

ACCESS FINANCIAL SERVICES LIMITED
FINANCIAL STATEMENTS
MARCH 31, 2021



KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS FINANCIAL SERVICES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Access Financial Services Limited ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), set out on pages 8 to 64 which comprise the Group's and Company's statements of financial position as March 31, 2021, the Group's and 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 March 31, 2021, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including international 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.



INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS FINANCIAL SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

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.

Measurement of Expected Credit Losses

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>IFRS 9 <i>Financial Instruments</i>, is complex and requires the Group to recognise expected credit losses ('ECL') on financial assets. The determination of ECL is highly subjective and requires management to make significant judgement and estimates, particularly regarding significant increase in credit risk and forward-looking information.</p> <p>The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12-month or lifetime loss allowance is recorded in respect of a financial asset.</p> <p>Forward-looking information, reflects a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios, the probability weightings and management overlay.</p> <p>These estimates involve increased judgment as a result of the economic impacts of COVID-19 on the Group's financial assets.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• Obtained an understanding of the model used by management for the calculation of expected credit losses on investments and loans.• Tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.• Involved our financial risk modelling specialists to evaluate the appropriateness of the Group's impairment methodologies, including the criteria used for determining significant increase in credit risk and independently assessed the assumptions for probabilities of default, loss given default and exposure at default.• Involved our financial risk modelling specialists to evaluate the appropriateness of the Group's methodology for determining forward-looking information and management overlay.



INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS FINANCIAL SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Measurement of Expected Credit Losses (continued)

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>Management considered the following:</p> <ul style="list-style-type: none">• qualitative factors that create COVID-19 related changes to significant increase in credit risk.• increased uncertainty about potential future economic scenarios and their impact on credit losses. <p>We therefore determined that the estimates of impairment in respect of investments and loans have a high degree of estimation uncertainty.</p> <p><i>See notes 7 and 24(a) of the financial statements.</i></p>	<ul style="list-style-type: none">• Assessed the adequacy of the disclosures of the key assumptions and judgements.

Other Information

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Page 4

INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS FINANCIAL SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information (continued)

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.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6 to 7, forms part of our auditors' report.



Page 5

INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS 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 maintained, 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 Nyssa Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

June 10, 2021



Page 6

INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS FINANCIAL SERVICES LIMITED

Appendix to Report on the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 audit opinion.



Page 7

INDEPENDENT AUDITORS' REPORT

To the Members of
ACCESS FINANCIAL SERVICES LIMITED

Appendix to the Independent Auditors' report (continued)

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 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.


ACCESS FINANCIAL SERVICES LIMITED

Statements of Financial Position
March 31, 2021

	Notes	Group		Company	
		<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Assets					
Cash and cash equivalents	4	543,492	575,608	274,896	396,183
Financial investments	5	5,109	4,383	5,109	4,383
Other accounts receivable	6	47,003	64,030	118,343	145,332
Loans and advances	7	4,086,669	4,470,914	3,755,911	3,876,568
Taxation recoverable		-	49,715	-	47,691
Investment in subsidiary	8	-	-	857,541	857,541
Property, plant and equipment	9	61,509	73,075	58,657	69,779
Intangible assets and goodwill	10	480,699	461,628	41,860	42,465
Right-of-use assets	14	124,867	155,683	76,525	95,495
Deferred tax assets	11	<u>141,741</u>	<u>107,407</u>	<u>122,973</u>	<u>102,118</u>
Total assets		<u>5,491,089</u>	<u>5,962,443</u>	<u>5,311,815</u>	<u>5,637,555</u>
Liabilities and equity					
Liabilities					
Payables	12	330,202	405,007	224,963	231,803
Loans payable	13	2,542,774	3,225,245	2,687,651	3,225,245
Lease liabilities	14	142,414	161,268	87,749	97,786
Taxation payable		<u>24,420</u>	<u>-</u>	<u>26,003</u>	<u>-</u>
Total liabilities		<u>3,039,810</u>	<u>3,791,520</u>	<u>3,026,366</u>	<u>3,554,834</u>
Stockholder's equity					
Share capital	15	96,051	96,051	96,051	96,051
Fair value reserve	16(a)	3,096	2,370	3,096	2,370
Foreign exchange translation	16(b)	130,977	53,897	-	-
Retained earnings		<u>2,221,155</u>	<u>2,018,605</u>	<u>2,186,302</u>	<u>1,984,300</u>
Total equity		<u>2,451,279</u>	<u>2,170,923</u>	<u>2,285,449</u>	<u>2,082,721</u>
Total liabilities and equity		<u>5,491,089</u>	<u>5,962,443</u>	<u>5,311,815</u>	<u>5,637,555</u>

The financial statements on pages 8 to 64 were approved for issue by the Board of Directors on June 3, 2021, and signed on its behalf by:


 _____ Director
 Christopher Williams


 _____ Director
 Marcus James

The accompanying notes form an integral part of the financial statements.

ACCESS FINANCIAL SERVICES LIMITED

Statements of Profit or Loss and Other Comprehensive Income
 Year ended March 31, 2021

	Notes	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Operating income					
Interest income from loans	3(k)	1,519,924	1,701,642	1,472,791	1,595,934
Interest income from securities		<u>6,009</u>	<u>1,372</u>	<u>6,009</u>	<u>1,372</u>
Total interest income, calculated on the effective interest method		1,525,933	1,703,014	1,478,800	1,597,306
Interest expense		(256,833)	(253,585)	(245,999)	(231,868)
Net interest income		1,269,100	1,449,429	1,232,801	1,365,438
Net fees and commissions on loans		<u>412,549</u>	<u>617,750</u>	<u>138,392</u>	<u>183,219</u>
		<u>1,681,649</u>	<u>2,067,179</u>	<u>1,371,193</u>	<u>1,548,657</u>
Other operating income:					
Money services fees and commission		935	1,787	935	1,787
Foreign exchange losses		(12,851)	(5,477)	(12,918)	(7,027)
Other income		<u>149,321</u>	<u>91,199</u>	<u>96,172</u>	<u>56,831</u>
		<u>137,405</u>	<u>87,509</u>	<u>84,189</u>	<u>51,591</u>
		<u>1,819,054</u>	<u>2,154,688</u>	<u>1,455,382</u>	<u>1,600,248</u>
Operating expenses					
Staff costs	17	670,511	725,444	447,007	454,672
Allowance for credit losses	7(b)	294,989	297,048	324,709	291,884
Depreciation and amortisation	9,10,14	118,351	118,120	84,548	84,257
Other operating expenses	18	<u>393,898</u>	<u>618,551</u>	<u>244,392</u>	<u>345,037</u>
		<u>1,477,749</u>	<u>1,759,163</u>	<u>1,100,656</u>	<u>1,175,850</u>
Profit before taxation		341,305	395,525	354,726	424,398
Taxation	19	(75,618)	(65,778)	(89,587)	(58,077)
Profit for the year		<u>265,687</u>	<u>329,747</u>	<u>265,139</u>	<u>366,321</u>
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Unrealised gains on investments at fair value through other comprehensive income		726	569	726	569
Foreign currency translation loss on overseas subsidiary		<u>77,080</u>	<u>77,736</u>	<u>-</u>	<u>-</u>
Total other comprehensive income		<u>77,806</u>	<u>78,305</u>	<u>726</u>	<u>569</u>
Total comprehensive income		<u>343,493</u>	<u>408,052</u>	<u>265,865</u>	<u>366,890</u>
Earnings per stock unit	20	<u>0.97</u>	<u>1.20</u>	<u>0.97</u>	<u>1.33</u>

The accompanying notes form an integral part of the financial statements.

