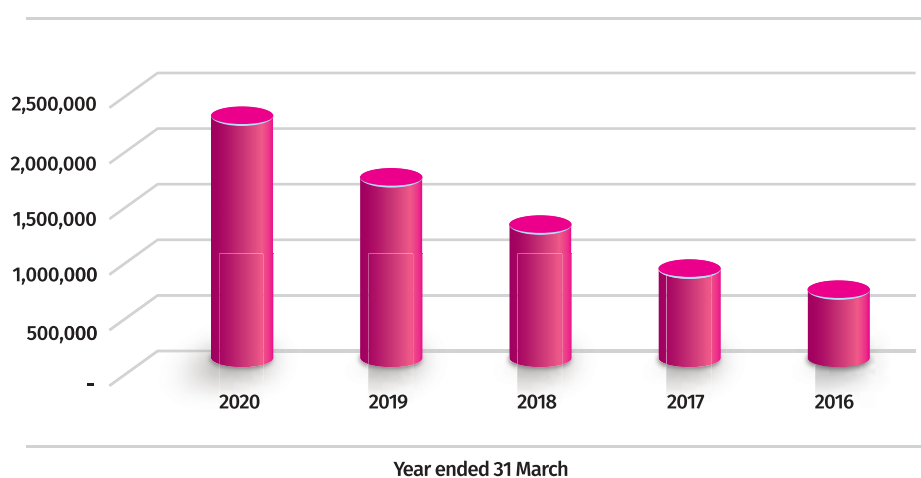
Cambio Services also closed the year with a 25% year over year increase in spite of the more than 65% decrease in retail purchases at year end. However, based on margins received during the period, the shortfall in retail activity was not significant enough to impact overall income.

Total Operating income closed the year at \$2,507.3M, an increase of 13.3% over the previous year.

Total Income & Expenses



5 YEAR OPERATING EXPENSES



Operating expenses increased by \$630.9M or 38% over the previous year. The major contributing factors were:

- Impairment losses on loans of \$651.2M, an increase of \$435.9M. The segments which were exposed to high possibility of default were the ones which were directly affected by the restrictions as outlined in the COVID-19 Restricted Segments table.

This combined risk exposure of this segment of our micro business portfolio represented 38% of the total loan book; 17% of the loans being unsecured. In responding to the needs of our clients, moratoriums and restructuring of loans were proposed some of which were completed subsequent to year end.



COVID-19 RESTRICTED SEGMENTS

	BARS
	CLOTHING/SHOES VENDING
	CRAFT VENDING
	EDUCATION
	ENTERTAINMENT/PRINTERY/PHOTOGRAPHY
	HAIR/NAILS/BARBER
	RESTAURANT/COOKSHOP/CATERING
	TOURISM/HOTEL WORKERS
	TRANSPORTATION/TAXI

For the consumer loans sector, loans in excess of \$100,000 with loan tenure over 6 months by policy are insured for unemployment and disability. Some claims were made on our insurance company, and processing is ongoing. The claims will cover loan repayments for up to 7 months.

All the loans which were impacted as per the COVID-19 Restricted Segments table are included in impairment calculations.

Estimated Credit Losses - The group has performed various assessments and stress testing of its business plans under different scenarios, as part of its business continuity and contingency planning. As such, an estimated amount of \$61M was included in the provision for expected credit losses. However, at the date of approval of these financial statements, the group is unable to determine the full financial impact on the overall business operations.

- ▶ **Right of Use of Assets** - For the reporting period, we have adopted IFRS 16 for leases over US\$5,000 per annum with tenures over twelve months; this resulted in an increase in assets of \$190.5M for right-of-use assets, a lease liability of \$217.5M and \$23M for interest expenses and foreign exchange adjustment included in expenses
- ▶ **Loss of sale on investment property** - \$27.2M was recognized as loss on sale of investment property during the financial year

Profit from Operations declined 60% from \$565.4M to \$230.3M resulting in a loss of \$56.9M for the the financial year. Noteworthy of mention is the fact that if the one-off expenses above were not incurred, the profit after tax would have been \$55M.

OPERATING PROFIT EXCLUDING IMPAIRMENT ON LOANS

	2019-2020	2018-2019
TOTAL INCOME	\$2,507M	\$2,211M
TOTAL EXPENSES (Excluding impairment)	\$1,625M	\$1,431M
OPERATING PROFIT (Excluding impairment)	\$882	\$780
FINANCIAL EXPENSE	\$208	\$168
IMPAIRMENT	\$651	\$215
(LOSS)/PROFIT	(\$56)	\$281

There were 214 staff at year end compared with 185 in the previous year.

Operating expenses net of impairment increased by 13.5% driven by the 21% increase in wage bill

from the additional 29 staff onboarded, the one-off loss from sale of investment property and right of use of assets. The compensating savings were from the following areas: stationery & office supplies and advertising.

QUARTERLY FINANCIAL STATEMENTS

	APRIL- JUNE 2019	JULY- SEPTEMBER 2019	OCTOBER- DECEMBER 2019	JANUARY- MARCH 2020	TOTAL
	\$'000	\$'000	\$'000	\$'000	
REVENUE:					
Income	585,804	630,056	600,684	587,893	2,404,437
Other income	68,668	23,615	19,250	-8,666	102,867
	654,472	653,671	619,934	579,227	2,507,304
EXPENSES:					
Administrative and other expenses	-246,506	-283,820	-265,415	-286,412	-1,082,153
Selling and promotion expenses	-229,654	-300,932	-261,541	-402,710	-1,194,837
	-476,160	-584,752	-526,956	-689,122	-2,276,990
PROFIT FROM OPERATIONS	178,312	68,919	92,978	-109,895	230,314
Finance Cost	-48,562	-47,500	-51,984	-60,299	-208,345
PROFIT BEFORE TAXATION	129,750	21,419	40,994	-170,194	21,969
Taxation	-38,656	-37,789	-38,787	36,345	-78,887
NET PROFIT FOR THE PERIOD	91,094	-16,370	2,207	-133,849	-56,918

On the heels of a strong 2019 first quarter performance, the Group recognized a loss in the second quarter due to increased administrative costs and selling and promotion expenses. Within the second quarter we embarked upon an expansion of our teams and resources to strengthen our debt management processes in our subsidiary in anticipation of continued growth of our portfolio. The changes implemented within the second quarter began to materialize in the 3rd quarter with the expectation of accumulated benefits in the final quarter.

In the 4th quarter our subsidiary LASCO Microfinance Limited took a significant hit from COVID-19 based on the immediate and expected impact on the economy’s most vulnerable segment who are at the core of our loan business. The negative impact on the final quarter results was largely due to IFRS 9 requirements as the company had to take into consideration the potential for default of our customer base resulting in higher estimated losses.

At the onset of the pandemic there was an initial delay in business response as the Company took the time to adjust its work processes to abide by the terms of the Disaster Risk Management Act. Once organized, our response was the following

during our June 2020 first quarter amidst the lock down and restrictions:

1. Make contact with our customer base to assess the extent of the impact on their cash-flows and ability to service the loan
2. Encourage affected customers to make claims on the insurance policy to cover the loan payments
3. Encourage micro business customers to continue to make even partial payments to the accounts while they organized for restructuring or moratorium
4. Contact employers to pass on the salary deductions to us for the account of their staff
5. Reorganize our sales and collections teams to collect payments from customers

We were pleased with the level of cash received for the period. We anticipate however, that the full impact from the restructuring and moratoriums and insurance claims will not materialize any significant result until the second quarter. As such the business is expected to manifest high arrears and consequently high provisions for the first quarter of 2020-2021.



POST COVID

LASCO Microfinance

We are still cautious in our lending in the face of continued uncertainty. Our strategy at this time is to continue to maximize on our cash collections and to increase our yield and reduce our risks by lending mostly to existing customers. We will

continue to pursue the insurance claims to cover the outstanding arrears from those customers with whom we have not made contact and to continue our exercise to restructure those customers who suffered loss of income and are not able to clear their arrears from existing cashflows.

LASCO Financial Services

The Remittance business has been showing recovery, however with reduced earning per transactions. This development was anticipated

in our 5 year strategic goal and our response was to add more Money Transfer Operators as partners to scale our growth. Ria is the first of such partners and we have been experiencing higher growth rates in inflows than the market which was our intention.

LASCO Money Stores

Our Money Stores are adapted to serving our customers in the most efficient manner while observing the orders of the Disaster Risk Management Act. LFSL was happy to play a very significant role in the disbursements of the Government of Jamaica CARES cash grants which underscores the value of our service and agent network to our customers and key partners.

While the borders remained close, there was negligible cambio retail trades. More than 80% of business was lost at the peak of the pandemic. Upon the reopening of the border subsequent to our year end, there was a resumption of transactions, however, at significantly lower levels.

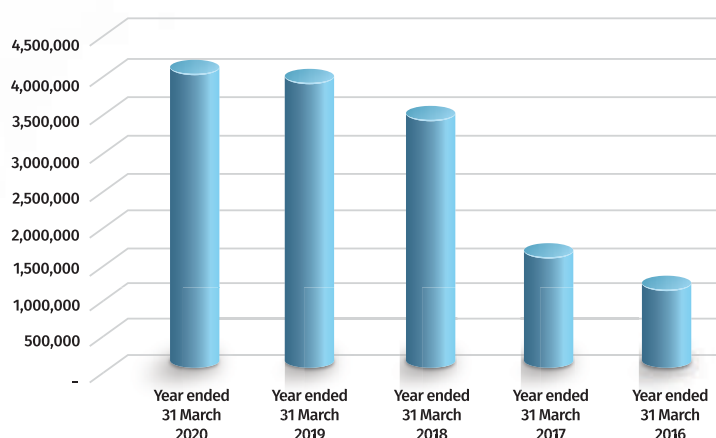
Additionally we plan to embark on new innovations to mitigate the impact of the COVID-19 pandemic as well as bring on new revenue streams during financial years 2020-2021 and 2021-2022.

FINANCIAL POSITION

Group Financial Position

The Group's total assets have increased by \$69.5M or 2% year on year to total \$3,962M as at March 31, 2020. This increase was primarily as a result of growth in cash and the recognition of the Right of Use of Assets. Loans and other receivables totaled \$1.54B, which was a reduction of \$290M or 16% over that reported for 2019.

