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ACCESS
FINANCIAL SERVICES LTD.

UNAUDITED FINANCIAL REPORT
SECOND QUARTER SEPTEMBER 2019

Access Financial Services Limited

Directors' Statement

The Board of Directors of Access Financial Services Limited is pleased to present the consolidated unaudited financial statements of the Group for the six month period ended 30 September 2019.

Overview

Access Financial Services Limited recorded consolidated net profit after tax of $280 million for the six month period ended September 30, 2019, compared to the net profit of $396 million for the corresponding period ended September 30, 2018. This represents a 29% decline in net profit year over year due to lower interest margins and increased allowance for credit losses in keeping with the significant growth in the loan portfolio. The results for this year include the consolidation of the performance of Embassy Loans Inc. (Embassy Loans), which was acquired in December 2018.

As at September 30, 2019 the Group's asset base stood at $5.63 billion, reflecting an increase of 55% or $2.00 billion. Loan and advances increased significantly year over year with the consolidation of Embassy Loans, and a 17% increase in loan disbursements year over year for the company, Access Financial Services Limited (Access).

HIGHLIGHTS	Unaudited Six months ended Sep-19	Unaudited Six months ended Sep-18	Audited 31 March 2019	% Change Year over Year
OPERATING RESULTS (INCOME STATEMENT DATA):				
Net Profit After Tax - J$ millions	280	396	477	-29%
FINANCIAL POSITION & STRENGTH (BALANCE SHEET DATA):				
Loans & Advances - J$ billions	4.70	3.13	3.74	50%
Total Asset - J$ billions	5.63	3.63	4.83	55%
Stockholder's Equity - J$ billions	2.46	2.33	2.22	6%
Return on average Stockholder's Equity (ROE)	23%	36%	47%	-13%
Earnings per stock unit (EPS) - J$	$1.02	$1.44	$1.74	-29%

Financial Performance

Net Operating Income for the six month period ended September 30, 2019 amounted to $1.11 billion, an increase of $260 million or 31% with the consolidation of Embassy Loans. In order to achieve the significant growth in the loan portfolio, margins have declined due to the competitive nature of the market. The increase in Net Fee & Commission Income year over year is based on Embassy Loan's business model to generate higher fee revenues.

Operating expenses for the six month period was $825 million, compared to $423 million last year. Allowance for credit losses increased year over year with the consolidation of Embassy Loans as well as a result of the increase in Access's loan portfolio. Excluding the allowance for loan losses, operating expenses for the period increased by $372 million year over year, of which Embassy Loans accounted for $219 million.

Net profit after tax for the six months period was $280 million, representing a decline of 29% when compared to the 2018 comparative period. This resulted in earnings per share for the period of $1.02.

Access Financial Services Limited

Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2019 (Expressed in Thousands of Jamaican dollars)

	Unaudited September 2019 $'000	Unaudited September 2018 $'000	Audited March 2019 $'000
ASSETS			
Cash and cash equivalents	158,673	225,418	411,815
Financial investments	6,037	3,324	3,814
Other accounts receivable	59,789	39,557	40,537
Loans and advances	4,703,406	3,129,019	3,735,412
Property, plant and equipment	60,941	60,611	59,626
Intangible assets	481,988	46,400	443,144
Deferred tax assets	152,354	130,129	136,144
Taxation recoverable	9,931	-	-
TOTAL ASSETS	***5,633,119***	***3,634,458***	***4,830,492***
LIABILITIES			
Payables	449,513	190,733	379,788
Loan payable	2,719,958	1,052,418	2,216,139
Taxation payable	-	57,160	12,735
Total Liabilities	3,169,471	1,300,311	2,608,662
Total Liabilities	***3,169,471***	***1,300,312***	***2,608,663***
STOCKHOLDERS' EQUITY			
Share capital	96,051	96,051	96,051
Fair value reserve	4,023	1,311	1,801
Foreign exchange translation	15,734	-	(23,839)
Retained earnings	2,347,840	2,236,785	2,147,817
Total Stockholders' Equity	***2,463,648***	***2,334,147***	***2,221,830***
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	***5,633,119***	***3,634,458***	***4,830,492***

Financial Position

Loans and Advances for the Group increased by $1.57 billion or 50% over the corresponding 2018 period to $4.70 billion. The consolidation of Embassy Loans accounted for $748 million of the growth in the loan portfolio. Total assets as at September 30, 2019 was $5.63 billion, compared to $3.63 billion as at September 30, 2018.

Total Liabilities increased by $1.86 billion year over year to $3.17 billion as at September 30, 2019. The increase is primarily attributable to the issue of a $900 million bond in November 2018, to fund the purchase of the Embassy Loans.

Approved for issue by the Board of Directors on October 29, 2019 and signed on its behalf by:

....

Rex James
Chairman

....