ACCESS FINANCIAL SERVICES LIMITEDGroup Statement of Changes in Shareholders' Equity
Year ended March 31, 2021

	Share capital (note 15) \$'000	Fair value reserve [note 16(a)] \$'000	Translation reserve [note 16(b)] \$'000	Retained earnings \$'000	Total \$'000
Balances at March 31, 2019	<u>96,051</u>	<u>1,801</u>	<u>(23,839)</u>	<u>1,823,368</u>	<u>1,897,381</u>
Total comprehensive income for 2020					
Profit for the year	-	-	-	329,747	329,747
Other comprehensive income	<u>-</u>	<u>569</u>	<u>77,736</u>	<u>-</u>	<u>78,305</u>
	<u>-</u>	<u>569</u>	<u>77,736</u>	<u>329,747</u>	<u>408,052</u>
Transaction with owners					
Dividends paid (note 21)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,510)</u>	<u>(134,510)</u>
Balances at March 31, 2020	<u>96,051</u>	<u>2,370</u>	<u>53,897</u>	<u>2,018,605</u>	<u>2,170,923</u>
Total comprehensive income for 2021					
Profit for the year	-	-	-	265,687	265,687
Other comprehensive income	<u>-</u>	<u>726</u>	<u>77,080</u>	<u>-</u>	<u>77,806</u>
	<u>-</u>	<u>726</u>	<u>77,080</u>	<u>265,687</u>	<u>343,493</u>
Transaction with owners					
Dividends paid (note 21)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,137)</u>	<u>(63,137)</u>
Balances at March 31, 2021	<u>96,051</u>	<u>3,096</u>	<u>130,977</u>	<u>2,221,155</u>	<u>2,451,279</u>

The accompanying notes form an integral part of the financial statements.

ACCESS FINANCIAL SERVICES LIMITEDCompany Statement of Changes in Shareholders' Equity
Year ended March 31, 2021

	<u>Share capital</u> (note 15) \$'000	<u>Fair value reserve</u> [note 16(a)] \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Balances at March 31, 2019	<u>96,051</u>	<u>1,801</u>	<u>1,752,489</u>	<u>1,850,341</u>
Total comprehensive income for 2020				
Profit for the year	-	-	366,321	366,321
Other comprehensive income	<u>-</u>	<u>569</u>	<u>-</u>	<u>569</u>
	<u>-</u>	<u>569</u>	<u>366,321</u>	<u>366,890</u>
Transaction with owners				
Dividends paid (note 21)	<u>-</u>	<u>-</u>	<u>(134,510)</u>	<u>(134,510)</u>
Balances at March 31, 2020	<u>96,051</u>	<u>2,370</u>	<u>1,984,300</u>	<u>2,082,721</u>
Total comprehensive income for 2021				
Profit for the year	-	-	265,139	265,139
Other comprehensive income	<u>-</u>	<u>726</u>	<u>-</u>	<u>726</u>
	<u>-</u>	<u>726</u>	<u>265,139</u>	<u>265,865</u>
Transaction with owners				
Dividends paid (note 21)	<u>-</u>	<u>-</u>	<u>(63,137)</u>	<u>(63,137)</u>
Balances at March 31, 2021	<u>96,051</u>	<u>3,096</u>	<u>2,186,302</u>	<u>2,285,449</u>

The accompanying notes form an integral part of the financial statements.

ACCESS FINANCIAL SERVICES LIMITEDGroup Statement of Cash Flows
Year ended March 31, 2021

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		265,687	329,747
Items not affecting cash resources:			
Exchange loss on foreign balances		12,851	5,477
Depreciation and amortisation	9,10	49,292	50,179
Depreciation of right-of-use asset	14(a)	69,059	67,941
Gain on disposal of property, plant and equipment		(17)	-
Interest income		(1,525,933)	(1,703,014)
Interest expense		240,421	235,887
Lease interest expense	14(c)	16,412	17,698
Loans and receivables written off	18	93,352	210,245
Increase in allowance for loan losses	7(b)	294,989	297,048
Impairment of intangible assets	10	900	-
Income tax	19(a)	110,442	37,041
Deferred tax	19(a)	(34,824)	28,737
		(407,369)	(423,014)
Changes in operating assets and liabilities:			
Loans and advances		(22,770)	(1,560,943)
Other accounts receivable		20,791	(31,474)
Loans payable, net		(681,428)	1,009,366
Accounts payable		(87,278)	25,219
		(1,178,054)	(980,846)
Interest received		1,527,001	1,697,596
Interest paid		(241,464)	(236,147)
Taxation paid		(22,195)	(99,492)
Cash provided by operating activities		<u>85,288</u>	<u>381,111</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment and intangible assets	9,10	(24,644)	(38,058)
Proceeds from disposal of fixed assets		<u>474</u>	<u>-</u>
Net cash used by investing activities		(24,170)	(38,058)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease payments	14(d)	(83,759)	(80,008)
Dividends paid	21	(63,137)	(134,510)
Net cash used by financing activities		(146,896)	(214,518)
(Decrease)/increase in cash and cash equivalents at end of the year		(85,778)	128,535
Effect of exchange rate fluctuations on cash and cash equivalents		53,662	35,258
Cash and cash equivalents at beginning of year		<u>575,608</u>	<u>411,815</u>
Cash and cash equivalents at end of year (note 4)		<u>543,492</u>	<u>575,608</u>

The accompanying notes form an integral part of the financial statements.

ACCESS FINANCIAL SERVICES LIMITEDCompany Statement of Cash Flows
Year ended March 31, 2021

	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		265,139	366,321
Items not affecting cash resources:			
Exchange loss on foreign balances		12,918	7,027
Depreciation and amortisation	9,10	33,999	32,588
Depreciation of right-of-use asset	14(a)	50,549	51,669
Gain on disposal of property, plant and equipment		(17)	-
Interest income		(1,478,800)	(1,597,306)
Interest expense		236,834	222,306
Lease interest expense	14(c)	9,165	9,563
Loan and receivables written-off	18	12,913	37,740
Increase in allowance for loan losses	7(b)	324,709	291,884
Impairment of intangible assets	10	900	-
Income tax	19(a)	110,442	43,974
Deferred tax	19(a)	(20,855)	14,103
		(442,104)	(520,131)
Changes in operating assets and liabilities:			
Loans and advances		(230,255)	(1,311,927)
Other accounts receivable		(63,904)	(18,106)
Loans payable, net		(536,551)	1,009,361
Accounts payable		(19,313)	20,309
		(1,292,127)	(820,494)
Interest received		1,580,280	1,486,973
Interest paid		(237,877)	(222,566)
Taxation paid		(22,636)	(94,578)
Net cash provided by operating activities		<u>27,640</u>	<u>349,335</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment and intangible assets	9,10	(24,644)	(34,761)
Proceeds from disposal of fixed assets		474	-
Net cash used by investing activities		<u>(24,170)</u>	<u>(34,761)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Lease payment	14(d)	(60,924)	(58,941)
Dividends paid	21	(63,137)	(134,510)
Net cash used by financing activities		<u>(124,061)</u>	<u>(193,451)</u>
(Decrease)/increase in cash and cash equivalents at the end of the year		(120,591)	121,123
Effect of exchange rate fluctuations on cash and cash equivalents		(696)	(7,071)
Cash and cash equivalents at beginning of year		<u>396,183</u>	<u>282,131</u>
Cash and cash equivalents at end of year (note 4)		<u>274,896</u>	<u>396,183</u>

The accompanying notes form an integral part of the financial statements.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements
Year ended March 31, 2021

1. Identification and principal activities

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

The Company acquired a 100% shareholding in its subsidiary, Embassy Loans Inc., on December 15, 2018

The Company and its subsidiary are collectively referred to as “the Group” in these financial statement.

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

New and amended standards and interpretations that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to *References to Conceptual Framework in IFRS Standards* covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New ‘bundle of rights’ approach to assets means that an entity may recognise a right to use an asset rather than the asset itself;
 - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than previously.
 - A new control-based approach to de-recognition allows an entity to derecognise an asset when it loses control over all or part of it; the focus is no longer be on the transfer of risks and rewards.
- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations that became effective during the year (continued):

- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (continued);

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Group does not expect the amendment to have a significant impact on its financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.
 - IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
 - IFRS 16 *Leases* amendments removes the illustration of payments from the lessor relating to leasehold improvements.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards and interpretations that are not yet effective:
(continued):**

- Annual Improvements to IFRS Standards 2018-2020 (continued)

(iii) The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

The Group does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IFRS 16 *Leases* is effective for annual periods beginning on or after June 1, 2022, with early application permitted. It provides guidance for COVID-19 related rent concessions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards and interpretations that are not yet effective:
(continued):**

- Amendments to IFRS 16 *Leases* (continued)

A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance contracts* and IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards and interpretations that are not yet effective:
(continued):**

- Amendments to IFRS 9 *Financial Instruments* IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance contracts* and IFRS 16 *Leases* (continued)

A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

The Group does not expect the amendment to have a significant impact on its financial statements.

(b) Basis of preparation:

The financial statements are prepared under the historical cost basis, except for investments at fair value.