Total Assets Over 5 Years



Liquidity and Capital Resources

Our primary sources of liquidity include cash flows from trade of USD received to settle remittance payments and loan repayments. Towards the end of the year and accumulating since the third quarter, LFSL strengthened its collections efforts and saw a correlating increase in cash inflows from customers in arrears. At the onset of COVID-19 we

also took the deliberate step to preserve cash-flow, thereby reducing loan disbursements and expenditure on non-essential items. The result was a 100% increase in cash holdings over the previous year.

Loans received during the year to bolster working capital totaled \$150M, whereas the company repaid a total of \$184M.

THE ECONOMIC FORECAST-GLOBAL

The World Economic Outlook projects global outlook at -4.9 percent in 2020. WEO reports that the COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and that the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent.

But there is a higher-than-usual degree of uncertainty around this forecast as the baseline projection rests on key assumptions about the fallout from the pandemic. It is forecast as a hit to productivity as surviving businesses ramp up workplace safety and hygiene practices. Although there has been a rebound in financial markets the possibility is that financial conditions may tighten in 2021.

THE ECONOMIC FORECAST-LATIN AMERICA AND THE CARIBBEAN

The WORLD BANK reports that the multiple domestic and external shocks deriving from the pandemic will cause regional economic activity to contract by 7.2% in 2020 representing a far deeper recession than the ones that occurred during the global financial crisis in 2008-2009. Economic activity will fall to its lowest ebb in the second quarter of the year, when mitigation measures are at their highest levels. Under this scenario, a normalization of domestic and global conditions would enable regional growth to recover to 2.8% in 2021.

The report puts our stakeholders at the centre of the crisis as many households live hand to mouth. They do not have the resources to cope with the economic lockdowns and quarantines needed to contain the spread of the virus. Many of our clients are self-employed and there is a high degree of uncertainty around remittances which could be further impacted as shutdowns in host countries affect the incomes of migrants.

As we build out in the rest of our Financial Year 2020-2021 we are mindful of these realities and they inform our focus.

LSFL 2020- 2021 FOCUS

- › Continued strengthening of our collections process
- › Adjustment to policies to develop more relevant loan products for our segments
- › Build out of remittance services
- › Build out of digital payments business
- › Add key partners for digital payments
- › Final phase of our digital transformation of the business
- › Strengthen our organizational capacity & information technology structure

Digital Transformation

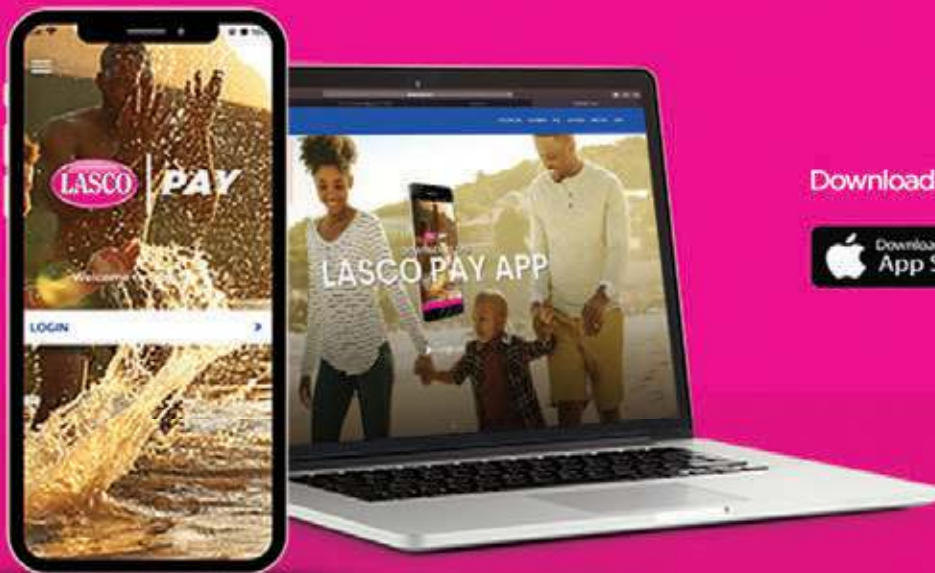
We are making progress towards becoming a digital payments company. This better positions the company to compete and to remain relevant upon the entrance of new digital platforms into the sector. A clear competitive strategy for LFSL

at this time is our blended remittance operations, large cash network and our progressively digitally enabled services.

Our digital transformation spans the last three years and is expected to be substantially implemented by 2021.



Download the new
LASCO PAY app.



Download now:



NEW PRODUCT ALERT!



LASCO Pay is a Prepaid Mastercard solution for everyone with a range of benefits for businesses and customers. Customers can conduct a myriad of cashless transactions with great convenience and purchasing power. The card is backed by the security, reliability and global acceptance of Mastercard. No bank account is required, you can shop online, swipe anywhere internationally and locally, use for point of sale purchases, ATM withdrawals, loan disbursements and more. Businesses can disburse payroll to staff and contractors, pay lunch subsidiaries, petty cash and gas allowances.

Cards can be topped up by cashing in at any LASCO Money participating agent, by transferring funds from your NCB or BNS account or by uploading remittances to the card. LASCO Pay Prepaid Mastercard provides convenience when you download from the Google Play Store so you can have 24-hour access at your fingertips. All that is required to sign up is a valid ID, TRN and proof of address.



**Convenience
at your
Fingertips!**

'SKIP DI LINE'

LASCO Money Remittance to bank account or LASCO Pay Card is an easy and convenient way to send your remittance received via RIA /MoneyGram directly to your bank account—simply 'SKIP DI LINE'.

Remittance customers who receive either RIA/MoneyGram money transfer at a LASCO Money Store can sign up to use the service.

Complete a one-time sign up of our 'Deposit Authorization Form' and submit with the required supporting documents (ID, TRN & Proof of Address). Upon verification that application is APPROVED, once alerted of your remittance, simply send a request via Text, WhatsApp or Email with the corresponding reference/transaction number to 876-390-5452.



FOLLOW US:

@lascomoney     www.lascojamaica.com/financial

Marketing and Corporate Social Responsibility



In 2019, LASCO Financial Services Limited celebrated its 15th Anniversary. It was clear to us that arriving at this crystal milestone would not have been possible without the unceasing support from our customers, staff and agents. We, therefore, made it our point of duty to give back to all those who made the last 15 years possible.

We hosted our Agent Awards at the Spanish Court Hotel where Agents were awarded for outstanding performances throughout the last three years and treated to entertainment, spot prizes, giveaways and a special guest performance by renowned reggae artiste Tony Rebel. LFSL then came together with the community in worship at our 15th Anniversary church service at the Boulevard Baptist Church.

Our customers were treated through our promotional activities for the period highlighted below:

The Do More in your LASCO Money Store promotion was a crowd pleaser. The event kicked off in February 2019 and ran for six weeks until March 2019 throughout our three Money Stores. Customers were given the opportunity to get more value when they did two or more types of transactions. Thousands of customers participated across all our Money Stores in the

dip and win draw where they received lots of prizes. The promotion continued throughout the year and was also included as part of our activities at the SDC's National T/20 Cricket finals.

LASCO PAY Prepaid Mastercard was launched in the second quarter with an all-island tour over a period of seven weeks across all our participating agent locations. Our brand ambassadors facilitated sign ups on site and our remittance

customers were especially pleased to know that they could load their card at the location which provided a safer option to be used for their everyday needs. They were also awarded with giveaways and spot prizes. We partnered with our sister company, LASCO Distributors Limited on their **Win Yuh Christmas Wish** promotion by awarding customers their cash prizes on their very own LASCO PAY prepaid Mastercard. This culminated in a takeover at the Half-Way Tree transport centre with our **Have a Mer-riah Christmas** promotion. Commuters and customers received prizes and giveaways for participating in activities on stage with Jenny Jenny and at our booth.

We launched Ria Money Transfer, our second remittance service in June 2019 and in December we rolled out our **Ria Rush** campaign which ran into the new year. Customers who conducted their Ria transactions received phone credit to give a shout out to their senders to tell them thanks. Customers also received spot prizes when they participated in our Ria Money Transfer Survey, that was geared towards understanding the service needs and customer satisfaction of our Ria customer base.

LASCO Microfinance customers were also

engaged in the **Christmas Come Early!** promotion which ran from November to December 2019. Customers who received personal and business loans for the period were given Christmas gifts of cash and other prizes valued at over \$400,000.00.

CSR

Having embraced its responsibility as nation builders; LASCO Financial Services Limited (LFSL) recognises that the sustainability of the critical facets of our society, and ultimately Jamaica's success and growth depends heavily on the involvement of our national leaders, civil servants and citizens.

Over the years, we have forged strong partnerships within the areas of sports, health and wellness, law enforcement, education, cultural development and community intervention as part of our vision to build a better Jamaica for all.

COMMUNITY:

Stay Connected Program

LASCO Financial Services Limited assisted the LASCO Chin Foundation (LCF) in hosting a Sustainable Socio-Economic Intervention (SSI) initiative for parents of at risk youth in urban communities. The Stay Connected Programme provided weekly workshops, training and presentations from guest speakers from various entities focused on guiding and mentoring both parents and students on various issues related to improving one's personal development, wellbeing and growth.

The program, which ran from January – June 2019 included parents of the Clan Clarty High School's Grade 7 students and the LCF Primary Schools



Feeder Program's Grade 6 students. At the end of the series, several diligent parents who completed the program moved on to become Parent Mentors for Schools within their own communities.

SDC T20 Community Cricket Partnership

For over 10 years LASCO Money has been supporting communities across the island through the Social Development Commission's (SDC) T20 Community Cricket Competition. In May 2019, LASCO Financial Services along with its subsidiary LASCO Microfinance

committed \$3 million to hosting the annual tournament which concluded in August 2019. Gayle Cricket Club from St. Mary walked away with the top title as the 2019 SDC/Wray and Nephew National Community T20 Champions.



SDC T20 CRICKET



The SDC T20 series promotes engagement within communities and support of small businesses wherever the matches are played and is a confidence boost for the communities, encouraging teamwork and camaraderie.



Labour Day

As part of its vision to build a better Jamaica for our children and to change the way our most vulnerable citizens are treated; a team of LASCO Financial Services Limited volunteers took to the New Life Preparatory School in the Red Hills Road community on May 23, 2019 for its Labour Day Project under the theme 'Child Safety - It's YOU, It's ME, it's all ah wi'.