Marcus James
Chief Executive Officer

Access Financial Services Limited

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 (Expressed in Thousands of Jamaican dollars)

	Unaudited Quarter ended September 2019	***Unaudited Quarter ended*** September 2018	***Unaudited Six Months Ended*** September 2019	***Unaudited Six Months Ended*** September 2018	***Audited Year Ended*** March 2019
Operating Income					
Interest income from loans	422,321	384,558	830,068	784,709	1,398,729
Interest income from securities	496	1,052	686	2,560	6,994
Total Interest Income	**422,817**	**385,610**	**830,754**	**787,269**	**1,405,723**
Interest Expense	(57,985)	(24,477)	(103,204)	(48,538)	(138,605)
Net Interest Income	**364,832**	**361,133**	**727,550**	**738,731**	**1,267,118**
Net fees and commissions on loans	190,031	34,804	342,766	70,317	311,384
	554,863	***395,937***	***1,070,316***	***809,048***	***1,578,502***
Other Operating Income					
Money services fees and commission	481	467	980	845	29,657
Foreign exchange gains /(losses)	42	10,371	2,320	18,526	-4,581
Other income	17,033	257	37,493	22,985	44,744
	17,556	11,095	40,793	42,356	69,820
Net Operating Income	***572,419***	***407,032***	***1,111,109***	***851,404***	***1,648,322***
Operating Expenses					
Staff costs	173,475	104,792	339,720	205,676	491,166
Allowances for credit losses	105,317	34,863	184,720	50,120	146,825
Depreciation and amortization	8,169	9,314	16,233	18,197	30,333
Marketing expenses	16,844	6,841	34,378	14,581	36,517
Other operating expenses	143,432	68,609	249,841	134,401	366,322
	447,237	**224,419**	**824,892**	**422,975**	**1,071,163**
Profit before taxation	**125,182**	**182,613**	**286,217**	**428,429**	**577,159**
Taxation	(10,584)	(15,022)	(6,586)	(32,811)	(100,313)
Profit for the period / year	**114,598**	**167,591**	**279,631**	**395,618**	**476,846**
OTHER COMPREHENSIVE INCOME:					
Items that may be reclassified to profit or loss					
Unrealised gains on investments at fair value through other comprehensive income	2,450	551	2,222	551	1,041
Foreign currency transalation gains / (losses) on overseas subsidiary	26,093	-	39,573	-	(23,839)
TOTAL COMPREHENSIVE INCOME:	***143,141***	***168,142***	***321,426***	***396,169***	***454,048***
EARNINGS PER STOCK UNIT	***$0.42***	***$0.61***	***$1.02***	***$1.44***	***$1.74***

Access Financial Services Limited

Consolidated Statement of Changes in Stockholders' Equity

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Thousands of Jamaican dollars)

Unaudited	*Share Capital*	*Translation Reserve*	*Fair Value Reserve*	*Retained Earnings*	*Total*
Balance as at March 31, 2018	**96,051**	**-**	**760**	**2,206,466**	**2,303,277**
Adjustment on initial adoption of IFRS 9, net of taxes				(195,103)	(195,103)
Adjusted Balance as at 1 April 2018	**96,051**	**-**	**760**	**2,011,363**	**2,108,174**
Total Comprehensive Income:					
Net Profit	-	-	-	395,618	395,618
Other Comprehensive Income	-	-	551	-	551
Transaction with Owners:					
Dividends Paid	-	-	-	(170,196)	(170,196)
Balance as at 30 September 2018	**96,051**	**-**	**1,311**	**2,236,785**	**2,334,147**
Balance as at 1 April 2019	96,051	(23,839)	1,801	2,147,817	2,221,830
Total Comprehensive Income:					-
Net Profit	-	-	-	279,631	279,631
Other Comprehensive Income	-	39,573	2,222	-	41,795
Transaction with Owners:					-
Dividends Paid	-	-	-	(79,608)	(79,608)
					-
Balance as at 30 September 2019	**96,051**	**15,734**	**4,023**	**2,347,840**	**2,463,647**

Access Financial Services Limited

Consolidated Statement of Cash Flows

AS AT SEPTEMBER 30, 2019 (Expressed in Thousands of Jamaican dollars)

	Unaudited Six Months Ended Sept. 2019	Unaudited Six Months Ended Sept. 2018	Audited Year Ended March 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Profit for the period / year	279,631	395,618	476,846
Items not affecting cash resources:			
Exchange (gains) / losses on foreign balances	(2,320)	(18,526)	4,581
Depreciation and amortization	16,233	18,197	30,333
Increase in allowance for loan losses	184,720	50,120	146,825
Interest income	(830,754)	(787,269)	(1,405,723)
Interest expense	103,204	48,538	138,605
Taxation	42,718	40,690	49,172
Deferred tax	(36,133)	(7,879)	51,141
	(242,701)	**(260,511)**	**(508,220)**
Changes in operating assets and liabilities			
Loans and advances, net	(1,153,767)	(442,034)	(668,107)
Other accounts receivable	(12,842)	(4,264)	131,335
Loans payable, net	503,819	87,677	1,123,924
Accounts payable	61,163	(4,854)	9,412
	(844,328)	**(623,986)**	**88,344**
Interest received	824,345	787,188	1,397,011
Interest paid	(94,766)	(46,793)	(125,169)
Taxation paid	(63,054)	(40,266)	(93,175)
Cash provided by operating activities	**(177,803)**	**76,143**	**1,267,011**

