LASCO FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS

31 MARCH 2023

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31 MARCH 2023

INDEX

BDO

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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 8 to 61, which comprise the group and the company's statements of financial position at 31 March 2023, 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 2023, and of the group and the company's financial performance and 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (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
Expected credit losses in relation to financial assets *See notes 3 (l) and 16 to the consolidated financial statements for management's related accounting policies and disclosures.* The group estimates expected credit losses (ECL) on loan receivables using a provision matrix based on historical credit loss experience. 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. As at 31 March 2023, loans receivable, net of provision for credit losses represented $900 million or 20% of total assets of the group. An impairment provision of $138 million has been recognized by the group. The economic impact of COVID-19 resulted in an increased credit risk for a number of borrowers. As such, management applied additional adjustments to ECL calculation. We focused on this area due to the impact of COVID-19 on credit risk, and because there are a number of significant management determined judgements including: • 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.	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. • 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. • We tested 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
	• We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant buckets of loan receivables. Based on the audit procedures performed, no adjustments to the financial statements were deemed necessary.
Transactions with related parties *See note 17 to the consolidated financial statements for management's disclosures of related party transactions and balances* 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.	Our audit procedures included the following: • 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. Based on the audit procedures performed, no adjustments to the financial statements were deemed necessary.
Impairment Assessment of Goodwill *See notes 3(f), 3(h), 4 and 20 of the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.* As at 31 March 2023, the carrying value of goodwill was $824 million, which represents 18% of total assets. On an annual basis, management tests whether goodwill is subject to impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. We focused on this area because the assessment of the carrying value of goodwill involves significant judgement and estimation and is sensitive to changes in key assumptions.	Management's impairment assessment was tested by performing the following procedures, amongst others: • We obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and updated our understanding of the process used by management to determine the value in use of each cash generating unit (CGU). • We compared previous forecasts to actual results to assess the performance of the business and the accuracy of management's forecasting as well as compared the current year and previous year, 31 March 2022 financial information to assess the reasonableness of management's projections.

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
Impairment Assessment of Goodwill (cont'd) The key assumptions were assessed by management as being: • Loans revenue growth rate; • The rate of any significant increase in credit risk (SICR); • Inflation rate; and • Discount rate.	• We challenged management's assessment regarding revenue growth and compared the revenue growth rates to historical revenue growth and externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, inflation and discount rates; • We developed a range of parameters using available market inputs and historical information and performed sensitivity analyses using these parameters, which was compared to management's discount rate • We tested management's impairment testing model calculations for mathematical accuracy. Based on the audit procedures performed, no adjustments were made to the financial statements.

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 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 and company'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

29 May 2023

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2023

	Note	2023 $'000	2022 $'000
REVENUE:			
Income	6	2,113,207	2,425,222
Other operating income	7	160,129	86,693
		2,273,336	2,511,915
EXPENSES:			
Administrative and other expenses		(1,180,906)	(1,104,952)
Selling and promotion expenses		(646,830)	(746,987)
	8	(1,827,736)	(1,851,939)
PROFIT FROM OPERATIONS		445,600	659,976
Finance costs	10	(116,640)	(166,895)
PROFIT BEFORE TAXATION		328,960	493,081
Taxation	11(a)	(114,998)	(186,632)
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME	12	213,962	306,449
EARNINGS PER STOCK UNIT	13		
Basic		23.94¢	24.05¢

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Cash and bank balances	14	961,287	961,515
Short term deposits	15	668,775	428,076
Receivables	16	1,654,845	2,021,495
Taxation recoverable		52,708	31,589
Deferred tax asset	18	119,256	105,713
Intangible assets	20	849,392	846,246
Property, plant and equipment	21	111,616	111,598
Right-of-use assets	22(a)	142,172	157,582
TOTAL ASSETS		4,560,051	4,663,814
LIABILITIES AND EQUITY			
LIABILITIES:			
Bank overdraft	14	265,568	-
Payables	24	584,039	951,458
Related companies	17(c)	19,508	12,812
Taxation		144,063	243,660
Deferred revenue	19	-	9,569
Loans	25	1,238,048	1,279,349
Lease liabilities	22(b)	198,794	204,769
		2,450,020	2,701,617
EQUITY:			
Share capital	26	114,536	114,536
Other reserve	27(c)	-	2,117
Retained earnings	28	1,995,495	1,845,544
		2,110,031	1,962,197
TOTAL LIABILITIES AND EQUITY		4,560,051	4,663,814

Approved for issue by the Board of Directors on 29 May 2023 and signed on its behalf by:

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

Compton Rodney
Director

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2023

	Note	Share Capital $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 APRIL 2021		102,664	4,322	1,590,304	1,697,290
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	306,449	306,449
TRANSACTIONS WITH OWNERS					
Issued shares	26	9,667	-	-	9,667
Transfer from other reserve	27(c)	2,205	(2,205)	-	-
Dividends paid	29	-	-	(51,209)	(51,209)
		11,872	(2,205)	(51,209)	(41,542)
BALANCE AT 31 MARCH 2022		114,536	2,117	1,845,544	1,962,197
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	213,962	213,962
TRANSACTIONS WITH OWNERS					
Transfer from other reserve	27(c)	-	(2,117)	-	(2,117)
Dividends paid	29	-	-	(64,011)	(64,011)
		-	(2,117)	(64,011)	(66,128)
BALANCE AT 31 MARCH 2023		114,536	-	1,995,495	2,110,031