LABOUR DAY



to both Kingston and St. Elizabeth held on May 24 and June 4 respectively. The fairs featured an emergency preparedness resource booth, academic screening, mental health checks, physical health checks, dental services, vision screening, developmental screening, information booths, adaptive sports games and demonstration, disability/special needs resource booths as well as fun games and a gospel concert.

LFSL was happy to partner with organisations like

the Nathan Ebanks Foundation that recognise the urgency and the need for improved access to healthcare for children and families as a critical enabler for a better quality of life.

The enthusiastic volunteers which included Miss Jamaica Festival Queen 2019, Ackera Gowie conducted beautification activities to the school environs, which was appreciated by the parents, teachers and surrounding communities.

HEALTH:

Family Expo and Special Needs Resource Fairs

At LASCO Financial Services, we give credence to the ideology that all children, families and communities deserve equitable access to quality healthcare, education and financial resources. Driven by this strong belief, in April 2019 we assisted the Nathan Ebanks Foundation with the expansion of its annual Family Expo and Special Needs Resource Fairs



FAMILY EXPO



EDUCATION:

Vision Ministries International

In order to optimise social inclusion, access to information through technology must be improved. That is why in April 2019, we partnered with Vision Ministries International to broaden the horizon for advancement for students in St. Elizabeth and Manchester.

LASCO Financial Services Limited contributed US\$2,000 toward the purchase of several laptops and tablets that were distributed to seven schools within the parishes. Additionally, our subsidiary LASCO Microfinance donated J\$40,000 to offset expenses.

The New Forrest Primary and Junior High School in St. Elizabeth was one of the seven recipients of this wonderful donation.



VISION MINISTRIES

LASCO Money Lunch and Learn

Building on our commitment to further youth development, and supported by our remittance partner MoneyGram, we celebrated the achievements of 20 Caribbean Secondary Education Certificate (CSEC) scholars from across the island at the LASCO Money Lunch and Learn luncheon.

The scholarship recognises secondary level students who have demonstrated perseverance to overcome adversity and achieve their academic goals.

This year we increased the scholarship to \$15,000, which was matched by MoneyGram resulting in each student receiving \$30,000 to cover the requisite fees associated with the subjects: Principles of Business, Principles of Accounts, Information Technology, Economics and French or Spanish.

The scholarship recipients included: Iannikaye Brown and Janielle Betton – Merl Grove; Deninka Harriott and Damani Burton – Papine High; Jamaree Johnson and Kyle Walker – Calabar High; Kedesha Morris and Kimani Smith – Ocho Rios High; Shawnta Russell and Imagio Francis – Dint Hill High; Asia Bell and Derrick Banny – Titchfield High; Oshane Stewart and Domani Griffiths – Cornwall College; Britannia Thomas and Kamala Walker – Paul Bogle High; Tanikalee Harrison and D-Jaun Miller – Seaforth High and Andre Bedward and Shante Smith – Glenmuir High.



LUNCH & LEARN





LITERACY ASSESSMENT



LFSL is thrilled to continue paying it forward by positively impacting the lives of these talented students who have displayed remarkable academic achievement, good behaviour and acts of service to their community.

Summer Employment Programme

Recipients from the previous year's LASCO Money Lunch and Learn scholarship programme were provided with the opportunity to gain work experience through the launch of our summer employment programme. Several students were placed in LASCO Money agent locations within their communities where they performed basic administrative functions such as filing, answering inbound telephone calls and data entry. The students were also given a weekly stipend over the duration of the programme which ran for six weeks.

The LASCO Money summer employment programme has been deferred until 2021 as a result of the COVID-19 pandemic.

Literacy Assessment

On July 11, 2019, LASCO Money and MoneyGram took even bigger strides to banish the stigmatism of early childhood assessments.



Through its partnership with MoneyGram and the Mico University College Students Assessment and Research in Education (CARE) Centre, LASCO took proactive steps to help sixteen Kindergarten Class 3 parents identify and address literacy challenges with the hosting of its early childhood assessment initiative at the United Early Childhood Development Centre in Kingston.

The two-day assessment was aimed at providing adequate guidance to parents on the best

approach to addressing development among the Kindergarteners.

ENVIRONMENT:

LASCO REAP

The 2018-2019 LASCO ReLeaf Environmental Awareness Program (REAP) Awards luncheon was held on June 6, 2019, and hosted the top schools from the annual competition themed "Small Changes-Reap big Rewards."

LASCO Financial Services Limited continues to support the LASCO REAP initiatives which encourages good environmental practices among students at the primary and preparatory level,



LASCO REAP



CIVIL SERVANTS

through a series of point based challenges and activities. The 2018-2019 LASCO REAP Award was presented to Bath Primary and Junior High School, winning the competition by accumulating the highest overall points during the challenges. The St. Thomas school also won the title of Most Trees Planted with a total of 5120 trees winning for their school ten computers courtesy of LASCO REAP and \$100,000 cash.

Civil Servants

LASCO Financial Services Limited's continued support toward our civil servants was sustained through our continued teamwork within the LASCO Affiliated Companies. LFSL provided gift packages for the contestants in this year's programmes which included the LASCO Police, Teacher and Nurse of the Year awards which highlighted the contributions made by our national devotees to our society.

JCDC National Independence Festivities

Music and song have paved the way for Jamaicans

on a global scale. For the past 9 years, LASCO Money, has supported the cultural development programmes and initiatives used to empower and enrich the lives of our people.

Between August 1 and 6, 2019 the full force of the company's support of our island's rich heritage, civic pride and nationalism was on display during the Jamaica Cultural Development Commission (JCDC) annual National Independence Festivities at the National Arena.

LASCO Money was a National sponsor of the 2019 Miss Jamaica Festival Queen competition and committed \$900,000 to be shared among the Queen's National Project; Festival Song; and World Reggae Dance competitions.



INDEPENDENCE FESTIVITIES





31 March 2020

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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 78 to 133 which comprise the group and the company's statements of financial position at 31 March 2020, 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 2020, 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.



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>Expected credit losses in relation to financial assets</i></p> <p><i>See notes 3 (m) and 16 to the consolidated financial statements for management's related accounting policies and disclosures.</i></p> <p>The group estimates expected credit losses (ECL) on loan receivables using a provision matrix based on historical credit loss experience.</p> <p>Customers were placed in aging buckets and a default risk percentage calculated using the incurred loss analyses over delinquent accounts, the credit history, risk profile of each customer and the aging of receivables.</p> <p>As at 31 March 2020, loans and advances, net of provision for credit losses represented \$1.54 billion or 39% of total assets of the group. An impairment provision of \$328 million has been recognized by the group.</p> <p>We have focused on this area because there are a number of significant management determined judgements including:</p> <ul style="list-style-type: none"> • Determining the criteria for a significant increase in credit risk, which impacts the staging of the asset and the related calculation, ie one year or lifetime expected loss calculations. • Determining the relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters. 	<p>The group's accounting policy as it relates to the impairment provision for loan receivables was obtained and the reasonableness of the accounting policy assessed in relation to the requirements of the relevant standard. This was achieved by:</p> <ul style="list-style-type: none"> • We established an understanding of management's ECL model including source data, the effectiveness of the implementation and the mathematical accuracy of the model. We tested the reliability of the source data used in the design of the model by confirming a sample to the historical data. • Testing manual and automated controls over the aging of loan receivables. Our testing of automated controls involved using our own information technology specialist to test the design, implementation and operating effectiveness of the automated controls. • We evaluated the appropriateness of management's assumptions and judgement in arriving at the forward looking multiple, by assessing the basis of the multiple economic scenarios used and the weighting assigned by management. The main macro factors used were compared to external public information and calculations tested through recomputation. • We tested the completeness of loan receivables to determine whether all financial instruments were included in the ECL calculation. • We reperformed the calculation of days past due, a key data input in the PD parameter, on a sample basis • We evaluated the appropriateness of the group's stage and where applicable, determined whether the significant increase in credit risk and default definitions were appropriately applied.





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
	<ul style="list-style-type: none"> • We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant buckets of loan receivables. <p>Based on the audit procedures performed, no adjustments to the financial statements were deemed necessary.</p>
<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.

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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Lasco Financial Services Limited

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

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

- 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.
- 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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Lasco Financial Services Limited

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 Donna Hobson.

Chartered Accountants

13 July 2020




LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
REVENUE:			
Income	6	2,404,437	2,119,138
Other operating income	7	<u>102,867</u>	<u>92,370</u>
		<u>2,507,304</u>	<u>2,211,508</u>
EXPENSES:			
Administrative and other expenses		(1,082,153)	(880,422)
Selling and promotion expenses		<u>(1,194,837)</u>	<u>(765,641)</u>
	8	<u>(2,276,990)</u>	<u>(1,646,063)</u>
PROFIT FROM OPERATIONS		230,314	565,445
Finance costs	10	<u>(208,345)</u>	<u>(168,800)</u>
PROFIT BEFORE TAXATION		21,969	396,645
Taxation	11(a)	<u>(78,887)</u>	<u>(114,890)</u>
NET (LOSS)/PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME	12	<u>(56,918)</u>	<u>281,755</u>
EARNINGS PER STOCK UNIT			
Basic	13	<u>(4.49¢)</u>	<u>22.28¢</u>
Diluted		<u>(4.44¢)</u>	<u>22.28¢</u>


LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
ASSETS			
Cash and bank balances	14	487,437	282,811
Short term deposits	15	235,494	79,040
Receivables	16	1,914,664	2,366,421
Related companies	17(c)	372	347
Taxation recoverable		13,910	13,027
Deferred tax asset	18	96,256	-
Investment property	19	-	118,000
Intangible assets	20	879,136	874,804
Property, plant and equipment	21	145,085	158,943
Right-of-use assets	22(a)	190,551	-
TOTAL ASSETS		<u>3,962,905</u>	<u>3,893,393</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Bank overdraft	14	-	1,128
Payables	24	242,006	417,353
Related companies	17(c)	17,995	4,803
Taxation		171,954	79,228
Deferred tax liability	18	-	10,620
Loans	25	1,773,316	1,788,672
Lease liability	22(b)	217,563	-
		<u>2,422,834</u>	<u>2,301,804</u>
EQUITY:			
Share capital	26	102,091	95,459
Other reserve	27(c)	4,429	5,661
Retained earnings	29	1,433,551	1,490,469
		<u>1,540,071</u>	<u>1,591,589</u>
TOTAL LIABILITIES AND EQUITY		<u>3,962,905</u>	<u>3,893,393</u>