(c) Functional and presentation currency:

These financial statements are presented in thousands of Jamaica dollars (\$'000), which is the Company's functional currency, unless otherwise indicated. The financial statements of the subsidiary, which has a different functional currency, are translated into the presentation currency in the manner described in note 3(g)(ii).

(d) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the year then ended. Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgements (continued):

(i) Judgements (continued):

The key relevant judgements are as follows:

(i) Classification of financial assets:

The assessment of the business model within which financial assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) requires management to make certain judgements on its business operation [see note 3(b)].

(ii) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into measurement of expected credit losses (ECL) and the selection and approval of models used to measure ECL requires significant judgement [see note 3(i)].

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

(i) Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default.

(ii) Income taxes:

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for possible tax 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.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and comply in all material respects with IFRS.

(a) Basis of consolidation:

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

(i) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(iii) Transactions eliminated on consolidation

Balances and transactions between companies within the Group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments – Classification, recognition and de-recognition, and measurement:

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise cash and cash equivalents, financial investments, other accounts receivable, and loans and advances. Financial liabilities comprise accounts payable and loans payable.

Financial assets

(i) Classification of financial assets

In applying IFRS 9, the Group classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 3(i). Interest income from these financial assets is included in 'Total interest income' using the effective interest method.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

- (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued):

Financial assets (continued)

- (i) Classification of financial assets (continued)

Debt instruments (continued)

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect, on an investment-by-investment basis, to present subsequent changes in the investment's fair value in OCI.
- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Other operating income' caption in the income statement. Gains and losses on equity investments at FVOCI are included in other comprehensive income.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

- (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued):

Financial assets (continued)

- (i) Classification of financial assets (continued)

Business model assessment (continued)

Factors considered by the Group in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

- (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued):

Financial assets (continued)

- (ii) Measurement of gains and losses on financial assets

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Gains and losses on equity instruments classified at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities

The Group's financial liabilities, comprising loans and accounts payable, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Amortised cost

Amortised cost is calculated using the effective interest method. Premiums, discounts and initial transaction costs are included in the carrying amount of the related instruments and amortised based on the effective interest rates.

- (c) Financial instruments – Other:

- (i) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits and are measured at amortised cost. Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. These include certificates of deposit where the maturities do not exceed three months from the date of acquisition.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(c) Financial instruments – Other (continued):

(ii) Other accounts receivable

Other accounts receivable are measured at amortised cost less impairment losses.

(iii) Payables

Payables are measured at amortised cost.

(iv) Interest-bearing borrowings

Interest-bearing borrowings, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(d) Property, plant and equipment:

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

Right-of-use assets	20%-50%
Furniture and fixtures	10%
Leasehold improvement	10%
Computer equipment	20%
Motor vehicle	<u>25%</u>

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(e) Intangible assets:

- (i) Intangible assets which represents 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. The depreciation rate for computer software is 20%.
- (ii) Customer relationship and non-compete agreements that are acquired by the Company are deemed to have a finite useful lives of eight years and are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The depreciation rate for customer relationship is 12.5%.
- (iii) Trade name and trademark have indefinite useful lives and are carried at cost less accumulated impairment losses. The useful lives of such assets are reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. A change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.
- (iv) Goodwill represents the excess of cost of the acquisition over the Company's interest in the net fair value of the identifiable assets of the acquiree. Goodwill is measured at cost less accumulated impairment losses and is assessed for impairment annually.
- (v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(f) Impairment of non-financial assets:

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or group of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(g) Foreign currency translation:

(i) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. These rates represent the weighted average rates at which the Group trades in foreign currency.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(g) Foreign currency translation (continued):

(i) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss. Other changes in the carrying amount are recognised in other comprehensive income and presented in fair value reserve.

Translation differences on non-monetary items, such as equities classified as fair value through other comprehensive income, are recognised in other comprehensive income and presented in the fair value reserve in stockholders' equity.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Jamaica dollar at the spot exchange rate at the reporting date. The income and expenses of the foreign operations are translated into Jamaica dollar at the average exchange rates for the period. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income and included in translation reserve.

(h) Income tax:

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised accordingly.

(i) Current income tax

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

(ii) Deferred income tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(i) Impairment of financial assets:

The Group recognises loss allowances for expected credit losses (ECL) on the financial instruments measured at amortised cost and debt instruments at FVOCI. No impairment loss is recognised on equity instruments.

Framework

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. See below for a description of how the Group determines when a significant increase in credit risk has occurred.

A financial asset is credit impaired (‘Stage 3’) when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. See below and note 24(a) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. See note 24(a) for an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (‘Stage 3’). Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(i) Impairment of financial assets (continued):

Credit-impaired financial assets (continued)

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired ('Stage 3'). Evidence that a financial asset is credit-impaired includes the following observable data (continued):

- the restructuring of a loan or advance by the Group on terms that it would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

In addition, a loan that is overdue for 30 days or more is considered credit-impaired even when the regulatory definition of default is different.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Measurement of ECL

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(i) Impairment of financial assets (continued):

Measurement of ECL (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover; and
- other receivables: Loss allowance for other receivables, is measured at an amount equal to lifetime ECL.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

(j) Employee benefits defined contribution plans:

Contributions to defined contribution pension plans are charged to profit or loss in the year to which they relate. The pension scheme is administered by Employee Benefits Administrator Limited.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(k) Revenue recognition:

(i) Interest income and expense

Interest income and expense are recognised in profit or loss for 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.

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and interest expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that have become credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to the gross basis even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income, includes interest on financial assets measured at amortised cost and interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

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

(ii) Fee and commission income

Fee and commission income are recognised on the accrual basis when service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(l) Leases:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

3. Significant accounting policies (continued)

(l) Leases (continued):

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Segment reporting:

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

The Group operates in two geographical areas namely Jamaica and United States. These two has been identified as reporting segments in these financial statements (see note 23). Operations in both geographical areas are same. There are no difference in recording transactions, assets and liabilities between these reporting segments.

ACCESS FINANCIAL SERVICES LIMITEDNotes to the Financial Statements (Continued)
Year ended March 31, 20213. Significant accounting policies (continued)

(n) Dividend distribution:

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

(o) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The Group has only one quoted equity which carries at fair value and the prices are obtained from Jamaica Stock Exchange. This classify as level 1 category fair value (see note 5).

4. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Short term deposits	163,410	265,574	163,410	265,574
Cash at bank	375,977	305,184	107,381	125,759
Cash in hand	<u>4,105</u>	<u>4,850</u>	<u>4,105</u>	<u>4,850</u>
	<u>543,492</u>	<u>575,608</u>	<u>274,896</u>	<u>396,183</u>

5. Financial investments

	<u>Group and Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000
FVOCI investments:		
Quoted equity – General Accident Insurance Company Limited	<u>5,109</u>	<u>4,383</u>

The Group designated this investment as equity securities at FVOCI because this equity security represents investments that the Group intends to hold for long term for strategic purpose. During the year dividend income of \$160,000 (2020: \$103,000) was recognized from this investment.

6. Other accounts receivable

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Taxation recoverable	3,773	3,802	3,773	3,802
Prepayments and deposits	24,868	36,657	19,593	24,713
Interest receivable [note 22(b)]	-	-	87,142	103,818
Other	<u>18,362</u>	<u>23,571</u>	<u>7,835</u>	<u>12,999</u>
	<u>47,003</u>	<u>64,030</u>	<u>118,343</u>	<u>145,332</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

7. Loans and advances

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Due within 1 month	6,571	52,692	4,019	34,907
1 to 3 months	96,731	112,029	92,404	84,138
3 to 12 months	860,253	1,175,981	576,284	636,417
Over 12 months	<u>3,643,254</u>	<u>3,641,269</u>	<u>3,562,953</u>	<u>3,567,503</u>
Gross loans and advances	4,606,809	4,981,971	4,235,660	4,322,965
Less: Allowance for impairment [note 24(a)]	(520,140)	(511,057)	(479,749)	(446,397)
	<u>4,086,669</u>	<u>4,470,914</u>	<u>3,755,911</u>	<u>3,876,568</u>

(b) Allowances for loan losses:

