



Everyday Financial Value
YOUR MONEY STORE



Q2

UNAUDITED QUARTERLY FINANCIAL REPORT

July – September 2019



LASCO FINANCIAL SERVICES LIMITED

2nd Quarter July – September 2019

The Board of Directors of LASCO Financial Services Limited (LFSL) is pleased to present the Second Quarter unaudited financial results.

SIX MONTHS BUSINESS PERFORMANCE HIGHLIGHTS

1,308 million dollars in Income

*Up 14.6 percent over the corresponding 2018 period
An increase of 166.9 million dollars*

247.2 million dollars Profit from Operations

*Down 18.65 percent over the corresponding 2018 period
A decline of 56.6 million dollars*

74.7 million dollars Net Profit for the period

*Down 53.6 percent over the corresponding 2018 period
A decrease of 86.4 million dollars*

LASCO Financial Services Limited's (LFSL) consolidated second quarter transactions generated \$66.9M more revenue than the corresponding three month period in 2018 closing with total revenue of \$653.6M. This result represents an 11% year over year growth and is being driven by an increase in business from the Subsidiary, LASCO Microfinance Limited and Cambio trades in the parent business. Revenues from remittance remained relatively flat over the period. Expenses for the quarter rose significantly by 28.5%, primarily caused by the increase in estimated credit losses. We reviewed the business and prudently increased the provisions for the portfolio. Profit for the period fell by \$76.9M resulting in a loss of \$16.3M.

Consolidated profit after tax for the six months ending September 2019 was \$74.7M, down from the corresponding period's \$161.1M. The year to date decline in profit was impacted by write offs and growth in staff expenses as we bolstered our capacity in collections, finance and administrative support to align with the growth and volume of the portfolio. The year to date loan portfolio of \$2.0B net of write offs is a 40% increase in value and number of clients. Our loans subsidiary is now the leading revenue driver and is contributing 39% of total revenues which is in keeping with our strategic objectives of having a strong and diversified revenue base.

The investment in technology to drive growth and efficiency is being deployed on a phased basis, and is expected to be fully deployed by financial year end. At the beginning of the year our modules facilitating onboarding of clients was launched creating efficiencies for our sales teams.

LASCO FINANCIAL SERVICES LIMITED

2nd Quarter July - September 2019

Superior financial performance is one of our core values and we will continue to improve processes and strengthen our collections regime during this transformation.

Towards the end of the second quarter, LFSL entered the market with its first payment product, LASCOPay; a co-branded prepaid MasterCard. This new product, targeted primarily at the large remittance customer base and the general unbanked population is expected to lead LFSL into the much anticipated strategic objective of Financial Inclusion for a large sector of Jamaicans who currently receive micro payments. Management is already delighted at the rate of adoption and expects to achieve its targets for this financial year.

BALANCE SHEET HIGHLIGHTS

	Q2 2019 \$'000	Q2 2018 \$'000
CASH & SHORT TERM DEPOSITS	306,859	546,477
TOTAL ASSETS	4,107,769	3,629,556
LONG TERM DEBT	1,713,610	1,480,704

Total assets increased year over year by \$478.2M or 13% to close the quarter at \$4,107.7M. The general direction of the business is an indication of the growth potential for LASCO Financial Services, in our key growth products; micro finance and micro payments. Our core business, cambio and remittances, though mature are still profitable and provide opportunities for verticals to be developed

We thank you for your continued support and investment in our shares. Thanks to our team; agents, customers, Board of Directors, management, staff and key stakeholders.