Approved for issue by the Board of Directors on 13 July 2020 and signed on its behalf by:



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



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



LASCO FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2020

	<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 2018		95,459	5,661	1,208,714	1,309,834
TOTAL COMPREHENSIVE INCOME					
Net profit		<u>-</u>	<u>-</u>	<u>281,755</u>	<u>281,755</u>
BALANCE AT 31 MARCH 2019		<u>95,459</u>	<u>5,661</u>	<u>1,490,469</u>	<u>1,591,589</u>
TOTAL COMPREHENSIVE INCOME					
Net loss		<u>-</u>	<u>-</u>	<u>(56,918)</u>	<u>(56,918)</u>
TRANSACTION WITH OWNERS					
Issued shares	26	5,400	-	-	5,400
Transfer from other reserve	27(c)	<u>1,232</u>	<u>(1,232)</u>	<u>-</u>	<u>-</u>
		<u>6,632</u>	<u>(1,232)</u>	<u>-</u>	<u>5,400</u>
BALANCE AT 31 MARCH 2020		<u>102,091</u>	<u>4,429</u>	<u>1,433,551</u>	<u>1,540,071</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		(56,918)	281,755
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances		4,344	(3,739)
Depreciation - right-of-use assets	22(a)	14,695	-
Amortisation of intangibles	20	14,919	8,126
Depreciation	21	28,191	22,739
Interest income from loans		(875,418)	(781,095)
Interest income from securities		(3,844)	(2,587)
Taxation expense	11(a)	185,763	100,671
Deferred taxation	18	(106,876)	14,219
Interest expense		196,157	168,800
Interest expense - right-of-use assets		12,188	-
Gain or loss on sale of property, plant & equipment		(1,662)	(2,484)
Provision for impaired loss on loan		228,427	(20,129)
Foreign exchange loss on lease liabilities		10,895	-
Loss on sale of investment property		<u>27,297</u>	<u>-</u>
		(321,842)	(213,724)
Changes in operating assets and liabilities:			
Receivables		173,521	(525,201)
Related companies		13,167	(10,556)
Payables		<u>(180,663)</u>	<u>(12,974)</u>
		(315,817)	(762,455)
Interest received		923,062	692,751
Interest paid		(5,660)	(16,159)
Taxation paid		<u>(93,921)</u>	<u>(97,930)</u>
Cash provided by/(used in) operating activities		<u>507,664</u>	<u>(183,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		3,844	2,587
Additions to intangible assets	20	(19,251)	(40,222)
Additions to property, plant and equipment	21	(16,561)	(44,998)
Short term deposits		(150,737)	(493)
Proceeds from disposal of property plant and equipment		3,890	2,484
Proceeds from disposal of investment property		<u>90,703</u>	<u>-</u>
Cash used in investing activities		<u>(88,112)</u>	<u>(80,642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(174,505)	(93,707)
Issued shares	26	5,400	-
Loan proceeds	14	150,000	299,489
Loan repayments	14	(184,031)	(15,719)
Lease payments	22(b)	<u>(10,766)</u>	<u>-</u>
Cash (used in)/provided by financing activities		<u>(213,902)</u>	<u>190,063</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		205,650	(74,372)
Exchange gain on cash balances		104	270
Cash and cash equivalents at beginning of year		<u>281,683</u>	<u>355,785</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u>487,437</u>	<u>281,683</u>



LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
REVENUE:			
Income	6	1,531,438	1,397,827
Other operating income	7	<u>66,204</u>	<u>75,630</u>
		<u>1,597,642</u>	<u>1,473,457</u>
EXPENSES:			
Administrative and other expenses		(623,358)	(524,942)
Selling and promotion expenses		<u>(475,407)</u>	<u>(517,982)</u>
	8	<u>(1,098,765)</u>	<u>(1,042,924)</u>
PROFIT FROM OPERATIONS		498,877	430,533
Finance costs	10	(205,632)	(168,800)
PROFIT BEFORE TAXATION		293,245	261,733
Taxation	11(a)	<u>(65,353)</u>	<u>(67,102)</u>
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME	12	<u>227,892</u>	<u>194,631</u>


LASCO FINANCIAL SERVICES LIMITED


STATEMENT OF FINANCIAL POSITION

31 MARCH 2020

	Note	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
ASSETS			
Cash and bank balances	14	375,424	246,514
Short term deposits	15	235,494	79,040
Receivables	16	341,242	514,440
Related companies	17(c)	1,329,623	1,327,359
Taxation recoverable		13,910	13,027
Investment property	19	-	118,000
Intangible assets	20	31,822	26,910
Property, plant and equipment	21	108,620	122,008
Right-of-use assets	22(a)	181,587	-
Investment in subsidiaries	23	<u>1,350,045</u>	<u>1,350,045</u>
TOTAL ASSETS		<u>3,967,767</u>	<u>3,797,343</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Payables	24	182,510	324,041
Related parties	17(c)	17,995	145,433
Taxation		61,025	50,521
Deferred tax liability	18	12,901	9,906
Loans	25	1,773,316	1,788,672
Lease liabilities	22(b)	<u>207,958</u>	<u>-</u>
		<u>2,255,705</u>	<u>2,318,573</u>
EQUITY:			
Share capital	26	102,091	95,459
Other reserve	27(c)	4,429	5,661
Retained earnings	29	<u>1,605,542</u>	<u>1,377,650</u>
		<u>1,712,062</u>	<u>1,478,770</u>
TOTAL LIABILITIES AND EQUITY		<u>3,967,767</u>	<u>3,797,343</u>

Approved for issue by the Board of Directors on 13 July 2020 and signed on its behalf by:


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


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



LASCO FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2020

	<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 2018		<u>95,459</u>	<u>5,661</u>	<u>1,183,019</u>	<u>1,284,139</u>
TOTAL COMPREHENSIVE INCOME					
Net profit		<u>-</u>	<u>-</u>	<u>194,631</u>	<u>194,631</u>
BALANCE AT 31 MARCH 2019		<u>95,459</u>	<u>5,661</u>	<u>1,377,650</u>	<u>1,478,770</u>
TOTAL COMPREHENSIVE INCOME					
Net profit		<u>-</u>	<u>-</u>	<u>227,892</u>	<u>227,892</u>
TRANSACTION WITH OWNERS					
Issued shares	26	5,400	-	-	5,400
Transfer from other reserves	27(c)	<u>1,232</u>	<u>(1,232)</u>	<u>-</u>	<u>-</u>
		<u>6,632</u>	<u>(1,232)</u>	<u>-</u>	<u>5,400</u>
BALANCE AT 31 MARCH 2020		<u>102,091</u>	<u>4,429</u>	<u>1,605,542</u>	<u>1,712,062</u>

LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		227,892	194,631
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances		3,523	(3,423)
Gain on sale of property, plant and equipment		(1,662)	(2,484)
Foreign exchange loss on lease liabilities	22(b)	10,895	-
Amortisation of intangibles	20	13,704	6,739
Depreciation	21	16,729	17,065
Depreciation - right-of-use assets	22(a)	12,566	-
Interest income from related company loan		(54,290)	(61,901)
Interest income from securities		(3,844)	(2,587)
Taxation expense	11(a)	62,358	56,796
Deferred taxation	18	2,995	10,306
Interest expense		194,151	168,800
Interest expense - right-of-use assets	22(b)	11,481	-
Loss on sale of investment property		27,297	-
		<u>523,795</u>	<u>383,942</u>
Changes in operating assets and liabilities:			
Receivables		168,902	609,923
Related companies		(129,777)	(1,033,635)
Payables		(147,400)	(79,294)
		<u>415,520</u>	<u>(119,064)</u>
Interest received		54,365	22,684
Interest paid		(970)	(16,159)
Taxation paid		(52,738)	(59,777)
Cash provided by/(used in) operating activities		<u>416,177</u>	<u>(172,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		3,844	2,587
Additions to intangibles	20	(18,616)	(16,578)
Additions to property, plant and equipment	21	(5,569)	(13,573)
Short term deposits		(150,737)	(493)
Proceeds from sale of investment property	19	90,703	-
Proceeds from disposal of property, plant and equipment		<u>3,890</u>	<u>2,484</u>
Cash used in investing activities		<u>(76,485)</u>	<u>(25,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(174,505)	(93,707)
Issued shares	26	5,400	-
Loan proceeds	14	150,000	299,489
Loan repayments	14	(184,031)	(15,719)
Lease payments	22(b)	(8,571)	-
Cash (used in)/provided by financing activities		<u>(211,707)</u>	<u>190,063</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Exchange gain on foreign cash balances		127,985	(7,826)
Cash and cash equivalents at beginning of year		925	163
		<u>246,514</u>	<u>254,177</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u>375,424</u>	<u>246,514</u>



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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 remittance services facilitating person to person transfers for a fee, in accordance with licences issued by the Bank of Jamaica.

(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 remittance services facilitating the receiving of funds. The subsidiary however, did not trade during the year.

Lasco Microfinance Limited is a limited liability company incorporated and domiciled in Jamaica and is a 100% owned subsidiary of the company. The principal activity is retail lending to the micro enterprise sector for personal and business purposes. By order dated 12 February 2020, Lasco Microfinance Limited received an exemption from the provisions of the Money Lending Act by the Minister of Finance and the Public Service for one year from 23 January 2020, renewable annually.

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

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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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. 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 new standard, interpretations and amendments are relevant to its operations:

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). IFRS 16 replaces the current guidance in IAS 17. The new standard requires changes in accounting by the group as lessees are required to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets (under US\$5,000). The group has applied IFRS 16 using the modified retrospective approach, under which the company will not restate its comparative figures but will recognise the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings. Right-of-use assets on which the associated depreciation is charged, are recorded in the statement of financial position. Right-of-use assets are initially measured by reference to the measurement of the lease liability on the commencement date.



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

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

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019) (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method.

The impact of applying IFRS 16 as at 1 April 2019 is disclosed in note 31.

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 IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatments. There was no impact on the group's financial statements from the adoption of this interpretation.