Balance at beginning of year	511,057	502,076	446,397	446,133
Allowance made during the year	294,989	297,048	324,709	291,884
Translation adjustment	5,451	3,553	-	-
Loans written off	(291,357)	(291,620)	(291,357)	(291,620)
Balance at the end of the year	<u>520,140</u>	<u>511,057</u>	<u>479,749</u>	<u>446,397</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Personal loans	<u>4,272,440</u>	<u>4,511,468</u>	<u>3,901,291</u>	<u>3,852,462</u>
Business loans:				
Agriculture	47,121	64,178	47,121	64,178
Services	97,944	156,826	97,944	156,826
Trading	162,203	221,555	162,203	221,555
Manufacturing	<u>27,101</u>	<u>27,944</u>	<u>27,101</u>	<u>27,944</u>
	<u>334,369</u>	<u>470,503</u>	<u>334,369</u>	<u>470,503</u>
	<u>4,606,809</u>	<u>4,981,971</u>	<u>4,235,660</u>	<u>4,322,965</u>

8. Investment in subsidiary

	<u>Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000
Embassy Loans Inc.	<u>857,541</u>	<u>857,541</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

9. Property, plant and equipment:

	<u>Group</u>					
	<u>Leasehold improvement</u>	<u>Computer equipment</u>	<u>Furnitures and fixtures</u>	<u>Motor vehicles</u>	<u>Work in progress</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
March 31, 2019	65,291	83,234	40,705	17,809	2,649	209,688
Additions	60	4,072	2,235	5,088	23,382	34,837
Disposal	(505)	(500)	(1,325)	-	-	(2,330)
Transfers	5,543	2,864	-	-	(8,507)	(100)
Transition adjustment	<u>281</u>	<u>1,966</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>2,373</u>
March 31, 2020	70,670	91,636	41,615	23,023	17,524	244,468
Additions	-	5,448	1,968	185	3,045	10,646
Disposal	(1,292)	(100)	(2,160)	-	-	(3,552)
Transfers	1,452	15,901	1,704	-	(20,072)	(1,015)
Transition adjustment	<u>389</u>	<u>2,993</u>	<u>-</u>	<u>175</u>	<u>-</u>	<u>3,557</u>
March 31,2021	<u>71,219</u>	<u>115,878</u>	<u>43,127</u>	<u>23,383</u>	<u>497</u>	<u>254,104</u>
Depreciation						
March 31, 2019	49,276	67,498	24,427	10,778	-	151,979
Charge for the year	5,046	6,470	3,457	4,397	-	19,370
Eliminated on disposal	(505)	(500)	(1,325)	-	-	(2,330)
Transition adjustment	<u>282</u>	<u>1,966</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>2,374</u>
March 31, 2020	54,099	75,434	26,559	15,301	-	171,393
Change for the year	3,637	9,565	3,368	4,443	-	21,013
Eliminated on disposal	(920)	(70)	(2,105)	-	-	(3,095)
Transition adjustment	<u>389</u>	<u>2,720</u>	<u>-</u>	<u>175</u>	<u>-</u>	<u>3,284</u>
March 31,2021	<u>57,205</u>	<u>87,649</u>	<u>27,822</u>	<u>19,919</u>	<u>-</u>	<u>192,595</u>
Net book values						
March 31, 2021	<u>14,014</u>	<u>28,229</u>	<u>15,305</u>	<u>3,464</u>	<u>497</u>	<u>61,509</u>
March 31, 2020	<u>16,571</u>	<u>16,202</u>	<u>15,056</u>	<u>7,722</u>	<u>17,524</u>	<u>73,075</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

9. Property, plant and equipment (continued)

	<u>Company</u>					
	<u>Leasehold improvement</u> \$'000	<u>Computer equipment</u> \$'000	<u>Furnitures and fixtures</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work in progress</u> \$'000	<u>Total</u> \$'000
Cost						
March 31, 2019	60,796	51,779	40,705	15,789	2,649	171,718
Additions	60	775	2,235	5,088	23,382	31,540
Transfers	5,543	2,864	-	-	(8,507)	(100)
Disposal	<u>(505)</u>	<u>(500)</u>	<u>(1,325)</u>	<u>-</u>	<u>-</u>	<u>(2,330)</u>
March 31, 2020	65,894	54,918	41,615	20,877	17,524	200,828
Additions	-	5,448	1,968	185	3,045	10,646
Disposal	(1,292)	(100)	(2,160)	-	-	(3,552)
Transfers	<u>1,452</u>	<u>15,901</u>	<u>1,704</u>	<u>-</u>	<u>(20,072)</u>	<u>(1,015)</u>
March 31, 2021	<u>66,054</u>	<u>76,167</u>	<u>43,127</u>	<u>21,062</u>	<u>497</u>	<u>206,907</u>
Depreciation						
March 31, 2019	44,781	36,043	24,427	8,758	-	114,009
Charge for the year	5,046	6,470	3,457	4,397	-	19,370
Eliminated on disposal	<u>(505)</u>	<u>(500)</u>	<u>(1,325)</u>	<u>-</u>	<u>-</u>	<u>(2,330)</u>
March 31, 2020	49,322	42,013	26,559	13,155	-	131,049
Change for the year	3,637	8,848	3,368	4,443	-	20,296
Eliminated on disposal	<u>(920)</u>	<u>(70)</u>	<u>(2,105)</u>	<u>-</u>	<u>-</u>	<u>(3,095)</u>
March 31, 2021	<u>52,039</u>	<u>50,791</u>	<u>27,822</u>	<u>17,598</u>	<u>-</u>	<u>148,250</u>
Net book values						
March 31, 2021	<u>14,015</u>	<u>25,376</u>	<u>15,305</u>	<u>3,464</u>	<u>497</u>	<u>58,657</u>
March 31, 2020	<u>16,572</u>	<u>12,905</u>	<u>15,056</u>	<u>7,722</u>	<u>17,524</u>	<u>69,779</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

10. Intangible assets and goodwill

	Group					
	Computer software \$'000	Customer relationship \$'000	Trademark and tradename \$'000	Goodwill \$'000	Work in progress \$'000	Total \$'000
Cost						
March 31, 2019	73,463	65,424	32,914	330,785	1,917	504,503
Additions	960	-	-	-	2,361	3,321
Transfers	204	-	-	-	(204)	-
Translation adjustment	<u>-</u>	<u>15,759</u>	<u>(8,620)</u>	<u>36,627</u>	<u>-</u>	<u>43,766</u>
March 31, 2020	74,627	81,183	24,294	367,412	4,074	551,590
Additions	8,115	-	-	-	5,883	13,998
Transfers	8,372	-	-	-	(8,372)	-
Translation adjustment	<u>-</u>	<u>3,275</u>	<u>2,730</u>	<u>29,568</u>	<u>-</u>	<u>35,573</u>
March 31, 2021	<u>91,114</u>	<u>84,458</u>	<u>27,024</u>	<u>396,980</u>	<u>1,585</u>	<u>601,161</u>
Amortisation and impairment						
March 31, 2019	45,193	9,625	-	4,623	-	59,441
Charge for the year	9,768	21,041	-	-	-	30,809
Translation adjustment	<u>-</u>	<u>(288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(288)</u>
March 31, 2020	54,961	30,378	-	4,623	-	89,962
Change for the year	10,253	18,026	-	-	-	28,279
Impairment for the year	-	-	900	-	-	900
Translation adjustment	<u>-</u>	<u>1,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,321</u>
March 31, 2021	<u>65,214</u>	<u>49,725</u>	<u>900</u>	<u>4,623</u>	<u>-</u>	<u>120,462</u>
Net book values						
March 31, 2021	<u>25,900</u>	<u>34,733</u>	<u>26,124</u>	<u>392,357</u>	<u>1,585</u>	<u>480,699</u>
March 31, 2020	<u>19,666</u>	<u>50,805</u>	<u>24,294</u>	<u>362,789</u>	<u>4,074</u>	<u>461,628</u>
	Company					
	Computer software \$'000	Customer relationship \$'000	Trademark and tradename \$'000	Goodwill \$'000	Work in progress \$'000	Total \$'000
Cost						
March 31, 2019	73,463	27,600	4,200	4,623	1,917	111,803
Additions	960	-	-	-	2,361	3,321
Transfers	<u>204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(204)</u>	<u>-</u>
March 31, 2020	74,627	27,600	4,200	4,623	4,074	115,124
Additions	8,115	-	-	-	5,883	13,998
Transfers	<u>8,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,372)</u>	<u>-</u>
March 31, 2021	<u>91,114</u>	<u>27,600</u>	<u>4,200</u>	<u>4,623</u>	<u>1,585</u>	<u>129,122</u>
Amortisation and impairment						
March 31, 2019	45,193	9,625	-	4,623	-	59,441
Charge for the year	<u>9,768</u>	<u>3,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,218</u>
March 31, 2020	54,961	13,075	-	4,623	-	72,659
Charge for the year	10,253	3,450	-	-	-	13,703
Impairment for the year	<u>-</u>	<u>-</u>	<u>900</u>	<u>-</u>	<u>-</u>	<u>900</u>
March 31, 2021	<u>65,214</u>	<u>16,525</u>	<u>900</u>	<u>4,623</u>	<u>-</u>	<u>87,262</u>
Net book values						
March 31, 2021	<u>25,900</u>	<u>11,075</u>	<u>3,300</u>	<u>-</u>	<u>1,585</u>	<u>41,860</u>
March 31, 2020	<u>19,666</u>	<u>14,525</u>	<u>4,200</u>	<u>-</u>	<u>4,074</u>	<u>42,465</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

10. Intangible assets (continued)*Impairment testing for intangible assets with indefinite life*

The recoverable amount of the Micro Credit Limited Trademark and Tradename is based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the Cash Generating Unit (CGU). The carrying amount of the CGU was determined to be its recoverable amount of \$600,000 (2020: \$1,500,000), therefore an impairment charge of \$900,000 was recognised during the year (2020: \$Nil). The impairment charge was fully allocated to Trademark and Tradename and included in Other Expenses.