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		213,962	306,449
Items not affecting cash resources:			
Exchange gain on foreign balances		12,127	(7,368)
Adjustment to intangible assets		-	45
Depreciation - right-of-use assets	22(a)	15,410	13,950
Amortisation of intangibles	20	5,389	21,815
Depreciation	21	23,249	24,973
Expired stock options		(2,117)	-
Interest income from loans		(340,285)	(465,050)
Interest income from securities		(51,015)	(21,831)
Interest income – other		(7,677)	(14,599)
Taxation expense	11(a)	128,541	194,961
Deferred taxation	18	(13,543)	(8,329)
Interest expense		103,024	152,925
Interest expense - right-of-use assets		13,616	13,970
Adjustment to property, plant and equipment		494	-
Adjustment to amrtisation		(4,762)	
Provision for impaired loss on loan		(62,439)	9,607
Loss on derecognition of right-of-use assets		-	(168)
		33,974	221,350
Changes in operating assets and liabilities:			
Receivables		400,537	(392,320)
Related companies		11,377	4,561
Payables		(374,745)	199,623
		71,143	33,214
Interest received - loans		341,980	494,925
Interest paid		(2,918)	(44,586)
Taxation paid		(230,676)	(81,398)
Cash provided by operating activities		179,529	402,155
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received - securities		58,783	28,202
Additions to intangible assets	20	(8,549)	(1,131)
Additions to property, plant and equipment	21	(19,145)	(11,100)
Proceeds from disposal of assets		250	-
Short term deposits of assets		(240,699)	(108,539)
Cash used in investing activities		(209,360)	(92,568)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(98,827)	(147,743)
Issued shares	26	-	9,667
Loan proceeds	14	90,000	1,300,000
Loan repayments	14	(132,577)	(1,505,121)
Lease payments	22(b)	(19,592)	(18,394)
Dividends paid	29	(64,011)	(51,209)
Cash used in financing activities		(225,007)	(412,800)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(254,838)	(103,213)
Exchange (loss)/gain on cash balances		(10,958)	4,177
Cash and cash equivalents at beginning of year		961,515	1,060,551
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	695,719	961,515

LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2023

	Note	2023 $'000	2022 $'000
REVENUE:			
Income	6	1,772,922	1,960,172
Other operating income	7	83,420	81,503
		1,856,342	2,041,675
EXPENSES:			
Administrative and other expenses		(740,116)	(704,606)
Selling and promotion expenses		(642,429)	(662,487)
	8	(1,382,545)	(1,367,093)
PROFIT FROM OPERATIONS		473,797	674,582
Finance costs	10	(113,284)	(165,429)
PROFIT BEFORE TAXATION		360,513	509,153
Taxation	11(a)	(122,739)	(184,174)
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME	12	237,774	324,979

LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Cash and bank balances	14	569,895	532,580
Short term deposits	15	668,775	428,076
Receivables	16	720,705	1,187,999
Related companies	17(c)	1,057,072	958,953
Taxation recoverable		48,783	31,589
Intangible assets	20	7,014	2,252
Property, plant and equipment	21	81,228	89,416
Right-of-use assets	22(a)	137,170	149,009
Deferred tax asset	18	32,883	27,081
Investment in subsidiaries	23	1,350,045	1,350,045
TOTAL ASSETS		4,673,570	4,757,000
LIABILITIES AND EQUITY			
LIABILITIES:			
Bank overdraft	14	265,568	-
Payables	24	548,196	903,930
Related companies	17(c)	19,508	12,812
Taxation		144,063	228,687
Lease liabilities	22(b)	192,284	194,973
Loans	25	1,095,056	1,179,349
		2,264,675	2,519,751
EQUITY:			
Share capital	26	114,536	114,536
Other reserve	27(c)	-	2,117
Retained earnings	28	2,294,359	2,120,596
		2,408,895	2,237,249
TOTAL LIABILITIES AND EQUITY		4,673,570	4,757,000

Approved for issue by the Board of Directors on 29 May 2023 and signed on its behalf by:

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

Compton Rodney
Director

LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2023

	Note	Share Capital $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 APRIL 2021		102,664	4,322	1,846,826	1,953,812
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	324,979	324,979
TRANSACTIONS WITH OWNERS					
Issued shares	26	9,667	-	-	9,667
Transfer from other reserve	27(c)	2,205	(2,205)	-	-
Dividends paid	29	-	-	(51,209)	(51,209)
		11,872	(2,205)	(51,209)	(41,542)
BALANCE AT 31 MARCH 2022		114,536	2,117	2,120,596	2,237,249
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	237,774	237,774
TRANSACTIONS WITH OWNERS					
Transfer from other reserve	27(c)	-	(2,117)	-	(2,117)
Dividends paid	29	-	-	(64,011)	(64,011)
		-	(2,117)	(64,011)	(66,128)
BALANCE AT 31 MARCH 2023		114,536	-	2,294,359	2,408,895