Annual improvements 2015-2017, (effective for accounting periods beginning on or after 1 January 2019). These amendments include minor changes to:

- **IFRS 11, 'Joint Arrangements',** a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- **IAS 12, 'Income Taxes',** a company accounts for all income tax consequences of dividend payments in the same way.
- **IAS 23, 'Borrowing Costs',** a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but not yet effective and which the group has not early adopted.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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)

The standards which management considered may be relevant to the group are as follows:

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2020). These amendments and consequential amendments to other IFRSs result in the use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting. They clarify the explanation of the definition of material and also incorporate some of the guidance in IAS 1 about immaterial information. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures', (effective for accounting periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that interbank offered rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The adoption of these amendments is not expected to have a significant impact on the group.

Amendment to IFRS 3, 'Business Combinations', (effective for accounting periods beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The adoption of this amendment 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 2020

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 2020 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 2020

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 group's 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.

(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.



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(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.

Impairment of goodwill and other intangibles is dependent upon management's internal assessment of future cash flows from the intangibles and cash generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of cash generating units in respect of goodwill. The estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

(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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

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

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

(k) Employee benefits

Defined contribution 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.

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.



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) Revenue recognition

Revenue is measured taking into account contractually defined terms of payment. Revenue comprises the fair value of the consideration specified in a contract which is received or receivable for services provided in the ordinary course of the group's business and is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is made.

The specific recognition criteria are described below -

Interest income

Interest income is recognized in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the group estimates future cash flows considering all contractual terms of the financial instrument. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets, that is, after deduction of ECL.

Fees and commission

Fees and commission are recognized on the accruals basis when the related services are performed. Original fees for loans which are probable of being drawn are recognized in profit or loss immediately as they are not considered material for deferral.

(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.

Financial assets

(i) Recognition and derecognition

Financial assets are initially recognised on the settlement date, which is the date that an asset is delivered to the group. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

Financial assets (cont'd)

(i) **Recognition and derecognition (cont'd)**

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognised financial assets that is created or retained by the group is recognised as a separate asset or liability.

(ii) **Classification**

The group classifies all of its financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

The group classifies its financial assets as those measured at amortised cost.

(iii) **Measurement category**

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The group's financial assets measured at amortised cost comprise loans receivable, other receivables and cash and bank balances in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at fair value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and bank overdraft.



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

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

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

Financial assets (cont'd)

(iv) **Impairment**

Financial assets carried at amortised cost are assessed on a forward looking basis for the expected credit losses associated with these instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

General Model

A pervasive concept in measuring expected credit loss (ECL) in accordance with IFRS 9 is that it should consider forward-looking information. The group utilized a probability-weighted assessment of the factors which it believes will have an impact on forward looking rates.

ECL is calculated by multiplying the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Impairment provisions for financial assets are recognised based on a 'three-stage' model for changes in credit quality since initial recognition as summarized below:

- **Stage 1** - This category comprises instruments which are performing in accordance with the contractual terms and conditions and display no deterioration in credit risk since initial recognition. This category also includes those financial instruments with low credit risk. Financial instruments in this category have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- **Stage 2** - This category includes instruments which display a significant increase in credit risk (SICR) since initial recognition but have not yet defaulted. The computation of ECL is based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial instrument. The consideration of longer timeframes and increased credit risk results in higher provisions in this stage.
- **Stage 3** - This category includes instruments that are in default.

Simplified Approach

The probability of the non-payment of receivables which do not have a finance component is assessed by taking into consideration historical rates of default for each segment of the receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) Financial instruments (cont'd)

Financial liabilities

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

The group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(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.

(o) Right-of-use asset

At 1 April 2019, the right-of-use asset has been initially measured at an amount equal to the initial value of the lease obligation. There is no impact on retained earnings. For leases entered into, on or after 1 April 2019, the right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability, adjusted for the following items:

- i) Any lease payments made at or before the commencement date, less any lease incentives received;
- ii) Any initial direct costs incurred by the group;
- iii) An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

For short-term leases that have a lease term of 12 months or less and low-value assets, the group has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16.

The right-of-use asset will be depreciated using the straight-line method from the date of adoption to the earlier of the end of the useful life of the asset or end of the lease term as determined under IFRS 16. For leases entered into after 1 April 2019, the right-of-use asset will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets, which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.



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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(p) Leases

Policy applicable after 1 April 2019

Leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less.

The lease obligation is measured at the present value of the contractual obligation, discounted using the interest rate implicit in the lease term, unless that rate is not readily determinable, in which case the group will use its incremental borrowing rate.

The lease term determined by the group comprises:

- i) The non-cancellable period of lease contracts, including a rent-free period if applicable;
- ii) Periods covered by an option to extend the lease if the group is reasonably certain to exercise that option;
- iii) Periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option.

The commencement date of the lease begins on either deemed 1 April 2019 or the date on which the lessor makes the underlying asset available for use to the group. Lease payments included in the measurement of the lease obligation are comprised of the following:

- i) Fixed lease payments, including in-substance fixed payments;
- ii) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii) Amounts expected to be payable under a residual value guarantee;
- iv) The exercise price of purchase options that the group is reasonably certain to exercise;
- v) Lease payments in an option renewal period if the group is reasonably certain to exercise the extension option;
- vi) Penalties for early termination of the lease unless the group is reasonably certain not to terminate early; and
- vii) Less any incentive receivable.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(p) Leases (cont'd)

Policy applicable after 1 April 2019 (cont'd)

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease obligations. The variable payments are recognized as an expense in the period in which they are incurred. Having elected to do so, the group accounts for any lease and associated non-lease components as a single arrangement, which is permitted under IFRS 16.

Interest on the lease obligations is calculated using the effective interest method and increases the lease obligation while rent payments reduce the obligation. The lease obligation is re-measured whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is re-measured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease. The revised carrying amount is amortised over the remaining lease term.

Policy applicable before 1 April 2019

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.

(q) 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.

(r) Investment in subsidiaries

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

(s) Dividend distribution

Dividends are recorded as a deduction from equity and recognized as a liability in the company'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 company's shareholders.

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



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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.

(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 company'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 company measured investment property at fair value (note 19).

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NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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

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

(i) Fair value estimation (cont'd)

The investment property was valued on 5 March 2018 for \$118,000,000 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 company.

The fair value of investment property is categorised as a level 3 recurring fair value measurement. The company sold the investment property on 24 July 2019 for net proceeds of \$90,703,000 and realised a loss on disposal of \$27,297,000.

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.
- (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 company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(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.



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) Allowance for impairment losses on loans receivable

In determining amounts recorded for impairment losses on loans receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from loans receivable, for example, through unfavourable economic conditions and default.

Allowances for doubtful accounts are determined upon origination of the loans receivable based on a model that calculates the expected credit loss (ECL) of the loans receivable.

The measurement of the expected credit loss (ECL) allowance for loans receivable is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of borrowers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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.

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

(a) **Principal financial instruments (cont'd)**

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
- Payables
- Due to related company
- Long term loans
- Bank overdraft
- Lease liabilities

(b) **Financial instruments by category**

Financial assets

	<u>The Group</u>		<u>The Company</u>	
	<u>Amortized cost</u>		<u>Amortized cost</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Receivables	1,803,543	2,289,352	262,904	438,519
Related companies	372	347	1,329,623	1,327,359
Short term deposits	235,494	79,040	235,494	79,040
Cash and bank balances	<u>487,437</u>	<u>282,811</u>	<u>375,424</u>	<u>246,514</u>
Total financial assets	<u>2,526,846</u>	<u>2,651,550</u>	<u>2,203,445</u>	<u>2,091,432</u>

Financial liabilities

	<u>The Group</u>		<u>The Company</u>	
	<u>Amortized cost</u>		<u>Amortized cost</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Loans	1,773,316	1,788,672	1,773,316	1,788,672
Related companies	17,995	3,891	17,995	144,521
Payables	172,566	356,081	147,026	288,147
Bank overdraft	-	1,128	-	-
Lease liabilities	<u>217,563</u>	<u>-</u>	<u>207,958</u>	<u>-</u>
Total financial liabilities	<u>2,181,440</u>	<u>2,149,772</u>	<u>2,146,295</u>	<u>2,221,340</u>



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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(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.

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.

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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)

Concentration of currency risk

The table below summarises the group's exposure to foreign currency rate risk at 31 March 2020.

	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>	<u>KYD</u> <u>J\$'000</u>
At 31 March 2020						
Financial assets:						
Cash and bank balances	35,020	699	128	685	24,703	2
Short term deposits	85,395	-	-	-	-	-
Trade receivables	174,998	-	-	-	-	-
Total financial assets	<u>295,413</u>	<u>699</u>	<u>128</u>	<u>685</u>	<u>24,703</u>	<u>2</u>
Financial liability:						
Payables	80,370	-	-	-	526	-
Total financial liability	<u>80,370</u>	<u>699</u>	<u>128</u>	<u>685</u>	<u>526</u>	<u>-</u>
Net financial position	<u>215,043</u>	<u>699</u>	<u>128</u>	<u>685</u>	<u>24,177</u>	<u>2</u>
At 31 March 2019						
Total financial assets	411,821	1,111	295	983	28,795	-
Total financial liability	81,466	-	-	-	7,804	-
Net financial position	<u>330,355</u>	<u>1,111</u>	<u>295</u>	<u>983</u>	<u>20,991</u>	<u>-</u>



LASCO FINANCIAL SERVICES LIMITED
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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)

Concentration of currency risk (cont'd)

The table below summarises the company's exposure to foreign currency rate risk at 31 March 2020.

	The Company				
	<u>US</u> <u>JS'000</u>	<u>GBP</u> <u>JS'000</u>	<u>Euro</u> <u>JS'000</u>	<u>CAN</u> <u>JS'000</u>	<u>KYD</u> <u>JS'000</u>
At 31 March 2020					
Financial assets:					
Cash and bank balances	35,020	699	128	685	2
Short term deposits	85,395	-	-	-	-
Trade receivables	<u>174,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>295,413</u>	<u>699</u>	<u>128</u>	<u>685</u>	<u>2</u>
Financial liability:					
Payables	<u>80,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liability	<u>80,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial position	<u>215,043</u>	<u>699</u>	<u>128</u>	<u>685</u>	<u>2</u>
At 31 March 2019					
Total financial assets	407,940	1,111	295	983	-
Total financial liability	<u>80,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial position	<u>327,074</u>	<u>1,111</u>	<u>295</u>	<u>983</u>	<u>-</u>

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 6% (2019 - 4%) depreciation and a 2% (2019 - 2%) appreciation of the Jamaican dollar against the various currencies. The changes below would have no impact on other components of equity.