	Unaudited Six Months Ended Sept. 2019	Unaudited Six Months Ended Sept. 2018	Audited Year Ended March 2019
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and intangible assets	(12,030)	(15,005)	(30,198)
Acquisition of subsidiary	-	-	(796,836)
Cash used in investing activities	**(12,030)**	**(15,005)**	**(827,034)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(79,608)	(170,196)	(340,392)
Cash used in financing activities	**(79,608)**	**(170,196)**	**(340,392)**
NET INCREASE IN CASH AND ACSH EQUIVALENTS FOR THE PERIOD/ YEAR	**(269,441)**	**(109,058)**	**99,585**
Effect of exchange rate fluctuations on cash and cash equivalents	16,299	18,548	(3,698)
Cash and cash equivalents at the beginning of the year	411,815	315,928	315,928
CASH AND CASH EQUIVALENTS AT END OF PERIOD/ YEAR	**158,673**	**225,418**	**411,815**

1. Identification and Principal Activities

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

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

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.

2. Reporting Currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency. All financial information has been rounded to the nearest thousand.

3. Statement of Compliance and Basis of Preparation

Interim Financial Reporting

The condensed interim financial statements for the six months ended September 30, 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the accounting policies as set out in Note 3 of the audited financial statements for the year ended 31 March 2019 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

New Standard Effective and Adopted In The Current Year

At the date of approval of these financial statements, certain new standards became effective. Those which are relevant to the Group are set out below:

- IFRS 16, Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

  Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

The Group is assessing the impact that the standard will have on its 2020 financial statements.

- IFRIC 23, Uncertainty Over Income Tax Treatments, is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. IFRIC 23 clarifies how the accounting for income tax treatments that are yet to be accepted by the tax authorities is to be applied to the determination of taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty. If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

- judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- assumptions and other estimates used; and
- potential impact of uncertainties that are not reflected in the financial statements.

The Group is assessing the impact that the standard will have on its 2020 financial statements.

Amendments to IFRS 9 Financial Instruments, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

(i) Prepayment features with negative compensation:
Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

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

***Annual Improvements* to IFRS 2015-2017 cycle contain amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs* that are effective for annual periods beginning on or after January 1, 2019.**

(i) The amendments to IFRS 3 and IFRS 11 clarify how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. But if a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

(ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

(iii) (iii)IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. The change will apply to borrowing costs incurred on or after the date of initial adoption of the amendment.

The Group is assessing the impact that the amendments in respect of income taxes and borrowing costs will have on its 2020 financial statements.

- **Accounting Estimates and Judgments**
  The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period then ended. Actual amounts could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

- **Allowance for impairment losses on loan receivables:**
  In determining amounts recorded for impairment losses on receivables in the financial statements, management make judgments regarding indicators of impairment, that is, whether there are indicators to suggest they may be a measurable decrease in the estimated future cashflows from loan receivables for example, through unfavorable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

- **Depreciable assets:**
  Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The group applies a variety of methods in an effort to arrive at these estimates from which actual may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

4. Significant Accounting Policies

Securities purchased under resale agreements:
Securities purchased under resale agreements are short-term transactions whereby the group buys securities and simultaneously agrees to resell the securities on specified dates and at specified prices.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are stated at amortized cost, net of any unearned income and impairment losses, if any.

Property, Plant, equipment, and intangible assets:
Items of property, plant and equipment and intangible asset are stated at cost less accumulated depreciation and impairment losses.

Depreciation:
Depreciation is recognized in the statement of comprehensive income on the straight-line basis, over the estimated useful lives of property, plant and equipment.

Interest income:
Interest income is recognized in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. Interest income for financial assets that are classified as being in impaired is calculated by applying the effective interest rate to the amortized cost (i.e., the gross carrying amount less the credit loss allowance).

Interest expense:
Interest expense is recognized in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount.

5. Dividend Declaration

Subsequent to the quarter-ended on September 30, 2019, The Board of Directors of Access Financial Services Limited declared an interim dividend of $0.10 per share with a record date of 14 November 2019 and a payment date of 28 November 2019.

6. Earnings per Stock Unit

Access Financial Services Limited Earnings per stock unit “EPS” is computed by dividing the profit attributable to stockholders of $279,632,000 by the number of ordinary stock units in issue during the reporting period numbering 274,509,840 shares.