



Everyday Financial Value
YOUR MONEY STORE



Q1

UNAUDITED QUARTERLY FINANCIAL REPORT

April – June 2020



LASCO FINANCIAL SERVICES LIMITED

1st Quarter April – June 2020

The Board of Directors of LASCO Financial Services Limited (LFSL) presents the First Quarter unaudited financial results.

Dear Shareholders,

LASCO Financial Services Limited's (LFSL) consolidated First Quarter (Q1) transactions generated \$538.9M in revenues, a decline of 17.6% or \$115.5M when compared to the corresponding three-month period in 2019. As the Government of Jamaica navigated its response to the COVID – 19 pandemic, LFSL also implemented actions to assist its customer base and preserve cashflow while protecting its staff and assets. Although transactions in all business lines were impacted, the decline in revenue was largely due to reduced earnings from our customer base whose businesses were immediately impacted by the imposed restrictions.

At the onset of the pandemic, Management took the immediate steps to reduce expenditure in line with expected earnings. Some staff were temporarily impacted through job rotation, reduced hours and layoffs as the business organized to focus on essential work and projects that would strengthen its prospects after the pandemic. Total expenses however increased by \$84.8M or 17.8% giving rise to operating loss of \$22.0M. In keeping with prudent accounting standards and the uncertainties of the duration of the pandemic, in addition to making provisions for expected credit losses based on current arrears, an additional overlay of \$31M was imposed totaling \$193M in estimated credit losses for the period. LFSL ended the quarter with a net loss of \$105.7M compared with profits of \$91M in the comparative financial period.

In its response to assisting its credit customers to navigate the unprecedented impact on their business, LFSL took the following actions during the period in order to control the impact on future earnings:

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

LASCO FINANCIAL SERVICES LIMITED

1st Quarter April – June 2020

BALANCE SHEET HIGHLIGHTS

	Q1 2020 \$'M	Q1 2019 \$'M
CASH & SHORT TERM DEPOSITS	941.6	208.1
TOTAL ASSETS	4,038.4	4,032.0
LONG TERM DEBT	1,804.0	1,819.9

Critical to ensuring that our company has the ability to navigate the unforeseen, is being able to manage our liquidity. LFSL was able to raise the cash and short term deposits by over 350% from \$208.0M to \$941.6M, as a result of steps taken to temporarily restrict the growth of its loan portfolio and reducing spends on non-essential items. Additional emphasis was placed in the last 3 quarters on strengthening our collections and debt management which also yielded additional cash.

Total assets increased marginally from \$4,032.0M to \$4,038.4M. Although there is a general increase in assets, there was reduction in the Loans and receivables due to write offs and a reduction in the investment property due to its sale in the financial year just ended. We have adopted IFRS 16 for leases over US\$5,000 per annum with tenures over twelve months; this has resulted in an increase in assets of \$186.3M for right-of-use assets and a lease liability of \$216.8M.

As we continue to make the necessary adjustments to our business to ensure we restore the key fundamentals which will allow us to maximize on our competitive advantages, we welcome Dr. Hopeton Morrison, our new General Manager for the subsidiary LASCO Microfinance. His wealth of knowledge and experience in the field of microfinance is critical to navigating these unprecedented times. Dr. Morrison took leadership of the company on August 3, 2020.

We thank you for your continued support and thank our team members and agents who gave unwavering service to our existing and new customers during the heights of the pandemic. Management also gives a special acknowledgement to the Board of Directors whose guidance was steadfast during the difficult periods.