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)

Currency risk (cont'd)

Foreign currency sensitivity (cont'd)

The Group				
<u>Currency</u>	<u>% Change in Currency Rate 2020</u>	<u>Effect on Profit before Taxation 2020 \$'000</u>	<u>% Change in Currency Rate 2019</u>	<u>Effect on Profit before Taxation 2019 \$'000</u>
USD	+2	(4,301)	+2	(6,607)
GBP	+2	(14)	+2	(22)
Euro	+2	(3)	+2	(6)
CAN	+2	(14)	+2	(20)
Barbados	+2	(484)	+2	(420)
KYD	-2	(0.04)	-	-
USD	-6	12,902	-4	13,214
GBP	-6	42	-4	44
Euro	-6	8	-4	12
CAN	-6	41	-4	39
Barbados	-6	1,451	-4	840
KYD	-6	0.12	-	-

The Company				
<u>Currency</u>	<u>% Change in Currency Rate 2020</u>	<u>Effect on Profit before Taxation 2020 \$'000</u>	<u>% Change in Currency Rate 2019</u>	<u>Effect on Profit before Taxation 2019 \$'000</u>
USD	+2	(4,300)	+2	(6,541)
GBP	+2	(14)	+2	(22)
Euro	+2	(5)	+2	(6)
CAN	+2	(14)	+2	(20)
KYD	+2	(0.04)	-	-
USD	-6	12,903	-4	13,082
GBP	-6	42	-4	44
Euro	-6	8	-4	12
CAN	-6	41	-4	39
KYD	-6	0.12	-	-



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

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

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

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.

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

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.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

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

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

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

Maximum exposure to credit risk (cont'd)

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.

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.

Credit quality review process

The group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations. The group assesses the probability of default of individual counterparties based on payment history and changes in the circumstances of individuals or groups since the issue of loans. Counterparty limits are established according to the numbers of persons in a group and the nature of the activity undertaken. The credit quality process review allows the group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

Loans receivable impairment provision

The impairment requirements of IFRS 9 are based on an Expected Credit Loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

The company estimates expected credit losses (ECL) on loans receivable from independent customers using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments.



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

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

Trade receivables (cont'd)

Loans receivable impairment provision (cont'd)

31 March 2020

	<u>Gross Carrying Amount</u> \$'000	<u>Default Rate</u> %	<u>Lifetime ECL Allowance</u> \$'000
Aging			
Due within 1 month	6,887	47	3,234
1 to 3 months	46,577	18	8,380
3 to 12 months	296,161	32	94,004
Over 12 months	<u>1,518,930</u>	15	<u>222,298</u>
Total	<u>1,868,555</u>		<u>327,916</u>

31 March 2019

	<u>Gross Carrying Amount</u> \$'000	<u>Default Rate</u> %	<u>Lifetime ECL Allowance</u> \$'000
Aging			
Due within 1 month	13,904	33.9	4,721
1 to 3 months	32,301	8.5	2,746
3 to 12 months	299,917	7.1	21,244
Over 12 months	<u>1,584,157</u>	4.5	<u>70,778</u>
Total	<u>1,930,279</u>		<u>99,489</u>

Expected credit losses of trade receivables

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
At 1 April	99,489	114,159	-	54,341
Additional provision - IFRS 9	-	59,800	-	-
Disposal through sale of loan portfolio		-	-	(54,341)
Provision for receivables impairment	718,938	261,568	-	-
Receivables written off during the year as uncollectible	<u>(490,511)</u>	<u>(336,038)</u>	<u>-</u>	<u>-</u>
At 31 March	<u>327,916</u>	<u>99,489</u>	<u>-</u>	<u>-</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Expected credit losses of trade receivables

The creation and release of provision for impaired receivables in the group 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. An additional amount has been included in the calculation of the expected credit losses which represents management's assessment of the impact of COVID 19 on the group.

The company's trade receivables from money transfer activities are received from the money transfer companies within two business days. Based on that business model, a provision for expected credit losses is not required.

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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
International:				
Money transfer	212,890	390,528	212,890	374,019
Local:				
Loans	1,868,555	1,930,279	-	-
Other	<u>-</u>	<u>12,628</u>	<u>630</u>	<u>543</u>
	2,081,445	2,333,435	213,520	374,562
Less: Provision for credit losses	<u>(327,916)</u>	<u>(99,489)</u>	<u>-</u>	<u>-</u>
	<u>1,753,529</u>	<u>2,233,946</u>	<u>213,520</u>	<u>374,562</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.



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)

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.

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
	\$'000	\$'000	\$'000	\$'000
31 March 2020				
Payables	172,566	-	-	172,566
Related companies	17,995	-	-	17,995
Loans	476,837	1,814,618	182,110	2,473,565
Lease liabilities	<u>22,645</u>	<u>129,381</u>	<u>286,517</u>	<u>438,543</u>
Total financial liabilities (contractual maturity dates)	<u>690,043</u>	<u>1,943,999</u>	<u>468,627</u>	<u>3,102,669</u>

	The Group			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	Total
	\$'000	\$'000	\$'000	\$'000
31 March 2019				
Payables	356,081	-	-	356,081
Related companies	3,891	-	-	3,891
Loans	386,384	1,804,184	227,638	2,418,206
Bank overdraft	<u>1,128</u>	<u>-</u>	<u>-</u>	<u>1,128</u>
Total financial liabilities (contractual maturity dates)	<u>747,484</u>	<u>1,804,184</u>	<u>227,638</u>	<u>2,779,306</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 2020				
Payables	147,026	-	-	147,026
Related companies	17,995	-	-	17,995
Loans	476,837	1,714,618	182,110	2,373,565
Lease liabilities	<u>20,277</u>	<u>121,019</u>	<u>286,042</u>	<u>427,338</u>
Total financial liabilities (contractual maturity dates)	<u>662,135</u>	<u>1,835,637</u>	<u>468,152</u>	<u>2,965,924</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 2019				
Payables	288,147	-	-	288,147
Related companies	144,521	-	-	144,521
Loans	<u>386,384</u>	<u>1,804,184</u>	<u>227,638</u>	<u>2,418,206</u>
Total financial liabilities (contractual maturity dates)	<u>819,052</u>	<u>1,804,184</u>	<u>227,638</u>	<u>2,850,874</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.

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 a remittance agency and interest earned on the granting of loans.

LASCO FINANCIAL SERVICES LIMITED
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7. OTHER OPERATING INCOME:

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income on securities	3,844	2,587	3,844	2,587
Rental income	1,537	2,962	1,537	2,962
Processing fees and commission	92,086	80,502	3,552	1,906
Software maintenance	-	1,185	-	1,185
Other (see below)	2,981	5,134	2,981	5,134
Interest on loans	<u>2,419</u>	<u>-</u>	<u>54,290</u>	<u>61,856</u>
	<u>102,867</u>	<u>92,370</u>	<u>66,204</u>	<u>75,630</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Staff costs (note 9)	667,751	548,050	339,072	285,195
Building rental (see (ii) below)	9,917	26,566	412	15,451
Security services	16,263	16,671	13,208	13,454
Depreciation and amortisation	43,110	30,859	30,433	23,804
Depreciation - right-of-use assets	14,695	-	12,566	-
Commission and fees	450,820	428,094	429,536	414,012
Advertising and promotion	51,589	103,107	45,916	100,244
Audit fees	14,131	13,529	10,463	10,049
Legal and professional fees	52,899	47,966	34,685	29,880
Directors' fees	25,375	20,664	20,857	15,819
Cash and bank charges	20,557	12,952	18,163	11,911
Printing and stationery	13,097	17,415	9,792	12,611
Office supplies and building maintenance	29,969	33,567	26,520	28,398
Electricity	9,569	9,414	4,073	4,305
Insurance	9,957	8,702	9,957	8,702
Information, communication and technology	20,808	25,579	13,707	15,649
Irrecoverable receivables	-	3,725	-	3,725
Other operating expenses (see (i) below)	101,582	72,542	46,724	45,597
Travelling and motor vehicle expenses	46,388	11,308	5,384	4,118
Impairment losses on loans, net of recoveries	651,216	215,353	-	-
Loss on sale of investment property	<u>27,297</u>	<u>-</u>	<u>27,297</u>	<u>-</u>
	<u>2,276,990</u>	<u>1,646,063</u>	<u>1,098,765</u>	<u>1,042,924</u>

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

(ii) Only rental charges for short-term leases are included in the current year balances as a result of IFRS 16.

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9. STAFF COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Salaries and wages	477,085	403,714	210,220	175,912
Directors' remuneration	53,052	51,093	53,052	47,145
Statutory deductions	55,147	34,599	25,053	20,442
Pension costs	11,996	10,196	9,329	7,103
Other	<u>70,471</u>	<u>48,448</u>	<u>41,418</u>	<u>34,593</u>
	<u>667,751</u>	<u>548,050</u>	<u>339,072</u>	<u>285,195</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 two hundred and fourteen (214) (2019 - one hundred and eighty five (185)).