The key assumptions used in the estimation of value in use were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	21.5%	21.0%
Revenue growth rate	6.8%	9.3%
Terminal value growth rate	3.0%	3.0%

Following the impairment charge recognised for the Micro Credit Limited Trademark and Tradename, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

The recoverable amount of the Damark Trademark and Tradename and Embassy Loans Inc Intellectual Property for the Group is based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU was determined to be higher than the carrying value amount of \$24,432,000 (2020: \$22,794,000), therefore no impairment charge recognised during the year (2020: \$Nil).

The estimated recoverable amount of the Damark Trademark and Tradename and Embassy Loans Inc Intellectual Property exceeds carrying amount by approximately \$21,206,000 (2020: \$29,540,000). Management has estimated that a reasonable change in two key assumptions would cause the recoverable amount to remain in excess of the carrying amount.

Sensitivity Analysis

The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount			
	Jamaica		USA	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Discount rate	+120%	+109%	+70%	+140%
Loan growth rate	-200%	-170%	Not Applicable	Not Applicable

The discount rate for Jamaica was a pre-tax measure based on the rate of 20-year Government of Jamaica bonds and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

10. Intangible assets (continued)

The discount rate for the United States was a pre-tax measure based on the rate of 20-year United States Government Treasury bonds and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

Ten years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity and the long-term compound annual loan growth rate estimated by management based on the expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past 3 years and the estimated loan disbursements for the next 10 years.

Impairment testing for Goodwill

The recoverable amount of the Goodwill for the Group is based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU was determined to be higher than the carrying value amount of \$392,358,000 (2020: \$362,789,000), therefore no impairment charge recognised during the year (2020: \$Nil).

The key assumptions used in the estimation of value in use were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	15.0%	15.0%
Revenue growth rate	7.6%	5.3%
Terminal value growth rate	2.0%	2.0%

The estimated recoverable amount of the goodwill exceeds carrying amount by approximately \$602,514,000 (2020: \$567,155,000). Management has estimated that a reasonable change in two key assumptions would cause the recoverable amount to remain in excess of the carrying amount.

Sensitivity Analysis

The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount	
	<u>2021</u>	<u>2020</u>
Discount rate	+60.0%	+367%
Loan growth rate	-18.5%	-46%

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 202110. Intangible assets (continued)*Sensitivity Analysis (continued)*

The discount rate was a pre-tax measure based on the rate of 20-year United States Government Treasury bonds and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

Ten years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity and the long-term compound annual loan growth rate estimated by management based on the expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past 3 years and the estimated loan disbursements for the next 10 years.

11. Deferred income taxes

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Deferred tax is due to the following temporary differences:

	Group					
	March 31, 2019	Recognised in profit or loss (note 19)	March 31, 2020	Recognised in profit or loss (note 19)	Recognised in OCI	March 31, 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accounts payable	6,182	1,792	7,974	672	-	8,646
Property, plant & equipment	(2,788)	7,805	5,017	5,259	-	10,276
Loans receivable	132,763	(43,895)	88,868	48,326	(490)	136,704
Intangible assets	-	2,702	2,702	-	-	2,702
Leases	-	(128)	(128)	2,233	-	2,105
Other	(13)	2,987	2,974	(21,666)	-	(18,692)
	<u>136,144</u>	<u>(28,737)</u>	<u>107,407</u>	<u>34,824</u>	<u>(490)</u>	<u>141,741</u>
	Company					
	March 31, 2019	Recognised in profit or loss (note 19)	March 31, 2020	Recognised in profit or loss (note 19)	March 31, 2021	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accounts payable	6,182	1,792	7,974	672	-	8,646
Property, plant & equipment	(2,788)	7,805	5,017	5,259	-	10,276
Leases	-	573	573	2,233	-	2,806
Loans receivable	112,840	(27,260)	85,580	34,357	-	119,937
Other	(13)	2,987	2,974	(21,666)	-	(18,692)
	<u>116,221</u>	<u>(14,103)</u>	<u>102,118</u>	<u>20,855</u>	-	<u>122,973</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

12. Payables

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Payables and accruals	124,791	81,439	19,552	22,203
Cash collateral held	116,760	142,013	116,760	142,013
Advance payments	<u>88,651</u>	<u>181,555</u>	<u>88,651</u>	<u>67,587</u>
	<u>330,202</u>	<u>405,007</u>	<u>224,963</u>	<u>231,803</u>

13. Loans payable

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Corporate bond-holders (i)	1,286,299	1,483,402	1,286,299	1,483,402
Sagicor Bank Jamaica Limited (ii)	16,794	44,211	16,794	44,211
JMMB Bank Limited (iii)	85,911	297,291	85,911	297,291
Proven Investments Limited (iv)	-	100,000	-	100,000
Development Bank of Jamaica Limited (v)	1,153,770	1,139,629	1,153,770	1,139,629
Micro Investment Development Agency (vi)	-	5,187	-	5,187
Inter-American Development Bank (vii)	-	21,566	-	21,566
Embassy loans (viii)	-	-	144,877	133,959
Other (ix)	-	133,959	-	-
	<u>2,542,774</u>	<u>3,225,245</u>	<u>2,687,651</u>	<u>3,225,245</u>

The loans mature as follows:

1 to 3 months	168,489	20,031	168,489	20,031
3 to 12 months	<u>747,041</u>	<u>1,165,196</u>	<u>747,041</u>	<u>1,031,237</u>
	915,530	1,185,227	915,530	1,051,268
Over 12 months	<u>1,627,244</u>	<u>2,040,018</u>	<u>1,772,121</u>	<u>2,173,977</u>
	<u>2,542,774</u>	<u>3,225,245</u>	<u>2,687,651</u>	<u>3,225,245</u>

- (i) This represents five year fixed and variable rate bond notes due in 2025 and 2026, arranged by Proven Wealth Limited and registered with JCSD Trustee Services Limited, as Trustee. Interest is payable every six months and the fixed rate bonds interest rate ranges from 7.85% to 8%. The variable rate bonds interest rate is 11% per annum for two years and variable thereafter. The applicable variable rate will be 250 basis points above the prevailing Government of Jamaica six-months weighted average treasury bill yield occurring one month before the interest payment date. The note is unsecured.

ACCESS FINANCIAL SERVICES LIMITEDNotes to the Financial Statements (Continued)
Year ended March 31, 202113. Loans payable (continued)

- (ii) This loan attracts interest at 9% per annum and is secured by promissory notes and letter of commitment executed by the Company under seal. This will mature on September 30, 2021
- (iii) These loans represent a seven-year Term Loan an at interest rate of 8%. They are secured by promissory note.
- (iv) This represented a 3-month Revolving Line of Credit and attracted interest at 10.50% per annum. It is secured by promissory note. This matured during the year.
- (v) These loans bear interest averaging 9% (2020 : 9%) and are repayable monthly and quarterly over 24 months. They are secured by promissory note.
- (vi) This loan attracts interest at 10% per annum and was repayable within 21 months. It was secured by Promissory Note, assignment of receivables and participation agreement. This was matured during the year.
- (vii) This loan attracts interest at the Jamaican Treasury Bill rate + 5%, with principal payments every six months. This was matured during the year.
- (viii) The loan represents deferred consideration on the purchase of Embassy Loans. This attracts interest at 20% per annum and payable on demand.
- (ix) This represented two senior secured notes issued by the subsidiary bearing interest of 10% per annum. The notes, which matured on December 14, 2020, are secured by a security agreement and a deposit control agreement.