LASCO FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		237,774	324,979
Items not affecting cash resources:			
Unrealized exchange gain on foreign balances		12,127	(7,367)
Expired stock options		(2,117)	-
Depreciation	21	14,774	16,103
Amortisation of intangibles	20	-	15,598
Amortisation adjustments	20	(4,762)	-
Depreciation – right-of-use assets	22(a)	11,839	10,343
Interest income from related company loan	7	-	(40,398)
Interest income from securities	7	(27,610)	(10,688)
Interest income – other		(7,677)	(14,599)
Taxation expense	11(a)	128,523	192,257
Deferred taxation	18	(5,802)	(8,083)
Interest expense	10	100,106	152,103
Interest expense - right-of-use assets	22(b)	13,178	13,326
		470,353	643,574
Changes in operating assets and liabilities:			
Receivables		442,332	(629,986)
Related companies		(91,424)	238,162
Payables		(356,903)	203,632
		464,358	455,382
Interest received – related company loan		7,677	40,398
Taxation paid		(213,148)	(53,806)
Cash provided by operating activities		258,887	441,974
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received - securities		35,378	17,059
Additions to property, plant and equipment	21	(6,586)	(8,590)
Short term deposits		(240,699)	(108,539)
Cash used in investing activities		(211,907)	(100,070)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(98,827)	(147,743)
Issued shares	26	-	9,667
Loan proceeds	14	-	1,200,000
Loan repayments	14	(85,569)	(1,505,121)
Dividends paid	29	(64,011)	(51,209)
Lease payments	22(b)	(15,868)	(14,509)
Cash used in financing activities		(264,275)	(508,915)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(217,295)	(167,011)
Exchange (loss)/gain on foreign cash balances		(10,958)	4,177
Cash and cash equivalents at beginning of year		532,580	695,414
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	304,327	532,580

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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 located at 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) 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 29 December 2021, 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 202 which expired on 22 January 2022.

The Microcredit Act, 2021 became effective on 30 July 2021 and as such, section 14 of the Moneylending Act, which allowed for the exemption, was repealed. The company is in the process of applying for a licence to operate under the Microcredit Act, 2022.

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.

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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(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. 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 amendment is relevant to its operations:

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2022). These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exists at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver of breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the group.

Amendment to IAS 16, 'Property, Plant and Equipment', (effective for accounting periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The adoption of this amendment is not expected to have a significant impact on the group.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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)

Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', (effective for accounting periods beginning on or after 1 January 2022). This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The adoption of this amendment 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 2022). This amendment updates the references to the Conceptual Framework for Financial Reporting and adds an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 21, 'Levies'. The amendment also confirms that contingent assets should not be recognised at the acquisition date. The company will apply this amendment to future business combinations.

Annual Improvements 2018-2020, (effective for accounting periods beginning on or after 1 January 2022). The IASB issued its Annual Improvements to IFRSs 2018-2022 cycle amending a number of standards, of which the following are relevant to the company: IFRS 9, 'Financial Instruments' to clarify the fees that should be included in the 10% test for derecognition of financial liabilities; IFRS 16, 'Leases', which was amended to remove the reimbursement of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. The adoption of these amendments is not expected to have a significant impact on the group.

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.

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

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2023). These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the group.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

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

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

Amendments to IAS 1, 'Presentation of Financial Statements', Practice Statement 2 and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2023). The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IAS 12 'Income Taxes', (effective for accounting periods beginning on or after 1 January 2023). The main change in deferred tax related to assets and liabilities from a single transaction is an exemption from the initial recognition exemption provided in IAS 12.15 and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The group is assessing the impact this amendment will have on it 2024 financial statements.

The group does not expect any other standards or interpretations issued by the IASB but not yet effective, to have a material effect on its financial statements.

(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.

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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(c) **Basis of consolidation (cont'd)**

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 2023 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.

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.

(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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(e) **Property, plant and equipment (cont'd)**

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) **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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(g) **Provisions (cont'd)**

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.

(h) **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.

(i) **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 2023

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

(i) **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.

(j) **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 group 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.

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

(k) **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.

(l) **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

31 MARCH 2023

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

(l) **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**

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, short term deposits and cash and cash equivalents 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, net of bank overdraft.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(l) **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. The actual ECL is determined after deducting the market value of security provided for loans.

- 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.

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

(l) **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, bank overdraft and lease liabilities.

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

(m) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred and are subsequently measured at amortised cost. Borrowings are subsequently stated at amortised 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.

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

Right-of-use assets are initially measured at an amount equal to the initial value of the lease obligation which is subsequently, 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.

Right-of-use assets are depreciated using the straight-line method from the date of commencement of the lease 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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(o) **Leases**

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 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

31 MARCH 2023

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

(o) **Leases (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 company 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.

(p) **Share capital**

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

(q) **Investment in subsidiaries**

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

(r) **Dividend distribution**

Dividends are recorded as a deduction from equity and recognized as a liability in the 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.

(s) **Related party balances and transactions**

Parties are considered to be related if directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries), has significant influence over the entity or has joint control over the entity. Related party balances and transactions are disclosed for the following:

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(s) **Related party balances and transactions (cont'd)**

(i) Enterprises and individuals owning, directly or indirectly, a significant interest in voting power of the company and /or having significant influence over the company's affairs and close members of the family of these individuals.

(ii) Key management personnel, that is, those persons having authority and responsibility for planning directing and controlling the activities of the company, including directors, officers and close members of the families of these individuals.

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) **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.

(ii) **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

31 MARCH 2023

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

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

(iii) **Allowance for impairment losses**

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;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determining the market value of security provided for loans.