10. FINANCE COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Interest expense -				
Overdraft interest	5,175	21,752	5,175	21,752
Loan interest	190,982	147,048	188,976	147,048
Right-of-use assets	<u>12,188</u>	<u>-</u>	<u>11,481</u>	<u>-</u>
	<u>208,345</u>	<u>168,800</u>	<u>205,632</u>	<u>168,800</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>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Current taxation	185,245	100,671	62,358	56,796
Under provision in prior year	518	-	-	-
Deferred taxation (note 18)	<u>(106,876)</u>	<u>14,219</u>	<u>2,995</u>	<u>10,306</u>
	<u>78,887</u>	<u>114,890</u>	<u>65,353</u>	<u>67,102</u>



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Profit before taxation	21,969	396,645	293,245	261,733
Tax calculated @ 33 1/3%	97,748	87,243	97,748	87,243
Tax calculated @ 25%	(67,385)	33,649	-	-
Adjusted for the effects of:				
Expenses not deducted for tax purposes	257,842	54,093	46,777	25,110
Under provision in prior year	518	-	-	-
Net effect of other charges and allowances	(147,478)	(10,071)	(16,814)	4,773
	141,245	164,914	127,711	117,126
Adjustment for the effect of tax remission: (see note 1(c))				
Current tax	(62,358)	(50,024)	(62,358)	(50,024)
Taxation charge in income statement	<u>78,887</u>	<u>114,890</u>	<u>65,353</u>	<u>67,102</u>

12. NET (LOSS)/PROFIT:

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Reflected in the financial statements of:		
Company	227,892	194,631
Subsidiaries	(284,810)	87,124
	<u>(56,918)</u>	<u>281,755</u>

LASCO FINANCIAL SERVICES LIMITED
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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>2020</u>	<u>2019</u>
Net (loss)/profit attributable to stockholders (\$'000)	(56,918)	281,755
Weighted average number of ordinary stock units ('000)	1,267,433	1,264,694
Earnings per stock unit (¢ per share)	<u>(4.49)</u>	<u>22.28</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>2020</u>	<u>2019</u>
Net (loss)/profit attributable to stockholders (\$'000)	(56,918)	281,755
Weighted average number of ordinary stock units ('000)	1,267,433	1,264,694
Adjusted for share options ('000)	<u>13,914</u>	<u>-</u>
	<u>1,281,347</u>	<u>1,264,694</u>
Diluted earnings per stock unit (¢ per share)	<u>(4.44)</u>	<u>22.28</u>

14. CASH AND CASH EQUIVALENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Cash and bank balances -				
Foreign currency accounts	55,545	16,166	30,842	1,560
Jamaican currency current accounts	351,504	189,261	264,244	169,149
Cash in hand	<u>80,388</u>	<u>77,384</u>	<u>80,338</u>	<u>75,805</u>
	-	282,811	375,424	246,514
Bank overdraft -				
Jamaican currency current accounts	<u>-</u>	<u>(1,128)</u>	<u>-</u>	<u>-</u>
	<u>487,437</u>	<u>281,683</u>	<u>375,424</u>	<u>246,514</u>



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

14. CASH AND CASH EQUIVALENTS (CONT'D):

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

Amounts represent bank and other loans, excluding bank overdraft.

	<u>The Group and the Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
At 1 April	1,788,672	1,485,167
Cash -		
Loans received	150,000	299,489
Loans repaid	(184,031)	(15,719)
Non-cash -		
Interest accrued	<u>18,675</u>	<u>19,735</u>
At 31 March	<u>1,773,316</u>	<u>1,788,672</u>

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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables -				
Money transfer	212,890	390,528	212,890	374,019
Loans	1,540,639	1,830,790	-	-
Other	-	-	630	543
Prepayments	30,882	5,004	15,302	3,345
Other receivables	74,052	81,973	56,219	78,407
GCT recoverable	<u>56,201</u>	<u>58,126</u>	<u>56,201</u>	<u>58,126</u>
	<u>1,914,664</u>	<u>2,366,421</u>	<u>341,242</u>	<u>514,440</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

16. RECEIVABLES:

Loans:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due within 1 month	6,887	13,904	-	-
1 to 3 months	46,577	32,301	-	-
3 to 12 months	296,161	299,917	-	-
Over 12 months	<u>1,518,930</u>	<u>1,584,157</u>	<u>-</u>	<u>-</u>
Gross loans	1,868,555	1,930,279	-	-
Less: allowance for loan losses	(327,916)	(99,489)	-	-
	<u>1,540,639</u>	<u>1,830,790</u>	<u>-</u>	<u>-</u>

(ii) Impairment losses on loans:

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

	<u>The Group</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Gross</u>	<u>\$'000</u>	<u>Gross</u>	<u>\$'000</u>
		<u>Impairment</u>		<u>Impairment</u>
Current	946,090	70,859	1,187,119	14,147
1 to 3 months past due	816,591	153,995	701,912	44,094
3 to 12 months past due	104,185	101,373	41,047	41,047
Over 12 months past due	<u>1,689</u>	<u>1,689</u>	<u>201</u>	<u>201</u>
	<u>1,868,555</u>	<u>327,916</u>	<u>1,930,279</u>	<u>99,489</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:

(a) Transactions between the group and its related companies

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Sale of foreign currency to:				
Lasco Distributors Limited	2,022,529	2,492,377	2,022,529	2,492,377
Lasco Manufacturing Limited	3,890,249	3,783,371	3,890,249	3,273,371
Lasco Microfinance Limited	<u>-</u>	<u>-</u>	<u>996</u>	<u>1,341</u>
Loans granted and (repaid):				
Lasco Microfinance Limited	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>463,513</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</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	<u>124,719</u>	<u>128,822</u>	<u>89,698</u>	<u>85,240</u>
Directors' emoluments -				
Fees	25,374	20,665	20,856	15,819
Management remuneration (included above)	<u>54,757</u>	<u>51,093</u>	<u>45,193</u>	<u>47,145</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due from -				
Lasco Foods Limited	30	30	30	30
Lasco Financial Services (Barbados) Limited	-	-	20,766	19,363
Lasco Distributors Limited	317	317	317	317
Lasco Manufacturing Limited	25	-	25	-
Lasco Microfinance Limited	<u>-</u>	<u>-</u>	<u>1,308,485</u>	<u>1,307,649</u>
	<u>372</u>	<u>347</u>	<u>1,329,623</u>	<u>1,327,359</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due to-				
Lasco Distributors Limited	17,995	3,891	17,995	2,994
Lasco Microfinance Limited	-	-	-	141,527
Director's current account	-	912	-	912
	<u>17,995</u>	<u>4,803</u>	<u>17,995</u>	<u>145,433</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(Liability)/asset at beginning of year	(10,620)	3,599	(9,906)	400
Credited/(charged)/to profit or loss (note 11)	<u>106,876</u>	<u>(14,219)</u>	<u>(2,995)</u>	<u>(10,306)</u>
(Liability)/asset at end of year	<u>96,256</u>	<u>(10,620)</u>	<u>(12,901)</u>	<u>(9,906)</u>

Deferred tax is due to the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Accelerated tax depreciation	(21,583)	(12,414)	(20,408)	(10,300)
Interest receivables and loan allowances	79,823	(16,157)	-	(2,109)
Employee benefits	4,413	1,731	-	(749)
Interest payable	29,048	16,220	3,112	3,252
Right-of-use assets	(32,502)	-	(30,261)	-
Lease liabilities	<u>37,057</u>	<u>-</u>	<u>34,656</u>	<u>-</u>
	<u>96,256</u>	<u>(10,620)</u>	<u>(12,901)</u>	<u>(9,906)</u>



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

19. INVESTMENT PROPERTY:

	<u>The Group and the Company</u>	
	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
1 April	118,000	118,000
Disposal	(118,000)	-
At 31 March	-	118,000

- (a) The investment property was last valued for \$118,000,000 on 5 March 2018 by D.C. Tavares & Finson Realty, an independent qualified Property Appraiser and Valuer.

The property was sold on 24 July 2019 for net proceeds of \$90,703,000 after the deduction of transaction costs of \$9,297,000. The loss on disposal of \$27,297,000 is recognised in the statement of profit or loss.

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

	<u>The Group and the Company</u>	
	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Rental income	1,536	2,962
Direct operating expenses	-	(898)

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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20. INTANGIBLE ASSETS:

	<u>The Group</u>			<u>Total</u> \$'000
	<u>Goodwill</u> \$'000	<u>Computer Software</u> \$'000	<u>Software work in progress</u> \$'000	
At cost -				
1 April 2018	824,016	34,753	-	858,769
Additions	<u>-</u>	<u>24,702</u>	<u>15,520</u>	<u>40,222</u>
31 March 2019	824,016	59,455	15,520	898,991
Additions	-	19,188	63	19,251
Transfer	<u>-</u>	<u>4,666</u>	<u>(4,666)</u>	<u>-</u>
31 March 2020	<u>824,016</u>	<u>83,309</u>	<u>10,917</u>	<u>918,242</u>
Amortisation -				
1 April 2018	-	16,061	-	16,061
Charge for the year	<u>-</u>	<u>8,126</u>	<u>-</u>	<u>8,126</u>
31 March 2019	-	24,187	-	24,187
Charge for the year	<u>-</u>	<u>14,919</u>	<u>-</u>	<u>14,919</u>
31 March 2020	<u>-</u>	<u>39,106</u>	<u>-</u>	<u>39,106</u>
Net Book Value -				
31 March 2020	<u>824,016</u>	<u>44,203</u>	<u>10,917</u>	<u>879,136</u>
31 March 2019	<u>824,016</u>	<u>35,268</u>	<u>15,520</u>	<u>874,804</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.

In testing goodwill for impairment, recoverable amounts of cash-generating units are estimated based on value-in-use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of cash-generating units are arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to the countries in which the businesses operate. Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. In all cases projected cash flows are taken over five years and the long-term growth rate is applied following the immediately following year, within a terminal value calculated based on the discount rate and growth rate applied. Each cash generating unit is regarded as saleable to a third party at any future date at a price sufficient to recover its carrying amount of goodwill.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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20. INTANGIBLE ASSETS (CONT'D):

	<u>The Company</u> <u>Computer Software</u> <u>\$'000</u>
Cost -	
1 April 2018	32,817
Additions	<u>16,578</u>
31 March 2019	49,395
Additions	<u>18,616</u>
31 March 2020	<u>68,011</u>
Amortisation -	
1 April 2018	15,746
Charge for the year	<u>6,739</u>
31 March 2019	22,485
Charge for the year	<u>13,704</u>
31 March 2020	<u>36,189</u>
Net Book Value -	
31 March 2020	<u>31,822</u>
31 March 2019	<u>26,910</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. **PROPERTY, PLANT AND EQUIPMENT:**

	<u>The Group</u>				
	<u>Leasehold Improvements \$'000</u>	<u>Furniture, Fixtures & Equipment \$'000</u>	<u>Computer Hardware \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Total \$'000</u>
Cost -					
1 April 2018	80,028	74,448	25,006	11,839	191,321
Additions	14,577	13,211	10,515	6,695	44,998
Disposals	-	(130)	-	(4,205)	(4,335)
31 March 2019	94,605	87,529	35,521	14,329	231,984
Additions	8,282	4,052	2,916	1,311	16,561
Disposals	-	-	-	(5,144)	(5,144)
31 March 2020	<u>102,887</u>	<u>91,581</u>	<u>38,437</u>	<u>10,496</u>	<u>243,401</u>
1 April 2018	16,150	20,098	12,058	6,349	54,655
Charge for the year	3,938	9,271	5,442	4,088	22,739
Elimination	-	(78)	-	(4,203)	(4,281)
Adjustment	-	(72)	-	-	(72)
31 March 2019	20,088	29,219	17,500	6,234	73,041
Charge for the year	5,824	11,193	8,264	2,910	28,191
Elimination	-	-	-	(2,916)	(2,916)
31 March 2020	<u>25,912</u>	<u>40,412</u>	<u>25,764</u>	<u>6,228</u>	<u>98,316</u>
Net Book Value -					
31 March 2020	<u>76,975</u>	<u>51,169</u>	<u>12,673</u>	<u>4,268</u>	<u>145,085</u>
31 March 2019	<u>74,517</u>	<u>58,310</u>	<u>18,021</u>	<u>8,095</u>	<u>158,943</u>