14. Leases

The Group leases property mainly for the operations of its branches. The leases typically run for 1 to 5 years, with options to renew. Some leases may have options for periodic rate adjustments to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets

	<u>Group</u>		<u>Company</u>	
	<u>Land and building 2021 \$'000</u>	<u>Land and building 2020 \$'000</u>	<u>Land and building 2021 \$'000</u>	<u>Land and building 2020 \$'000</u>
Balance at beginning of the year	155,683	195,466	95,495	123,712
Additions	35,878	23,452	35,878	23,452
Disposals, net	(4,099)	-	(4,099)	-
Adjustments	1,457	-	(200)	-
Depreciation charge for the year	(69,059)	(67,941)	(50,549)	(51,669)
Exchange adjustments	<u>5,007</u>	<u>4,706</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>124,867</u>	<u>155,683</u>	<u>76,525</u>	<u>95,495</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

14. Leases (continued)

(b) Lease liabilities

	<u>Group</u>		<u>Company</u>	
	<u>Land and building 2021</u>	<u>Land and building 2020</u>	<u>Land and building 2021</u>	<u>Land and building 2020</u>
Maturity analysis – contractual undiscounted cash flows:				
Less than one year	72,065	66,439	49,592	45,659
One to five years	<u>86,374</u>	<u>121,637</u>	<u>45,544</u>	<u>64,493</u>
	158,439	188,076	95,136	110,152
Less: future interest	<u>(16,025)</u>	<u>(26,808)</u>	<u>(7,387)</u>	<u>(12,366)</u>
Total discounted lease liabilities as at March 31	<u>142,414</u>	<u>161,268</u>	<u>87,749</u>	<u>97,786</u>
Less: current portion	<u>(72,228)</u>	<u>(66,814)</u>	<u>(54,827)</u>	<u>(52,489)</u>
Non-current	<u>70,186</u>	<u>94,454</u>	<u>32,922</u>	<u>45,297</u>

(c) Amounts recognised in profit or loss:

	<u>Group</u>		<u>Company</u>	
	<u>Land and building 2021 \$'000</u>	<u>Land and building 2020 \$'000</u>	<u>Land and building 2021 \$'000</u>	<u>Land and building 2020 \$'000</u>
Expense relating to leases of low value assets	994	505	144	144
Depreciation charge for the year	69,059	67,941	50,549	51,669
Interest on lease liabilities	<u>16,412</u>	<u>17,698</u>	<u>9,165</u>	<u>9,563</u>

(d) Amounts recognised in the statement of cash flows:

	<u>Group</u>		<u>Company</u>	
	<u>Land and building 2021 \$'000</u>	<u>Land and building 2020 \$'000</u>	<u>Land and building 2021 \$'000</u>	<u>Land and building 2020 \$'000</u>
Total cash outflow for leases	<u>83,759</u>	<u>80,008</u>	<u>60,924</u>	<u>58,941</u>

ACCESS FINANCIAL SERVICES LIMITEDNotes to the Financial Statements (Continued)
Year ended March 31, 202115. Share capital

	<u>2021</u> \$'000	<u>2020</u> \$'000
Authorised share capital 350,000,000 (2020:350,000,000) ordinary shares of no-par value		
Stated capital, issued and fully paid: 274,509,840 (2020: 274,509,840) ordinary shares of no par value	<u>96,051</u>	<u>96,051</u>

16. Equity reserves

(a) Fair value reserve

This represents unrealised gains on revaluation of investment classified as fair value through other comprehensive income.

(b) Foreign exchange translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the foreign subsidiary.

17. Staff costs

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Wages, salaries and statutory contributions	551,132	605,827	357,751	366,047
Pension contributions	21,040	22,091	11,296	11,206
Other staff benefits	<u>98,339</u>	<u>97,526</u>	<u>77,960</u>	<u>77,419</u>
	<u>670,511</u>	<u>725,444</u>	<u>447,007</u>	<u>454,672</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

18. Other operating expenses

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising	38,873	66,975	24,622	26,858
Agency fees	12,059	18,610	12,059	18,610
Audit fees	28,492	24,237	20,047	20,723
Bank charges	6,585	8,473	2,317	3,844
Cleaning and sanitation	4,739	7,121	3,550	4,829
Courier and collection services	5,077	6,936	5,077	6,936
Directors' fees [note 22(a)]	2,827	3,121	2,827	3,121
Insurance	3,216	4,196	3,216	4,196
Irrecoverable GCT	35,973	47,561	35,973	47,561
Legal and professional fees	24,247	48,899	12,665	33,911
Loans written off	93,352	210,245	12,913	37,740
Motor vehicle expenses	999	1,161	999	1,161
Printing and stationery	7,881	13,290	7,881	13,290
Rent	994	505	144	144
Repairs and maintenance	3,131	3,195	3,131	3,195
Security	6,332	7,484	6,224	7,017
Subscriptions & donations	10,125	8,521	10,125	8,521
Travel and entertainment	1,386	4,165	1,386	4,165
Utilities	55,170	64,390	46,741	55,873
Other expenses	<u>52,440</u>	<u>69,466</u>	<u>32,495</u>	<u>43,342</u>
	<u>393,898</u>	<u>618,551</u>	<u>244,392</u>	<u>345,037</u>

ACCESS FINANCIAL SERVICES LIMITEDNotes to the Financial Statements (Continued)
Year ended March 31, 202119. Taxation

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Taxation for the year comprises:				
Current tax expense	107,040	37,041	107,040	43,974
Prior year tax under provision	3,402	-	3,402	-
Deferred tax arising from temporary differences	<u>(34,824)</u>	<u>28,737</u>	<u>(20,855)</u>	<u>14,103</u>
	<u>75,618</u>	<u>65,778</u>	<u>89,587</u>	<u>58,077</u>

(b) Reconciliation of actual tax expense

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	<u>341,305</u>	<u>395,525</u>	<u>354,726</u>	<u>424,398</u>
Expected tax expense at 25%	85,326	98,881	88,682	106,100
Effect of different tax rate in foreign jurisdiction	(201)	(105)	-	-
Adjusted for difference in treatment of:				
Depreciation and capital allowances	538	8,437	538	8,437
Prior year tax adjustment	3,402	-	3,402	-
Disallowed expenses	<u>(13,447)</u>	<u>1,798</u>	<u>(3,035)</u>	<u>(13,227)</u>
	75,618	109,011	89,587	101,310
Adjustment for the effect of tax remission	<u>-</u>	<u>(43,233)</u>	<u>-</u>	<u>(43,233)</u>
	<u>75,618</u>	<u>65,778</u>	<u>89,587</u>	<u>58,077</u>

(c) Remission of income tax:

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

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

Therefore, on October 31, 2019 the tax benefit expired. The financial statements for 2020 were prepared on the basis that the Company would retain the full benefit of the tax remissions effected in 2020 and prior periods.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

20. Earnings per stock unit

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Net profit attributable to stockholders (\$'000)	265,687	329,747	265,139	366,321
Number of ordinary stock units ('000)	274,510	274,510	274,510	274,510
Earnings per stock unit (\$)	<u>0.97</u>	<u>1.20</u>	<u>0.97</u>	<u>1.33</u>

21. Dividends

	<u>Company</u>	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
In respect of 2020	<u>63,137</u>	<u>134,510</u>

At meetings of The Board of Directors on 30 July 2020, 29 October 2020, and 4 February 2021, dividend payments of \$0.05, \$0.08, and \$0.10 respectively were approved by the Board of Directors.

After the reporting date, The Board of Directors proposed \$0.20 dividend per share at a meeting held on June 3, 2021. The dividends have not been recognized as liabilities.

22. Related party transactions and balances

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

- (a) The statement of profit or loss and other comprehensive income includes the following transactions with related parties in the ordinary course of business.