(iv) **Assessment of goodwill**

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(f). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and discount rate. Any changes in these variables would impact the value in use calculations.

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

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

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.

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.

(a) **Principal financial instruments**

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
- Short term deposits
- Payables
- Due from/to related company
- Long term loans
- Lease liabilities
- bank overdraft

(b) **Financial instruments by category**

Financial assets

	The Group Amortised cost		The Company Amortised cost	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Receivables	1,449,315	1,748,809	533,589	921,897
Related companies	-	-	1,057,072	958,953
Short term deposits	668,775	428,076	668,775	428,076
Cash and bank balances	981,802	961,515	589,630	532,580
Total financial assets	3,099,892	3,138,400	2,849,066	2,841,506

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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

(b) **Financial instruments by category**

Financial liabilities

	The Group Amortised cost		The Company Amortised cost	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Loans	1,238,048	1,279,349	1,095,056	1,179,349
Bank overdraft	286,083	-	285,303	-
Related companies	19,508	12,812	19,508	12,812
Payables	464,574	890,973	445,586	857,312
Lease liabilities	198,794	204,769	192,284	194,973
Total financial liabilities	2,207,007	2,387,903	2,037,737	2,244,446

(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 and Risk Management 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 and Risk Management 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 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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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 2023.

	The Group				
	US J$'000	GBP J$'000	Euro J$'000	CAN J$'000	Barbados J$'000
At 31 March 2023					
Financial assets:					
Cash and cash equivalents	131,302	5,005	598	8,028	-
Short term deposits	406,370	-	-	-	-
Trade receivables	490,437	-	-	-	-
Total financial assets	1,028,109	5,005	598	8,028	-
Financial liabilities:					
Bank overdraft	19,735				
Payables	156,005	-	-	-	-
Total financial liabilities	175,740	-	-	-	-
Net financial position	852,369	5,005	598	8,028	-
At 31 March 2022					
Total financial assets	951,566	709	77	1,034	-
Total financial liability	162,190	-	-	-	(1,789)
Net financial position	789,164	709	77	1,034	(1,789)

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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 (cont'd)

	The Company				
	US J$'000	GBP J$'000	EURO J$'000	CAN J$'000	KYD J$'000
At 31 March 2023					
Financial assets:					
Cash and cash equivalents	131,302	5,005	598	8,028	-
Short term deposits	406,370	-	-	-	-
Trade receivables	490,437	-	-	-	-
Total financial assets	1,028,109	5,005	598	8,028	-
Financial liabilities:					
Bank overdraft	19,735				
Payables	156,005	-	-	-	-
Total financial liabilities	175,740	-	-	-	-
Net financial position	852,369	5,005	598	8,028	-
At 31 March 2022					
Total financial assets	951,354	709	77	1,034	-
Total financial liability	162,190	-	-	-	-
Net financial position	789,164	709	77	1,034	-

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and cash equivalents, short term deposits, payables and receivable balances, and adjusts their translation at the year-end for 4% (2022 – 8%) depreciation and a 1% (2022 – 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

31 MARCH 2023

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

Currency	% Change in Currency Rate 2023	Effect on Profit before Taxation 2023 $'000	% Change in Currency Rate 2022	Effect on Profit before Taxation 2022 $'000
USD	+1	(14,562)	+2	(15,788)
GBP	+1	(94)	+2	(14)
EURO	+1	(12)	+2	(2)
CAN	+1	(45)	+2	(21)
BARBADOS	+1	-	+2	36
USD	-4	58,249	-8	63,150
GBP	-4	376	-8	57
EURO	-4	47	-8	6
CAN	-4	181	-8	83
BARBADOS	-4	-	-8	(143)

The Company

Currency	% Change in Currency Rate 2023	Effect on Profit before Taxation 2023 $'000	% Change in Currency Rate 2022	Effect on Profit before Taxation 2022 $'000
USD	+1	(8,524)	+2	(15,783)
GBP	+1	(50)	+2	(14)
EURO	+1	(6)	+2	(2)
CAN	+1	(80)	+2	(21)
USD	-4	34,095	-8	63,133
GBP	-4	200	-8	57
EURO	-4	24	-8	6
CAN	-4	321	-8	83

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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 exposed to both fair value and cash flow interest rate risk on its fixed and variable rate borrowings, respectively. 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

A 1% increase/0.5% decrease (2022 - 3% increase/0.5% decrease) in interest rates on Jamaican dollar borrowings would result in a $12,793,000 increase and $6,190,000 decrease (2022 - $38,380,000 increase/$6,396,000 decrease) in profit before tax for the group.

(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 cash equivalents and related company balances in the statement of financial position.