JACINTH HALL-TRACEY
MANAGING DIRECTOR

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 3 MONTHS ENDED 30 JUNE 2020

	<u>Note</u>	<u>UNAUDITED</u>	<u>UNAUDITED</u>	<u>AUDITED</u>
		3 MONTHS ENDED	3 MONTHS ENDED	12 MONTHS ENDED
		30 JUNE 2020	30 JUNE 2019	31 MARCH 2020
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
REVENUE				
Income		533,014	585,804	2,404,437
Other income		5,949	68,668	102,867
		<u>538,963</u>	<u>654,472</u>	<u>2,507,304</u>
EXPENSES:				
Administrative and other expenses		(263,650)	(246,506)	(1,082,153)
Selling and promotion expenses		(297,358)	(229,654)	(1,194,837)
		<u>(561,008)</u>	<u>(476,160)</u>	<u>(2,276,990)</u>
(LOSS)/PROFIT FROM OPERATIONS		(22,045)	178,312	230,314
Finance cost		(49,765)	(48,562)	(208,345)
(LOSS)/PROFIT BEFORE TAXATION		(71,810)	129,750	21,969
Taxation		(33,947)	(38,656)	(78,887)
NET (LOSS)/PROFIT FOR THE PERIOD, BEING TOTAL COMPREHENSIVE INCOME		<u>(105,757)</u>	<u>91,094</u>	<u>(56,918)</u>
Weighted Average Number of shares in issue	5	1,270,094	1,264,994	1,267,433
Basic Earnings per stock unit		<u>(\$0.0833)</u>	<u>\$0.0720</u>	<u>(\$0.0449)</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

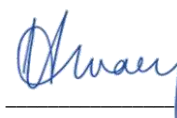
AS AT 30 JUNE 2020

	Note	UNAUDITED JUNE 2020 \$'000	UNAUDITED JUNE 2019 \$'000	AUDITED MARCH 2020 \$'000
ASSETS				
Cash and bank balances		652,415	124,810	487,437
Short term deposits		289,221	83,290	235,494
Loans and receivables		1,776,820	2,662,070	1,914,664
Related companies		372	347	372
Taxation recoverable		14,172	13,417	13,910
Deferred tax asset		94,006	-	96,256
Investment property		-	118,000	-
Intangible assets		882,723	874,760	879,136
Property, plant and equipment		142,370	155,307	145,085
Right-of-use assets		186,381	-	190,551
TOTAL ASSETS		4,038,480	4,032,001	3,962,905
LIABILITIES AND EQUITY				
LIABILITIES:				
Payables		374,900	417,660	242,006
Related companies		14,431	9,905	17,995
Taxation		193,959	89,300	171,954
Deferred Tax liability		-	12,156	-
Loans		1,804,033	1,819,997	1,773,316
Lease liability		216,843	-	217,563
		2,604,166	2,349,018	2,422,834
EQUITY:				
Share capital	4	102,091	95,827	102,091
Other reserve		4,429	5,593	4,429
Retained earnings		1,327,794	1,581,563	1,433,551
		1,434,314	1,682,983	1,540,071
TOTAL LIABILITIES AND EQUITY		4,038,480	4,032,001	3,962,905

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



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



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

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 30 JUNE 2020

	Share Capital \$'000	Share Option Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2019	95,459	5,661	1,490,469	1,591,589
Total comprehensive income:				
Net profit	-	-	91,094	91,094
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>91,094</u>	<u>91,094</u>
Transaction with owners				
Issue of shares	300.00			300
Transfer from other reserves	68.00	(68)		
Dividends paid	-	-		-
	<u>368</u>	<u>(68)</u>	<u>-</u>	<u>300</u>
Balance at 30 June 2019	<u>95,827</u>	<u>5,593</u>	<u>1,581,563</u>	<u>1,682,983</u>
Balance at 1 April 2020	102,091	4,429	1,433,551	1,540,071
Total comprehensive income:				
Net loss	-	-	(105,757)	(105,757)
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(105,757)</u>	<u>(105,757)</u>
Transaction with owners				
Issue of shares			-	-
Transfer from other reserves			-	-
Dividends paid	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2020	<u>102,091</u>	<u>4,429</u>	<u>1,327,794</u>	<u>1,434,314</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2020