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

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

	<u>The Company</u>				
	<u>Leasehold</u>	<u>Fixtures &</u>	<u>Furniture,</u>	<u>Motor</u>	<u>Total</u>
	<u>Improvements</u>	<u>Equipment</u>	<u>Computer</u>	<u>Vehicles</u>	<u></u>
	<u>\$'000</u>	<u>\$'000</u>	<u>Hardware</u>	<u>\$'000</u>	<u>\$'000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cost -					
1 April 2018	78,071	66,311	22,924	11,839	179,145
Additions	2,156	3,702	1,020	6,695	13,573
Disposals	-	(130)	-	(4,205)	(4,335)
31 March 2019	80,227	69,883	23,944	14,329	188,383
Additions	3,901	1,449	219	-	5,569
Disposals	-	-	-	(5,144)	(5,144)
31 March 2020	<u>84,128</u>	<u>71,332</u>	<u>24,163</u>	<u>9,185</u>	<u>188,808</u>
1 April 2018	15,988	19,525	11,801	6,349	53,663
Charge for the year	3,738	7,172	3,625	2,530	17,065
Elimination	-	(78)	-	(4,203)	(4,281)
Adjustment	-	(72)	-	-	(72)
31 March 2019	19,726	26,547	15,426	4,676	66,375
Charge for the year	3,574	7,242	3,047	2,866	16,729
Elimination	-	-	-	(2,916)	(2,916)
31 March 2020	<u>23,300</u>	<u>33,789</u>	<u>18,473</u>	<u>4,626</u>	<u>80,188</u>
Net Book Value -					
31 March 2020	<u>60,828</u>	<u>37,543</u>	<u>5,690</u>	<u>4,559</u>	<u>108,620</u>
31 March 2019	<u>60,501</u>	<u>43,336</u>	<u>8,518</u>	<u>9,653</u>	<u>122,008</u>

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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22. LEASES:

(a) **Right-of-use assets**

Land and building

The Group The Company
\$'000 \$'000

Adoption of IFRS 16	166,045	154,952
Addition during the year	39,201	39,201
Depreciation	<u>(14,695)</u>	<u>(12,566)</u>
31 March 2020	<u>190,551</u>	<u>181,587</u>

(b) **Lease liabilities**

Adoption of IFRS 16	166,045	154,952
Addition during the year	39,201	39,201
Interest expense	12,188	11,481
Lease payments	<u>(10,766)</u>	<u>(8,571)</u>
Foreign exchange adjustment	<u>10,895</u>	<u>10,895</u>
31 March 2020	<u>217,563</u>	<u>207,958</u>

Amounts recognized in statement of profit or loss

Depreciation - right-of-use assets	14,695	12,566
Interest on lease liability (note 10)	12,188	11,481
Change in lease liability due to foreign exchange rate difference	10,895	10,895
Expense relating to short-term leases and low value assets	<u>9,520</u>	<u>8,982</u>
	<u>47,298</u>	<u>43,924</u>

Contractual undiscounted cash flows maturity analysis

Not later than one year	18,489	16,121
One to two years	39,192	35,361
Later than two years but less than 5 years	44,051	39,520
More than 5 years	<u>229,153</u>	<u>228,678</u>

Total undiscounted lease liabilities 31 March 2020	<u>330,885</u>	<u>319,680</u>
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23. INVESTMENT IN SUBSIDIARIES:

2020 2019
\$'000 \$'000

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>1,350,000</u>
	<u>1,350,045</u>	<u>1,350,045</u>



LASCO FINANCIAL SERVICES LIMITED
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24. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Trade payables -				
Sub-agents payables	76,373	219,899	76,373	212,189
Money transfer advance	66,263	61,787	66,263	61,787
Other	<u>28,356</u>	<u>81,462</u>	<u>8,308</u>	<u>33,911</u>
	170,992	363,148	150,944	307,887
Other payables and accruals	<u>71,014</u>	<u>54,205</u>	<u>31,566</u>	<u>16,154</u>
	<u>242,006</u>	<u>417,353</u>	<u>182,510</u>	<u>324,041</u>

25. LOANS:

	<u>2020</u> <u>\$000</u>	<u>2019</u> <u>\$'000</u>
Development Bank of Jamaica Limited (i)	5,729	10,026
Development Bank of Jamaica Limited (ii)	-	3,228
Corporate Bond	1,330,378	1,469,203
JMMB Bank (Jamaica) Limited	286,321	306,215
Corporate Note	<u>150,888</u>	<u>-</u>
	<u>1,773,316</u>	<u>1,788,672</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. The balance remaining on the facility is \$5,729,000 as disclosed above. This agreement relates to loans (i) and (ii).

- (i) The loan was disbursed in 2018 and is repayable in 42 months. The loan is at an interest rate of 9.80% per annum and is secured on promissory notes and assignment of all sub-loans.
- (ii) The loan was disbursed in 2018 and was repayable in 24 months. The loan was at an interest rate of 9.80% and was secured on promissory notes and assignment of all sub-loans. The loan was repaid during the financial year.

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 Services Limited. Interest is payable semi-annually and commenced 12 August 2018 and principal is repayable semi-annually which commenced 12 February 2019.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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25. LOANS (CONT'D):

JMMB Bank (Jamaica) Limited -

The company was granted a loan under the general Banking facility in the amount of JMD\$306,000,000. The loan was disbursed on 29 March 2019 at an interest rate of 8.95% and is repayable over ten years.

Security:

The following security, evidenced by documents in a form satisfactory to JMMB Bank and registered or recorded as required by JMMB Bank, are held in support of the credit facility:

Corporate Guarantee of Lasco Microfinance Limited in favour of Lasco Financial Services Limited registered and stamped to cover \$306,000,000 supported by Assignment of Loan Receivables outstanding on the books of Lasco Microfinance Limited providing a security coverage ratio of 2.35 times the Borrower's loan obligations to the Bank.

Corporate note -

This represents an unsecured corporate note. The proceeds were received in December 2019. The corporate note is at a fixed interest rate of 8% per annum and matures in 2021. The corporate note was arranged by Mayberry Investments Limited. Interest is payable quarterly which commenced 4 March 2020 and principal is due at maturity.

26. SHARE CAPITAL:

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised - 1,961,200,000 ordinary shares of no par value		
Stated capital - Issued and fully paid - 1,270,094,391 (2019 - 1,264,694,391) ordinary shares of no par value	<u>102,091</u>	<u>95,459</u>

During the year the company issued 5,400,000 (2019 - Nil) shares to its directors and managers for cash of \$5,400,000 (2019 - \$Nil). The shares were issued under the company's stock option plan and the value of the option exercised during that year was \$1,232,000.

27. 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.



LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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27. OTHER RESERVE (CONT'D):

Stock Option Reserve (cont'd)

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

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	61,405

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>2020</u> <u>'000</u>	<u>2019</u> <u>'000</u>
Movement on the option:		
At 1 April	24,814	24,814
Exercised	(5,400)	-
At 31 March	<u>19,414</u>	<u>24,814</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)
Amount to be expensed in future periods	-

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

27. OTHER RESERVE (CONT'D):

Stock Option Reserve (cont'd)

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

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
At 1 April	5,661	5,661
Fair value of options exercised transferred to share capital	(1,232)	-
At 31 March	<u>4,429</u>	<u>5,661</u>

28. RETAINED EARNINGS:

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Reflected in the financial statements of:		
The company	1,605,542	1,377,650
Subsidiaries	(171,991)	112,819
	<u>1,433,551</u>	<u>1,490,469</u>

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 \$11,996,000 for the year (2019 - \$10,198,000).

30. 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.



LASCO FINANCIAL SERVICES LIMITED
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31 MARCH 2020

31. EFFECTS OF CHANGES IN ACCOUNTING POLICIES:

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value (US\$5,000). IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Transition Method and Practical Expedients Utilised

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- (d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As a lessee, the group previously classified leases as operating based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognizes a right-of-use asset and lease liability for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the group recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Classification under IFRS 16	
	Right-of-use asset	Lease liability
Operating leases	Measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as at 1 April 2019. The group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6.82%.

There was no significant impact on retained earnings at 1 April 2019.

LASCO FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

32. SUBSEQUENT EVENT:

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activities and business operations. This could have negative financial effects on the group, depending on factors such as the duration and spread of the outbreak, the effects on the economy overall and the effects on the financial markets, all of which are highly uncertain and cannot be estimated reliably.

The group has performed various assessments and stress testing of its business plans under different scenarios, as part of its business continuity and contingency planning. As such, an estimated amount was included in the provision for expected credit losses. However, at the date of approval of these financial statements, the group is unable to determine the full financial impact on the overall business operations.



Notes



LASCO FINANCIAL SERVICES LIMITED
ANNUAL GENERAL MEETING



PROXY FORM

I/We
ofbeing a Member/Members
of the above-named Company, hereby appoint.....
.....of.....
or failing him/her,..... of.....
.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on **TUESDAY, SEPTEMBER 29, 2020 AT 9:00 A.M.** in the Blue Mountain Suite of The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 and at any adjournment thereof.

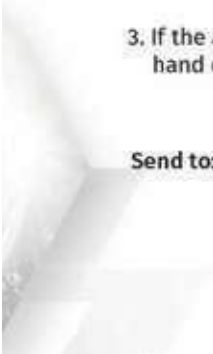
Signed thisday of2020

Signature

Notes:

- 1. When completed, this form must be received by the Registrar of the Company at the address given below, not less than forty-eight (48) hours before the time for holding the meeting.
- 2. The Proxy Form should bear stamp duty of \$100.00 which may be adhesive and duly cancelled by the person signing the Proxy Form.
- 3. If the appointer is a Corporation, this Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorized in writing.

Send to: The Registrar and Transfer Agent
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