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 cash equivalents

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 2023

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 2023

	Gross Carrying Amount $'000	Default Rate %	Lifetime ECL Allowance $'000
Aging			
Due within 1 month	13,512	4	476
1 to 3 months	23,821	2	512
4 to 12 months	276,890	17	47,991
Over 12 months	724,328	12	89,111
Total	1,038,551		138,090

31 March 2022

	Gross Carrying Amount $'000	Default Rate %	Lifetime ECL Allowance $'000
Aging			
Due within 1 month	22,408	77	17,217
1 to 3 months	33,690	26	8,724
4 to 12 months	278,052	17	48,337
Over 12 months	679,106	19	126,251
Total	1,013,256		200,529

Expected credit losses of trade and other receivables (note 16)

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

	The Group	
	2023 $'000	2022 $'000
At 1 April	200,529	190,922
Provision for receivables impairment	14,984	131,402
Receivables written off during the year as uncollectible	(77,423)	(121,795)
At 31 March	138,090	200,529
Provided during the year	14,984	131,402
Recoveries	(74,714)	(102,829)
Expected credit losses reported in profit or loss	(59,730)	28,573

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
International:				
Money transfer	421,332	425,206	421,332	425,206
Local:				
Loans	1,038,551	1,013,256	-	-
	1,459,883	1,438,462	421,332	425,206
Less: Provision for credit losses	(138,090)	(200,529)	-	-
	1,321,793	1,237,933	421,332	425,206

(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

31 MARCH 2023

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 Year $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 March 2023				
Bank overdraft	286,083	-	-	286,083
Payables	464,574	-	-	464,574
Related companies	19,508	-	-	19,508
Lease liabilities	22,893	76,786	235,022	334,701
Loans	230,375	853,916	583,319	1,667,610
Total financial liabilities (contractual maturity dates)	1,023,433	930,702	818,341	2,772,476

	The Group			
	Within 1 Year $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 March 2022				
Payables	885,742			885,742
Related companies	12,812			12,812
Loans	179,331	750,087	825,477	1,754,895
Lease liabilities	19,770	78,982	255,643	354,395
Total financial liabilities (contractual maturity dates)	1,097,655	829,069	1,081,120	3,007,844

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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 Year $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 March 2023				
Payables	445,586	-	-	445,586
Bank overdraft	285,303	-	-	285,303
Related companies	19,508	-	-	19,508
Lease liabilities	16,383	76,786	235,022	328,191
Loans	204,179	732,415	579,780	1,516,374
Total financial liabilities (contractual maturity dates)	970,959	809,201	814,802	2,594,962

	The Company			
	Within 1 Year $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 March 2022				
Payables	857,312	-	-	857,312
Related companies	12,812	-	-	12,812
Lease liabilities	15,899	72,549	255,643	344,091
Loans	173,236	692,944	779,562	1,645,742
Total financial liabilities (contractual maturity dates)	1,059,259	765,493	1,035,205	2,859,957

(d) **Capital management**

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

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

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

6. **INCOME:**

Income represents the margin between the buying and selling rates of foreign currencies, commission received as a percentage of fees from remittance transactions, interchange from VISA prepaid card transactions and interest earned on the granting of loans.

7. **OTHER OPERATING INCOME:**

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest income on securities	51,015	21,831	27,610	10,688
Rental income	-	-	971	1,817
Processing fees and commission	82,041	40,331	27,766	5,886
Other (see below)	27,073	24,531	27,073	22,714
Interest on loans	-	-	-	40,398
	160,129	86,693	83,420	81,503

Included in other are income categories amounting to less than $2 million. The balance also includes an amount of $2.6 million (2022 - $1.96 million) earned by the company under the Ministry of Finance and the Public Service CARE agreement, as well as interest income of $6.3 million (2022 - $14.6 million) on GCT refunded from Inland Revenue.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

8. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	The Group		The Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Staff costs (note 9)	754,456	639,016	415,957	352,156
Building rental	9,548	11,307	2,866	2,857
Security services	21,373	13,220	15,855	9,213
Depreciation and amortisation	23,798	46,788	10,012	31,701
Depreciation – right-of-use assets	15,411	13,950	11,840	10,343
Commission and fees	608,936	652,917	592,828	639,430
Advertising and promotion	58,180	27,181	49,601	23,048
Auditors' remuneration	9,400	8,350	5,100	4,250
Legal and professional fees	56,646	88,859	46,769	69,521
Directors' fees	20,664	18,222	18,352	15,910
Cash and bank charges	21,389	21,392	20,898	20,317
Printing, courier and stationery	40,953	56,876	40,102	55,474
Computer repairs and development	45,119	48,697	45,119	46,534
Office supplies and building maintenance	10,277		8,575	
Electricity	13,273	11,191	8,150	7,064
Insurance	10,618	13,099	10,618	13,099
Information, communication and technology	19,164	16,539	16,657	10,901
Irrecoverable GCT	30,200	12,146	30,200	12,146
Other operating expenses (see below)	55,860	57,523	10,345	15,175
Travelling and motor vehicle expenses	46,533	44,701	7,033	6,394
Donations	7,800	7,500	7,800	7,500
Subscriptions	7,868	14,060	7,868	14,060
Impairment (gain)/losses on loans, net of recoveries	(59,730)	28,573	-	-
Loss on sale of investment property	-	(168)	-	-
	1,827,736	1,851,939	1,382,545	1,367,093

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

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

9. **STAFF COSTS:**

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Salaries and wages	514,756	467,486	259,725	241,455
Directors' remuneration	62,042	43,708	62,042	43,708
Statutory contributions	66,853	55,448	33,494	26,706
Pension costs	20,260	17,892	11,420	9,931
Other	90,545	54,482	49,276	30,356
	754,456	639,016	415,957	352,156

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 one (201) (2022 – one hundred and sixty-four (164)).