	UNAUDITED 3 MONTHS ENDED 30 JUNE 2020 \$'000	UNAUDITED 3 MONTHS ENDED 30 JUNE 2019 \$'000	AUDITED 12 MONTHS ENDED 31 MARCH 2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/profit	(105,757)	91,094	(56,918)
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances	4,628	(13,629)	4,344
Depreciation - right-of-use assets	4,171	-	14,695
Amortisation of Intangibles	2,427	2,453	14,919
Depreciation	8,970	6,465	28,191
Interest income from loans	(145,295)	(219,181)	(875,418)
Interest income from securities	(3,458)	(157)	(3,844)
Taxation expense	31,697	36,406	185,763
Deferred taxation	2,250	2,250	(106,876)
Interest expense	49,764	48,562	196,157
Interest expense - right-of-use assets	3,382	-	12,188
Gain on sale of property, plant and equipment	-	-	(1,662)
Provision for impaired loss on loan	169,904	83,992	228,427
Foreign exchange loss on lease liabilities	-	-	10,895
Loss on sale of investment property	-	-	27,297
	22,683	38,255	(321,842)
Changes in operating assets and liabilities			
Receivables	(32,212)	(335,042)	173,521
Related companies	(3,564)	5,102	13,167
Payables	130,450	(797)	(180,663)
	117,357	(292,482)	(315,817)
Interest received	142,158	187,395	923,062
Interest paid	(9,494)	-	(5,660)
Taxation paid	(9,691)	(26,334)	(93,921)
Cash provided by/(used in) operating activities	240,330	(131,421)	507,664
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,458	-	3,844
Additions to intangible	(6,014)	-	(19,251)
Additions to property, plant and equipment	(6,255)	(5,238)	(16,561)
Short term deposits	(53,727)	(4,250)	(150,737)
Proceeds from sale of property, plant and equipment	-	-	3,890
Proceeds from sale of investment property	-	-	90,703
Cash used in investing activities	(62,538)	(9,488)	(88,112)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(9,494)	(5,580)	(174,505)
Issued shares	-	300	5,400
Loan proceeds	-	-	150,000
Loan repayments	(1,074)	(11,657)	(184,031)
Lease payments	(4,103)	-	(10,766)
Cash used in financing activities	(14,671)	(16,937)	(213,902)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	163,121	(157,846)	205,650
Exchange gain on cash balances	1,857	973	104
Cash and cash equivalents at beginning of period	487,437	281,683	281,683
CASH AND CASH EQUIVALENTS AT END OF PERIOD	652,415	124,810	487,437

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020

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) Remission of income tax

The company’s shares were listed on the Jamaica Stock Exchange Junior Market, effective 12 October 2010. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

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

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

(d) LASCO Financial Services (Barbados) Limited is incorporated in Barbados under the Companies Act Cap.308 of the Laws of Barbados and is a 100% owned subsidiary of the company. The principal activity is the provision remittance services facilitating the receiving of funds. The subsidiary however did not trade during the year.

LASCO Microfinance 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 12 February 2020, LASCO Microfinance Limited received an exemption from the provisions of the Money Lending Act by the Minister of Finance and the Public Service for one year from 23 January 2020, renewable annually.

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

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

2. REPORTING CURRENCY

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the group operates ('the functional currency').

These financial statements are presented in Jamaican dollars, which is considered the group's functional currency.

3. BASIS OF PREPARATION:

The condensed unaudited consolidated financial statements for the quarter ended June 30, 2020, 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 2020.

4. SHARE CAPITAL:

Authorised –

1,961,200,000 (2018 – 1,961,200,000) Ordinary shares of no par value

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Stated capital, issued and fully paid -		
1,270,094,391 (2019 - 1,264,994,391) Ordinary shares		
of no par value	<u>(105,757)</u>	<u>91,094</u>

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

5. 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>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Net profit/(loss) attributable to stockholders (\$'000)	(105,757)	91,094
Weighted average number of ordinary stock units ('000)	<u>1,270,094</u>	<u>1,264,994</u>
Basic earnings per stock unit	<u>(\$0.0833)</u>	<u>\$ 0.0720</u>