JACINTH HALL-TRACEY
MANAGING DIRECTOR

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2019

	Note	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		3 MONTHS ENDED 30 SEPTEMBER 2019	3 MONTHS ENDED 30 SEPTEMBER 2018	6 MONTHS ENDED 30 SEPTEMBER 2019	6 MONTHS ENDED 30 SEPTEMBER 2018	12 MONTHS ENDED 31 MARCH 2019
		\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE						
Income		630,056	558,135	1,215,860	1,084,182	2,119,138
Other income		23,615	28,553	92,283	57,019	92,370
		<u>653,671</u>	<u>586,688</u>	<u>1,308,143</u>	<u>1,141,201</u>	<u>2,211,508</u>
EXPENSES:						
Administrative and other expenses		(283,820)	(204,038)	(530,326)	(404,502)	(880,422)
Selling and promotion expenses		(300,932)	(250,980)	(530,586)	(432,772)	(765,641)
		<u>(584,752)</u>	<u>(455,018)</u>	<u>(1,060,912)</u>	<u>(837,274)</u>	<u>(1,646,063)</u>
PROFIT FROM OPERATIONS		68,919	131,670	247,231	303,927	565,445
Finance cost		(47,500)	(40,431)	(96,062)	(81,130)	(168,800)
PROFIT BEFORE TAXATION		21,419	91,239	151,169	222,797	396,645
Taxation		(37,789)	(30,614)	(76,445)	(61,649)	(114,890)
NET PROFIT FOR THE PERIOD, BEING		<u>(16,370)</u>	<u>60,625</u>	<u>74,724</u>	<u>161,148</u>	<u>281,755</u>
TOTAL COMPREHENSIVE INCOME:						
Weighted average number of shares in issue	4	1,258,576	1,264,694	1,258,576	1,264,694	1,264,694
Basic Earnings per stock unit		<u>(\$0.0130)</u>	<u>\$0.0479</u>	<u>\$0.0594</u>	<u>\$0.1274</u>	<u>\$0.2228</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	UNAUDITED SEPTEMBER 2019 \$'000	UNAUDITED SEPTEMBER 2018 \$'000	AUDITED MARCH 2019 \$'000
ASSETS				
Cash and bank balances		221,375	461,305	282,811
Short term deposits		85,484	85,172	79,040
Loans and receivables		2,637,243	1,952,234	2,366,421
Related companies		347	319	347
Taxation recoverable		13,654	11,913	13,027
Deferred tax assets		3,989	3,989	-
Investment property		118,000	118,000	118,000
Intangible assets		873,633	839,802	874,804
Property, plant and equipment		154,044	156,822	158,943
TOTAL ASSETS		4,107,769	3,629,556	3,893,393
LIABILITIES AND EQUITY				
LIABILITIES:				
Bank overdraft		-	-	1,128
Payables		574,630	509,518	417,353
Related companies		15,404	28,454	4,803
Taxation		114,802	75,998	79,228
Deferred Taxation		19,110	4,100	10,620
Loans		1,713,610	1,480,704	1,788,672
		2,437,556	2,098,774	2,301,804
EQUITY:				
Share capital	3	100,249	95,459	95,459
Share option reserve		4,771	5,661	5,661
Retained earnings		1,565,193	1,429,662	1,490,469
		1,670,213	1,530,782	1,591,589
TOTAL LIABILITIES AND EQUITY		4,107,769	3,629,556	3,893,393

Approved for issue by the Board of Directors on 11 November 2019 and signed on its behalf by:



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



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

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2019

	<u>Share Capital</u> \$'000	<u>Share Option Reserve</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Total</u> \$'000
Balance at 1 April 2018	95,459	5,661	1,268,514	1,369,634
Total comprehensive income:				
Net profit	-	-	161,148	161,148
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>161,148</u>	<u>161,148</u>
Transaction with owners				
Issue of shares				-
Transfer from other reserves				
Dividends paid	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 September 2018	<u>95,459</u>	<u>5,661</u>	<u>1,429,662</u>	<u>1,530,782</u>
Balance at 1 April 2019	95,459	5,661	1,490,469	1,591,589
Total comprehensive income:				
Net profit	-	-	74,724	74,724
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>74,724</u>	<u>74,724</u>
Transaction with owners				
Issue of shares	3,900	-	-	3,900
Transfer from other reserves	890	(890)	-	-
Dividends paid	-	-	-	-
	<u>4,790</u>	<u>(890)</u>	<u>-</u>	<u>3,900</u>
Balance at 30 September 2019	<u>100,249</u>	<u>4,771</u>	<u>1,565,193</u>	<u>1,670,213</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 SEPTEMBER 2019

	UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2019 \$'000	UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2018 \$'000	AUDITED 12 MONTHS ENDED 31 MARCH 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	74,724	161,148	281,755
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances	(14,885)	(18,009)	(3,739)
Fair value gain on investment property	-		
Amortisation of Intangible asset	4,975	2,906	8,126
Depreciation	16,709	12,134	22,739
Interest income from loans	(440,443)	(305,014)	(781,095)
Interest income from securities	(1,624)	(1,204)	(2,587)
Taxation expense	71,945	57,939	100,671
Deferred taxation	4,500	3,710	14,219
Interest expense	96,062	81,130	168,800
Gain/loss on disposal of property, plant and equipment	-	(2,484)	(2,484)
Provision for impairment loss on loan	261,981	183,603	(20,129)
	<u>73,944</u>	<u>175,859</u>	<u>(213,724)</u>
Changes in operating assets and liabilities			
Receivables	(488,332)	(267,004)	(525,201)
Related companies	10,601	13,123	(10,556)
Payables	168,018	78,562	(12,974)
	<u>(235,769)</u>	<u>540</u>	<u>(762,455)</u>
Interest received	396,969	265,811	692,751
Interest paid	-		(16,159)
Taxation paid	(36,371)	(57,524)	(97,930)
	<u>124,829</u>	<u>208,827</u>	<u>(183,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	-	2,587
Additions to intangible assets	(3,804)		(40,222)
Additions to property, plant and equipment	(11,810)	(32,342)	(44,998)
Short term deposits	(6,444)	(5,917)	(493)
Proceeds from sale of property, plant and equipment	-	2,536	2,484
	<u>(22,058)</u>	<u>(35,723)</u>	<u>(80,642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(83,392)	(80,737)	(93,707)
Issued shares	3,900	-	
Loan proceeds	-		299,489
Loan repayments	(84,110)	(4,856)	(15,719)
	<u>(163,602)</u>	<u>(85,593)</u>	<u>190,063</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Exchange (loss)/gain on cash balances	523	18,009	270
Cash and cash equivalents at beginning of period	281,683	355,785	355,785
	<u>221,375</u>	<u>461,305</u>	<u>281,683</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITY:

(a) LASCO Financial Services Limited (“the Company”) is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 27 Red Hills Road, Kingston 10. The company is listed on the Junior Market of the Jamaica Stock Exchange.