10. **FINANCE COSTS:**

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest expense -				
Overdraft interest	9,870	5,594	9,870	5,594
Loan interest	93,154	147,331	90,236	146,509
Right-of-use assets	13,616	13,970	13,178	13,326
	116,640	166,895	113,284	165,429

11. **TAXATION EXPENSE:**

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

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current taxation	127,246	190,538	127,246	187,834
Under provision in prior year	1,295	4,423	1,295	4,423
Deferred taxation (note 18)	(13,543)	(8,329)	(5,802)	(8,083)
	114,998	186,632	122,739	184,174

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit before taxation	328,960	493,081	360,513	509,153
Tax calculated @ 33 1/3%	120,171	169,718	120,171	169,718
Tax calculated @ 25%	(6,773)	(4,018)	-	-
Adjusted for the effects of:				
Expenses not deducted for tax purposes	42,057	87,967	30,121	45,217
Under provision in prior year	1,295	4,423	1,295	4,423
Net effect of other charges and allowances	(41,752)	(71,458)	(28,848)	(35,184)
	114,998	186,632	122,739	184,174

(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 tax remission period ended on 11 October 2020. The financial statements were prepared on the basis that the company would retain the full benefit of the tax remissions effected in 2022 and prior years.

12. **NET PROFIT/(LOSS):**

	2023 $'000	2022 $'000
Reflected in the financial statements of:		
Company	237,774	324,979
Subsidiaries	(23,812)	(18,530)
	213,962	306,449

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

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.

	2023	2022
Net profit attributable to stockholders ($'000)	213,962	306,449
Weighted average number of ordinary stock units ('000)	1,280,227	1,274,042
Earnings per stock unit (¢ per share)	23.94	24.05

14. CASH AND CASH EQUIVALENTS:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash and bank balances-				
Foreign currency accounts	109,645	251,221	109,019	251,009
Jamaican currency current accounts	98,520	225,630	80,885	152,485
Fixed deposits	373,083	355,530	-	-
Cash in hand	380,039	129,134	379,991	129,086
	961,287	961,515	569,895	532,580
Bank overdraft				
Local currency current account	265,568	-	265,568	-
	265,568	-	265,568	-
	695,719	961,515	304,327	532,580

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans.

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At 1 April	1,279,349	1,456,045	1,179,349	1,456,045
Cash –				
Loans received	90,000	1,300,000	-	1,200,000
Loans repaid	(132,577)	(1,505,121)	(85,569)	(1,505,121)
Non-cash –				
Transaction cost amortised	-	24,065	-	24,065
Interest accrued	1,276	4,360	1,276	4,360
At 31 March (note 25)	1,238,048	1,279,349	1,095,056	1,179,349

The company's overdraft facility of $300,000,000 is secured by a lien over the fixed deposit of US$653,245.55, held at National Commercial Bank Jamaica Limited.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

15. **SHORT TERM DEPOSITS:**

This represents deposits with original maturities of greater than three months but less than 1 year.

16. **RECEIVABLES:**

	The Group		The Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade receivables –				
Money transfer	421,332	425,206	421,332	425,206
Loans	900,461	812,727	-	-
Prepayments	21,561	16,258	15,395	8,583
Other receivables	287,730	688,542	260,217	675,448
GCT recoverable	23,761	78,762	23,761	78,762
	1,654,845	2,021,495	720,705	1,187,999

Loans:

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

	The Group	
	2023	2022
	$'000	$'000
Due within 1 month	13,512	22,408
1 to 3 months	23,821	33,690
4 to 12 months	276,890	278,052
Over 12 months	724,328	679,106
Gross loans	1,038,551	1,013,256
Less: allowance for loan losses	(138,090)	(200,529)
	900,461	812,727

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

16. **RECEIVABLES (CONT'D):**

(ii) Impairment losses on loans:

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

	The Group			
	2023 $'000		2022 $'000	
	Gross	Impairment	Gross	Impairment
Current	733,087	23,659	581,902	12,564
1 to 3 months past due	159,319	4,997	214,217	20,089
4 to 12 months past due	124,982	104,672	196,762	167,767
Over 12 months past due	21,163	4,762	20,375	109
	1,038,551	138,090	1,013,256	200,529

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

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

(a) **Transactions between the group and its related companies**

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Sale of foreign currency to:				
Lasco Distributors Limited	4,930,785	4,790,856	4,930,785	4,790,856
Lasco Manufacturing Limited	5,640,351	4,793,456	5,640,351	4,793,456
	10,571,136	9,584,312	10,571,136	9,584,312
Interest income:				
Lasco Microfinance Limited	-	-	-	40,398

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

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Key management includes directors and senior managers –				
Salaries and other short-term employee benefits	144,510	98,024	92,955	67,353
Directors' emoluments –				
Fees	20,664	18,222	18,352	15,910
Management remuneration (included above)	62,042	43,708	62,042	43,708

LASCO FINANCIAL SERVICES LIMITED

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

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

	The Group		The Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Due from -				
Lasco Microfinance Limited	-	-	1,057,072	958,953
	-	-	1,057,072	958,953

	The Group and the Company	
	2023	2022
	$'000	$'000
Due to–		
Lasco Distributors Limited	18,882	12,366
Lasco Manufacturing Limited	626	446
	19,508	12,812

18. **DEFERRED TAX:**

Deferred tax is calculated in full on temporary differences under the liability method using the applicable tax 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:

	The Group		The Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Asset at beginning of year	105,713	97,384	27,081	18,998
Credit to profit or loss (note 11)	13,543	8,329	5,802	8,083
Asset at end of year	119,256	105,713	32,883	27,081

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18. **DEFERRED TAX (CONT'D):**

Deferred tax is due to the following temporary differences:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Decelerated/(accelerated) tax depreciation	(242)	3,969	(2,359)	1,829
Interest receivables and loan allowances	29,371	46,477	-	-
Unrealised foreign exchange gain	4,060	(2,455)	4,060	(2,455)
Vacation leave accrued	9,212	8,617	5,686	5,686
Interest payable	7,127	33,479	7,127	6,701
Right-of-use assets	(46,970)	(51,808)	(45,719)	(49,665)
Lease liabilities	65,717	67,434	64,088	64,985
Tax losses carried forward	49,611	-	-	-
	117,886	105,713	32,883	27,081

19. **DEFERRED REVENUE:**

During 2021 the group entered into agreements with its customers which restructured the loans receivable for customers who requested forbearance. Moratoriums up to six months on principal and interest were granted to eligible borrowers.

The balance represents interest income which was capitalized during the loan moratorium period which the company granted to its borrowers consequent to the COVID-19 pandemic. The amount is being amortised over the remaining life of the loans receivable.

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20. INTANGIBLE ASSETS:

	The Group			
	Goodwill $'000	Computer Software $'000	Software work-in-progress $'000	Total $'000
At cost –				
1 April 2021	824,016	98,694	3,690	926,400
Additions	-	-	1,131	1,131
Adjustment	-	-	(45)	(45)
31 March 2022	824,016	98,694	4,776	927,486
Additions	-	4,660	3,889	8,549
Transfer	-	3,889	(8,665)	(4,776)
31 March 2023	824,016	107,243	-	931,259
Amortisation –				
1 April 2021	-	59,425	-	59,425
Charge for the year	-	21,815	-	21,815
31 March 2022	-	81,240	-	81,240
Charge for the year	-	5,389	-	5,389
Adjustment	-	(4,762)	-	(4,762)
31 March 2023	-	81,867	-	81,867
Net Book Value –				
31 March 2023	824,016	25,376	-	849,392
31 March 2022	824,016	17,454	4,776	846,246

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.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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20. **INTANGIBLE ASSETS (CONT'D):**

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 group. 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, however as a consequence to the COVID-19 pandemic, the group used a seven year projection to make allowance for an additional two years of recovery. 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.

	The Company Computer Software $'000
Cost –	
31 March 2022 and	
31 March 2023	69,707
Amortisation –	
1 April 2021	51,857
Charge for the year	15,598
31 March 2022	67,455
Depreciation adjustment	(4,762)
31 March 2023	62,693
Net Book Value –	
31 March 2023	7,014
31 March 2022	2,252

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

The Group

	Leasehold Improvements $'000	Furniture, Fixtures & Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Total $'000
Cost -					
1 April 2021	103,540	92,821	42,051	10,496	248,908
Additions	1,178	1,077	1,888	6,957	11,100
31 March 2022	104,718	93,898	43,939	17,453	260,008
Additions	2,824	2,473	11,548	2,300	19,145
Transfer to WIP	2,219	2,558	-	-	4,777
Disposal	-	-	-	(1,311)	(1,311)
31 March 2023	109,761	98,929	55,487	18,442	282,619
Depreciation -					
1 April 2021	32,247	50,565	32,451	8,174	123,437
Charge for the year	6,270	10,095	6,355	2,253	24,973
31 March 2022	38,517	60,660	38,806	10,427	148,410
Charge for the year	6,614	8,989	5,513	2,133	23,249
Adjustments	-	(88)	-	(568)	(656)
31 March 2023	45,131	69,561	44,319	11,992	171,003
Net Book Value -					
31 March 2023	64,630	29,368	11,168	6,450	111,616
31 March 2022	66,201	33,238	5,133	7,026	111,598

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

The Company

	Leasehold Improvements $'000	Furniture, Fixtures & Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Total $'000
Cost -					
1 April 2021	84,350	72,172	26,851	9,185	192,558
Additions	-	567	1,066	6,957	8,590
31 March 2022	84,350	72,739	27,917	16,142	201,148
Additions	-	555	6,031	-	6,586
31 March 2023	84,350	73,294	33,948	16,142	207,734
Depreciation -					
1 April 2021	27,290	40,704	21,325	6,310	95,629
Charge for the year	3,865	7,520	2,728	1,990	16,103
31 March 2022	31,155	48,224	24,053	8,300	111,732
Charge for the year	3,839	6,643	2,351	1,941	14,774
31 March 2023	34,994	54,867	26,404	10,241	126,506
Net Book Value -					
31 March 2023	49,356	18,427	7,544	5,901	81,228
31 March 2022	53,195	24,515	3,864	7,842	89,416

LASCO FINANCIAL SERVICES LIMITED

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22. LEASES:

(a) Right-of-use assets

	Land and building			
	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
1 April	157,582	166,753	149,009	159,352
Addition during the year	-	6,300	-	-
Derecognition	-	(1,521)	-	-
Depreciation	(15,410)	(13,950)	(11,839)	(10,343)
31 March	142,172	157,582	137,170	149,009

(b) Lease liabilities

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
1 April	204,770	204,582	194,974	196,156
Addition during the year	-	6,300	-	-
Derecognition	-	(1,689)	-	-
Interest expense	13,616	13,970	13,178	13,326
Lease payments	(19,592)	(18,394)	(15,868)	(14,509)
31 March	198,794	204,769	192,284	194,973

In 2022, the derecognition resulted from a discontinuation of a lease due to relocation to another premises.