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Key management compensation (included in staff costs Note 17)				
Key management includes director and senior managers :				
Salaries and other short-term employee benefits	161,557	150,253	60,805	55,723
Post employment benefits	16,032	12,438	4,284	3,484
Interest expense	5,466	13,581	-	-
Directors' emoluments				
Fees (note 18)	2,827	3,121	2,827	3,121
Management remuneration	19,019	16,995	13,324	16,955

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

22. Related party transactions and balances (continued)

(a) (Continued)

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Lease payments – related entities				
Renew Limited	22,240	19,449	22,240	19,449
Aeric Investments Limited	5,538	-	5,538	-
Loan interest income- subsidiary:				
Embassy Loans Inc.	-	-	87,479	104,916
Loan interest expense– related entities:				
Proven Investments Limited	(2,589)	(4,904)	(2,589)	(4,904)
Loan commitment and origination fees – related entities:				
Proven Investments Limited	<u>-</u>	<u>(4,718)</u>	<u>-</u>	<u>(4,718)</u>

(b) The statement of financial position includes balances arising in the ordinary course of business with related parties as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balances due from:				
Embassy Loans Inc. (note 6)	-	-	87,142	103,818
Balances due to:				
Embassy Loans Inc. (note 13)	-	-	(144,877)	(133,959)
Proven Investments Limited	-	(100,000)	-	(100,000)
Loans Payable:				
Other Related Party	<u>-</u>	<u>133,959</u>	<u>-</u>	<u>-</u>

23. Segment information

	<u>2021</u>			
	<u>Jamaica</u>	<u>United States</u>	<u>Eliminations</u>	<u>Group</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income	<u>1,478,800</u>	<u>134,612</u>	<u>(87,479)</u>	<u>1,525,933</u>
Segment results	<u>354,726</u>	<u>(13,421)</u>	<u>-</u>	<u>341,305</u>
Taxation				<u>(75,618)</u>
Profit for the year				<u>265,687</u>
Interest expense	(245,999)	(98,246)	87,412	(256,833)
Allowance for credit losses	(324,709)	29,720	-	(294,989)
Impairment	(900)	-	-	(900)
Depreciation and amortization	<u>(84,548)</u>	<u>(33,803)</u>	<u>-</u>	<u>(118,351)</u>
Total segment assets	<u>5,311,805</u>	<u>1,123,957</u>	<u>(944,683)</u>	<u>5,491,089</u>
Total segment liabilities	<u>(3,026,366)</u>	<u>(607,656)</u>	<u>594,212</u>	<u>(3,039,810)</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

23. Segment information (continued)

	<u>2020</u>			
	<u>Jamaica</u> \$'000	<u>United States</u> \$'000	<u>Eliminations</u> \$'000	<u>Group</u> \$'000
Interest income	<u>1,597,306</u>	<u>210,624</u>	<u>(104,916)</u>	<u>1,703,014</u>
Segment results	<u>424,398</u>	<u>(6,994)</u>	<u>(21,879)</u>	<u>395,525</u>
Taxation				<u>(65,778)</u>
Profit for the year				<u>329,747</u>
Interest expense	(231,868)	(103,203)	81,486	(253,585)
Allowance for credit losses	(291,884)	(5,164)	-	(297,048)
Depreciation and amortisation	<u>(84,257)</u>	<u>(33,814)</u>	<u>-</u>	<u>(118,071)</u>
Total segment assets	<u>5,637,555</u>	<u>1,286,247</u>	<u>(961,359)</u>	<u>5,962,443</u>
Total segment liabilities	<u>(3,554,834)</u>	<u>(1,144,258)</u>	<u>907,572</u>	<u>(3,791,520)</u>

24. Financial instruments – risk management

The Group has exposure to financial instruments risks such as credit, liquidity and market risks from its use of financial instruments, as well as operational risk.

The Group has documented strategies, policies, procedures, processes and authority delegated throughout the organization to manage its risk and monitor compliance.

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

The risk management policies and procedures are established to identify, evaluate and analyse the risks faced by the Group, to set appropriate controls and to monitor adherence to standards set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and to ensure prudential and regulatory compliance.

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

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(i) Exposure to credit risk

Credit risk exposure is the amount of loss that the Group would suffer if all counterparties to which the Group was exposed were to default at once. There are no financial assets not recognised; accordingly, this exposure is represented substantially by the carrying amount of financial assets recognised in the statement of financial position, without taking account of the value of any collateral held. At the reporting date, the maximum exposure to credit risk on financial assets, without taking account of the value of any collateral held, was the same as the carrying amounts in the statement of financial position.

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

- Concentration of risk – Loans and advances

The following table summarises the Group's credit exposure for loans and advances at their carrying amounts, as categorised by the customer sector:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
Personal loans	4,272,440	4,511,468	3,901,291	3,852,462
Business loans	<u>334,369</u>	<u>470,503</u>	<u>334,369</u>	<u>470,503</u>
	4,606,809	4,981,971	4,235,660	4,322,965
Less: Provision for credit losses	<u>(520,140)</u>	<u>(511,057)</u>	<u>(479,749)</u>	<u>(446,397)</u>
	<u>4,086,669</u>	<u>4,470,914</u>	<u>3,755,911</u>	<u>3,876,568</u>

(ii) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost:

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 202124. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(ii) Credit quality analysis

- Loans receivable at amortised cost:

	Group			
	2021			
	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
Ageing of loans receivable				
Current	3,429,211	243	299	3,429,753
Past due 1-30 days	458,922	-	-	458,922
Past due 31-60 days	283,969	84,735	-	368,704
Past due 60-90 days	80,300	48,182	-	128,482
Over 90 days	-	-	220,948	220,948
Total	4,252,402	133,160	221,247	4,606,809
Loss allowance	(293,416)	(29,835)	(196,889)	(520,140)
	<u>3,958,986</u>	<u>103,325</u>	<u>24,358</u>	<u>4,086,669</u>

	Group			
	2020			
	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
Ageing of loans receivable				
Current	3,768,462	4,055	1,376	3,773,893
Past due 1-30 days	831,099	7,801	5,252	844,152
Past due 31-60 days	104,236	39,212	945	144,393
Past due 60-90 days	25,445	50,449	10,912	86,806
Over 90 days	-	-	132,727	132,727
Total	4,729,242	101,517	151,212	4,981,971
Loss allowance	(395,978)	(16,779)	(98,300)	(511,057)
	<u>4,333,264</u>	<u>84,738</u>	<u>52,912</u>	<u>4,470,914</u>

	Company			
	2021			
	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
Ageing of loans receivable				
Current	3,426,658	243	299	3,427,200
Past due 1-30 days	454,595	-	-	454,595
Past due 31-60 days	-	84,735	-	84,735
Past due 60-90 days	-	48,182	-	48,182
Over 90 days	-	-	220,948	220,948
Total	3,881,253	133,160	221,247	4,235,660
Loss allowance	(253,025)	(29,835)	(196,889)	(479,749)
	<u>3,628,228</u>	<u>103,325</u>	<u>24,358</u>	<u>3,755,911</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(ii) Credit quality analysis (continued)

- Loans receivable at amortised cost (continued):

	Company			
	2020			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Ageing of loans receivable				
Current	3,378,444	4,055	1,376	3,383,875
Past due 1-30 days	613,301	7,801	5,252	626,354
Past due 31-60 days	78,491	39,212	945	118,648
Past due 60-90 days	-	50,449	10,912	61,361
Over 90 days	-	-	<u>132,727</u>	<u>132,727</u>
Total	4,070,236	101,517	151,212	4,322,965
Loss allowance	(298,002)	(16,779)	(131,616)	(446,397)
	<u>3,772,234</u>	<u>84,738</u>	<u>19,596</u>	<u>3,876,568</u>

(iii) Management of credit risk

The way in which the company manages the credit risk to which it is exposed on the financial assets it holds is set out below.

(1) Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and the default correlations between counterparties.

The Group uses ECL models developed by independent service providers to determine the ECL allowances for its loans receivable. The models measure credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The COVID-19 pandemic has caused significant market volatility which has increased the Group's credit risk. The increase in inflation rate, interest rates, unemployment rate and decrease in gross domestic products have resulted in an increase in the credit risk of loans and advances.

(2) Cash and cash equivalents, including resale agreements

The Group limits its exposure to risk on cash and cash equivalents by holding balances with reputable financial institutions. The Group holds collateral for balances with brokers/dealers when securities are held under resale agreements.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(iii) Management of credit risk

(3) Other receivables

Other receivables mainly consists of interest receivable from subsidiary and this amounts are considered recoverable as the subsidiary has the intention and ability to pay.

(iv) Impairment

Inputs, assumptions and techniques used for estimating impairment

See accounting policy at note 3(i).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in credit scores;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(iv) Impairment (continued)

Significant increase in credit risk (continued)

Credit risk grades (continued):

Each exposure is allocated to a credit risk score on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – e.g. financial statements, management accounts, budgets and projections.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- External data from credit reference agencies, including industry-standard credit scores.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.