(b) The principal activities of the company are:

- The sale and purchase of foreign currencies through its Cambio. The company is a licensed Cambio dealer regulated by the Bank of Jamaica.
- The provision of remittance services facilitating person to person transfers for a fee, in accordance with licences issued by the Bank of Jamaica.

(c) LASCO Financial Services (Barbados) Limited is incorporated in Barbados under the Companies Act Cap.308 of the Laws of Barbados and is a 100% owned subsidiary of the company. The principal activity is the provision remittance services facilitating the receiving of funds.

LASCO Microfinance Limited is a limited is a limited liability incorporated and domiciled in Jamaica and is a 100% owned subsidiary of the company. The principal activity is retail lending to the micro enterprise sector for personal and business purposes. By order dated 7 November 2018, LASCO Microfinance Limited received an exemption from the provisions of the Money Lending Act by the Minister of Finance and the Public Service for one year from 22 October 2018, renewable annually.

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

2. BASIS OF PREPARATION:

The condensed unaudited consolidated financial statements for the six (6) months ended September 30, 2019, have been prepared in accordance with IAS 34, Interim financial reporting and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Jamaican Companies Act and as set out in note 3 of the audited financial statements as at 31 March 2019.

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

3. SHARE CAPITAL:

Authorised –

1,961,200,000 (2016 – 1,961,200,000) Ordinary shares of no par value

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Stated capital, issued and fully paid - 1,268,594,391 (2018 - 1,264,694,391) of no par value	<u>100,249</u>	<u>95,459</u>

4. EARNINGS PER STOCK UNIT:

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue at the end of the period

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Net profit attributable to stockholders (\$'000)	74,724	161,148
Weighted average number of ordinary stock units ('000)	<u>1,258,576</u>	<u>1,264,694</u>
Basic earnings per stock unit	<u>\$0.0594</u>	<u>\$0.1274</u>



Everyday Financial Value

**LASCO FINANCIAL SERVICES LIMITED
TOP TEN SHAREHOLDINGS
AS AT SEPTEMBER 30, 2019**

NAMES	JOINT HOLDERS	UNITS	PERCENTAGES
EAST WEST (ST. LUCIA) LIMITED		382,972,852	30.18
LASCELLES A. CHIN		380,731,480	30.01
MAYBERRY JAMAICAN EQUITIES LIMITED		250,711,953	19.76
MAYBERRY MANAGED CLIENTS ACCOUNT		14,018,200	1.10
MANWEI INTERNATIONAL LIMITED		13,959,095	1.10
GUARDIAN LIFE LIMITED/PENSIONS FUND		13,494,345	1.06
MICHAEL A. CAMPBELL		12,363,280	0.97
JACINTH A. HALL-TRACEY		9,294,712	0.73
JNBS PENSION TRUSTEES NOMINEE LTD.		7,000,000	0.55
WAYNE M. CHIN		4,519,650	0.35



Everyday Financial Value

DIRECTORS AND CONNECTED PARTIES SHAREHOLDINGS AS AT SEPTEMBER 30, 2019

NAMES	POSITION **CONNECTED PARTIES	UNITS	PERCENTAGES
LASCELLES A. CHIN		380,731,480	30.1046
	EAST WEST (ST. LUCIA) LIMITED	{382,972,852}	30.2819
	** EILEEN CHIN - DIRECT	{ 98,060}	0.0079
JACINTH HALL-TRACEY		9,294,712	0.7327
ROALD N. A. HENRIQUES		1,950,344	0.1569
GARY PEART		997,000	0.0788
EILEEN CHIN		98,060	0.0079
	**LASCELLES CHIN - DIRECT	{380,731,480}	30.1046
COMPTON RODNEY		300,000	0.0000
CHRISTOPHER BERRY		0.00	0.0000
JAMES RAWLE		0.00	0.0000



Everyday Financial Value

**SENIOR MANAGERS AND CONNECTED PARTIES SHAREHOLDINGS
AS AT SEPTEMBER 30, 2019**

NAMES	POSITION **CONNECTED PARTIES	UNITS	PERCENTAGES
JACINTH HALL-TRACEY		9,294,712	0.7327
ATASHA BERNARD		1,042,334	0.0822
NORDEL LEACH		137,778	0.0011
WALTER WHITE		0.00	0.0000
DENISE WEST		371,772	0.0294