Amounts recognized in statement of profit or loss

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Gain on derecognition of right-of-use assets	-	(168)	-	-
Depreciation – right-of-use assets	15,410	13,950	11,839	10,343
Interest on lease liability (note 10)	13,616	13,970	13,178	13,326
Expense relating to short-term leases and low value assets	10,519	11,307	2,866	2,857
	39,545	39,059	27,883	26,526

(c) Contractual undiscounted cash flows maturity analysis

The contractual undiscounted cash flows maturity analysis is disclosed under liquidity risk in the financial risk management note 5(c)(iii).

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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23. INVESTMENT IN SUBSIDIARIES:

	2023 $'000	2022 $'000
Investment of the company in the shares of its subsidiaries:		
Lasco Financial Services (Barbados) Limited	45	45
Lasco Microfinance Limited	1,350,000	1,350,000
	1,350,045	1,350,045

24. PAYABLES:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade payables –				
Sub-agents payables	196,804	279,405	196,804	279,405
Money transfer advance	152,164	154,712	152,164	154,712
Other	631	28,220	-	-
	349,599	462,337	348,968	434,117
Other payables and accruals	234,440	489,121	199,228	469,813
	584,039	951,458	548,196	903,930

There is no amount outstanding under the Ministry of Finance and the Public Service CARE agreement for 2023. However, for 2022, included in other payables is $363 million.

25. LOANS:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
JMMB Bank (Jamaica) Limited (i)	637,706	687,371	637,706	687,371
JMMB Bank (Jamaica) Limited (ii)	457,350	491,978	457,350	491,978
Development Bank of Jamaica	142,992	100,000	-	-
	1,238,048	1,279,349	1,095,056	1,179,349

LASCO FINANCIAL SERVICES LIMITED

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25. **LOANS (CONT'D):**

JMMB Bank (Jamaica) Limited -

(i) The company was granted a loan under the general Banking facility in the amount of JMD$700,000,000. The loan was disbursed on 9 July 2021 at a current interest rate of 8.25% per annum and is repayable over ten years.

(ii) The company was granted a loan under the general Banking facility in the amount of JMD$500,000,000. The loan was disbursed on 9 July 2021 at a current interest rate of 8.75% per annum and is repayable over ten years.

Security:

The following securities, 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 facilities:

(i) Corporate Guarantee of Lasco Microfinance Limited in favour of the company 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.

(ii) First demand debenture stamped to cover $1,200,000,000 over the present and future assets of the company including but not limited to all trade and other receivables.

(iii) Corporate guarantee of Lasco Microfinance Limited in favour of the company stamped to cover $1,200,000,000.

(iv) First priority security interest/assignment of all loans and other receivables outstanding on the books of Lasco Microfinance Limited to cover the company's loan obligation of $1,200,000,000.

Development Bank of Jamaica –

This loan represents a partnership with the Development Bank of Jamaica to issue loans to sub-borrowers involved in the MSME sector. The loan amounts of $100,000,000 and $90,000,000 were disbursed on 1 November 2021 and 28 April 2022, respectively. The loan is repayable over 8 years at a current interest rate of 2% per annum.

Security:

The loan is secured by a duly executed promissory note.

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26. **SHARE CAPITAL:**

	2023 $'000	2022 $'000
Authorised -		
1,961,200,000 ordinary shares of no par value		
Stated capital –		
Issued and fully paid –		
1,280,227,725 ordinary shares of no par value	114,536	114,536

The company issued no shares during the year to its directors and managers. During 2022 however there was an issue of 9,666,668 under the company's stock option plan and the value of the option exercised was $2,204,967.

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.

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

	No. of shares '000
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.

	2023 '000	2022 '000
Movement on the option:		
At 1 April	9,281	18,948
Exercised	-	(9,667)
Forfeiture	(9,281)	-
At 31 March	-	9,281

The unexercised options expired effective 1 August 2022.

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27. **OTHER RESERVE (CONT'D):**

Stock Option Reserve (cont'd)

(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:

	$'000
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	-

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

	2023 $'000	2022 $'000
At 1 April	2,117	4,322
Fair value of options exercised transferred to share capital	-	(2,205)
Expired options	(2,117)	-
At 31 March	-	2,117

28. **RETAINED EARNINGS:**

	2023 $'000	2022 $'000
Reflected in the financial statements of:		
The company	2,294,359	2,120,596
Subsidiaries	(298,864)	(275,052)
	1,995,495	1,845,544

29. **DIVIDENDS:**

	2023 $'000	2022 $'000
In respect of 31 March 2023	64,011	-
In respect of 31 March 2022	-	51,209

By resolution dated 17 November 2022, an interim dividend payment of $0.05 per share was approved by the Board of Directors.

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30. **PENSION PLAN:**

The company and one of the subsidiaries participate 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 $20,259,000 for the year (2022 - $17,892,000).

31. **SEGMENT INFORMATION:**

The group generates its revenue from Cambio operations, Money Transfer, VISA prepaid card and Loans.

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.