Determining whether credit risk has been increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to have increased significantly based on the days past due of the loan repayments. In addition, the Group considers degradation of credit risk drivers an additional indicator of credit risk increase. These are qualitative indicators of credit quality and include such factors such as the borrower's employment arrangements, payment method, industry or personal conditions.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(iv) Impairment (continued)

Determining whether credit risk has been increased significantly (continued)

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition.

A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.

If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.

Financial instruments in Stage 1 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. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Definition of default:

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the company to actions such as realising security (if any is held);
- the borrower is more than 30 days past due on any material credit obligation to the company.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower’s inability to pay its credit obligations.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(iv) Impairment (continued)

Definition of default (continued):

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the Group’s Finance team and provide the best and worst estimate view of the economy.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group considers other possible scenarios and scenario weightings. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(iv) Impairment (continued)

Incorporation of forward-looking information (continued)

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans without collateral, LGD is estimated on the basis of the average recovery rate for these loans.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the company considers a longer period.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 202124. Financial instruments – risk management (continued)

(a) Credit risk (continued)

(iv) Impairment (continued)

Measurement of ECL (continued)

	Group			
	2021			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Loans receivable:				
Balance at April 1, 2020	395,978	16,779	98,300	511,057
Net remeasurement of				
loss allowance	(108,013)	13,056	389,946	294,989
Translation adjustments	5,451	-	-	5,451
Loans written off	-	-	(291,357)	(291,357)
Balance at March 31, 2021	<u>293,416</u>	<u>29,835</u>	<u>196,889</u>	<u>520,140</u>

	Group			
	2020			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Loans receivable:				
Balance at April 1, 2019	309,966	24,996	167,113	502,075
Net remeasurement of				
loss allowance	82,458	(8,217)	222,807	297,048
Translation adjustments	3,554	-	-	3,554
Loans written off	-	-	(291,620)	(291,620)
Balance at March 31, 2020	<u>395,978</u>	<u>16,779</u>	<u>98,300</u>	<u>511,057</u>

	Company			
	2021			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Loans receivable:				
Balance at April 1, 2020	298,000	16,779	131,618	446,397
Net remeasurement of				
loss allowance	(44,975)	13,056	356,628	324,709
Loans written off	-	-	(291,357)	(291,357)
Balance at				
March 31, 2021	<u>253,025</u>	<u>29,835</u>	<u>196,889</u>	<u>479,749</u>

	Company			
	2020			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Loans receivable:				
Balance at April 1, 2019	220,706	24,996	200,431	446,133
Net remeasurement of				
loss allowance	77,294	(8,217)	222,807	291,884
Loans written off	-	-	(291,620)	(291,620)
Balance at March 31, 2020	<u>298,000</u>	<u>16,779</u>	<u>131,618</u>	<u>446,397</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(b) Liquidity risk

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

Liquidity risk management process

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

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

Cash flows of financial liabilities

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

	Group						
	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	330,202	330,202	35,826	294,376	-	-	330,202
Loans payable	2,542,774	3,313,908	205,695	881,451	473,727	1,753,035	3,313,908
Lease liability	142,414	158,439	19,411	52,615	57,008	29,405	158,439
Total financial liabilities	3,015,390	3,802,549	260,932	1,228,442	530,735	1,782,440	3,802,549
	Group						
	2020						
	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	405,007	405,007	55,814	349,193	-	-	405,007
Loans payable	3,225,245	4,072,077	73,273	1,355,618	874,530	1,768,655	4,072,077
Lease liability	161,268	188,076	16,708	49,731	57,635	64,002	188,076
Total financial liabilities	3,791,520	4,665,160	145,795	1,754,542	932,165	1,832,657	4,665,160

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 202124. Financial instruments – risk management (continued)

(b) Liquidity risk (continued)

	Company						Total \$'000
	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 2 years \$'000	2 to 5 years \$'000	
Payables	224,963	224,963	19,213	205,750	-	-	224,963
Loans payable	2,687,651	3,313,908	205,695	881,451	473,727	1,753,035	3,313,908
Lease liability	<u>87,749</u>	<u>95,136</u>	<u>13,792</u>	<u>35,760</u>	<u>34,535</u>	<u>11,049</u>	<u>95,136</u>
Total financial liabilities	<u>3,000,363</u>	<u>3,634,007</u>	<u>238,700</u>	<u>1,122,961</u>	<u>508,262</u>	<u>1,764,084</u>	<u>3,634,007</u>

	Company						Total \$'000
	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 2 years \$'000	2 to 5 years \$'000	
Payables	231,803	231,804	35,379	196,425	-	-	231,804
Loans payable	3,225,245	4,062,030	73,273	1,211,612	874,530	1,902,614	4,062,030
Lease liability	<u>97,786</u>	<u>110,152</u>	<u>11,513</u>	<u>34,146</u>	<u>36,855</u>	<u>27,638</u>	<u>110,152</u>
Total financial liabilities	<u>3,554,834</u>	<u>4,403,986</u>	<u>120,165</u>	<u>1,442,183</u>	<u>911,385</u>	<u>1,930,252</u>	<u>4,403,986</u>

(c) Market risk

(i) Currency risk

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

Currency risk arises from US\$ loans and advances receivable and foreign currency and cash and bank balances. The 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 company further manages this risk by maximising foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

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

	Group		Company	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
<i>Assets</i>				
Cash and bank balances	368,140	184,410	99,545	4,985
Related party receivables	-	-	87,142	103,818
Receivables (loan and advances)	<u>330,758</u>	<u>595,978</u>	<u>-</u>	<u>1,632</u>
	<u>698,898</u>	<u>780,388</u>	<u>186,687</u>	<u>110,435</u>

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$'000	\$'000	\$'000	\$'000
<i>Liabilities</i>				
Balances to Embassy Loans Inc.	-	-	144,877	133,959
Lease liabilities	<u>102,522</u>	<u>130,844</u>	<u>54,857</u>	<u>67,361</u>
	<u>102,522</u>	<u>130,844</u>	<u>199,734</u>	<u>201,320</u>

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, accounts receivable balance and payables balance, and adjusts their translation at the year-end for 6% (2020: 6%) depreciation and a 2% (2020: 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>		<u>2021</u>	
	% change in currency rate	Effect on profit \$'000	% change in currency rate	Effect on profit \$'000
USD	-6	35,783	-6	(781)
USD	<u>+2</u>	<u>11,928</u>	<u>+2</u>	<u>260</u>

(ii) 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 is exposed to equity securities price risk arising from its holding of available-for-sale investments. As the Group does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

24. Financial instruments – risk management (continued)

(c) Market risk (continued)

(ii) Price risk (continued)

Cash flow and fair value interest rate risk (continued)

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

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

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

Interest rate sensitivity

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

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

(d) Financial instruments not measured at fair value

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

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

(e) Financial instruments measured at fairvalue

The Company's equity investments of financial instruments measured are classified at Level 1 of the fair value hierarchy. There were no transfers between levels during the period.

(f) Capital management

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

ACCESS FINANCIAL SERVICES LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2021

25. Impact of the COVID-19 Pandemic

In March 2020, The World Health Organisation declared the novel coronavirus, COVID-19, as a global pandemic. As a first step Group instituted measures at Group's head office and branches to safeguard and protect our stakeholders by not only providing information to their employees, business partners and clients and but also equipping all personnel with supplies to prevent contagion and establishing protocols to access our premises.

This also necessitated the establishment and implementation of a Remote Work Arrangement Policy to ensure that Group's staff could work remotely and operate using a flexible work plan. Technology enhancements was also implemented to allow Group to conduct business with their customers electronically, therefore minimizing the physical contact of the staff and customers on our premises. The Business Continuity Plan for a pandemic was put in place and members of the Crisis Management Team of the Company attended regular meetings in which the impacts to its business are assessed and measures are discussed to curb the spread of the COVID-19 and maintain business operations.

The impact of COVID-19 on Group's loan portfolios resulted in increased credit risk due to higher delinquency levels, and increased liquidity risk due to lower cash inflows from customer loan repayments and/or deferral of loan payments. The increased exposures from these risks were managed by the Crisis Management Team throughout the year.

Finally, the Group has implemented a cost reduction program to increase the use of technology for efficiency and to reduce operating costs. These and other initiatives are intended to contain the financial impact from the reduction in revenues.