



Everyday Financial Value
YOUR MONEY STORE



Q3

UNAUDITED QUARTERLY FINANCIAL REPORT

October – December 2019



LASCO FINANCIAL SERVICES LIMITED

3rd Quarter October – December 2019

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

LASCO Financial Services Limited's (LFSL) consolidated Third quarter transactions generated \$619.9M in revenues, \$22.6M more than the corresponding three-month period in 2018. This result represents a 3.8% year over year growth and is a roll back from the customarily strong seasonal results of the core business. Expenses for the quarter rose by 21.3%, from \$434.2M to \$526.9M resulting in profit of \$2.2M.

LASF's Third Quarter profit though low, is an improvement on the previous quarter which closed in a loss of \$16.3M. In comparison to the previous year however, LASF's current three months' profit significantly underperformed the \$106.5M. This is attributable to our continuous overly cautious approach to loan loss provisions. The quarter over quarter improvement however, is a signal for management that steps to strengthen its collections framework and the continuation of the transformation of the business are beginning to bear results.

Consolidated profit after tax for the nine months ending December 2019 was \$76.9M; down from the corresponding period's \$267.9M. Though revenues increased by 11% year over year, from \$1.738B to \$1.928B, the increased administration and selling costs coupled with the increased finance cost for additional working capital, caused the profits to be depressed, as total expenses rose from \$1.271B to \$1.587B. As the adjustments to the business continue to accelerate throughout the last quarter, we expect to see more positive results from the changes.

LASF, in managing its strategic risks continues to make adjustments to its business model to remain relevant to its customer base. Our LASCOPay prepaid epay Mastercard which was launched in the last period of the second quarter is one of the responses to an industry risk. The card gained traction for the third quarter and as more of our customers adopt, we expect continued growth and relevance of this product

BALANCE SHEET HIGHLIGHTS

	Q3 2019 \$'M	Q3 2018 \$'M
CASH & SHORT TERM DEPOSITS	502.3	314.0
TOTAL ASSETS	4,131.7	3,659.8
LONG TERM DEBT	1,886.3	1,515.3

LASCO FINANCIAL SERVICES LIMITED

3rd Quarter October - December 2019

BALANCE SHEET HIGHLIGHTS cont'd

Total assets increased year over year by \$471.9M or 13% to close the quarter at \$4,131.7M. Although there is a general increase in assets, there was reduction in the Loans receivables due to write offs. There was also a further reduction in assets due to sale of our investment property. This sale resulted in a loss of \$18M which also impacted the profits. The decrease in the assets was however offset by the increase in cash and short term deposits.

We thank you for your continued support and investment in our shares. Thanks also 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 9 MONTHS ENDED 31 DECEMBER 2019

	Note	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		3 MONTHS ENDED 31 DECEMBER 2019	3 MONTHS ENDED 31 DECEMBER 2018	9 MONTHS ENDED 31 DECEMBER 2019	9 MONTHS ENDED 31 DECEMBER 2018	12 MONTHS ENDED 31 MARCH 2019
		\$'000	\$'000	\$'000	\$'000	\$'000
INCOME						
Trading income		600,684	545,197	1,816,544	1,629,379	2,119,138
Other operating income		19,250	52,134	111,533	109,153	92,370
		<u>619,934</u>	<u>597,331</u>	<u>1,928,077</u>	<u>1,738,532</u>	<u>2,211,508</u>
EXPENSES:						
Administrative and other expenses		(265,415)	(231,162)	(795,741)	(635,664)	(880,422)
Selling and promotion expenses		(261,541)	(203,081)	(792,127)	(635,853)	(765,641)
		<u>(526,956)</u>	<u>(434,243)</u>	<u>(1,587,868)</u>	<u>(1,271,517)</u>	<u>(1,646,063)</u>
PROFIT FROM OPERATIONS		92,978	163,088	340,209	467,015	565,445
Finance cost		(51,984)	(49,961)	(148,046)	(131,091)	(168,800)
PROFIT BEFORE TAXATION		40,994	113,127	192,163	335,924	396,645
Taxation		(38,787)	(6,560)	(115,232)	(68,209)	(114,890)
NET PROFIT FOR THE PERIOD		<u>2,207</u>	<u>106,567</u>	<u>76,931</u>	<u>267,715</u>	<u>281,755</u>
Weighted Average Number of shares in issue		1,266,532	1,264,694	1,266,532	1,264,694	1,264,694
Basic Earnings per stock unit	4	<u>\$0.0017</u>	<u>\$0.0843</u>	<u>\$0.0607</u>	<u>\$0.2117</u>	<u>\$0.2228</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	UNAUDITED DECEMBER <u>2019</u> \$'000	UNAUDITED DECEMBER <u>2018</u> \$'000	AUDITED MARCH <u>2019</u> \$'000
ASSETS				
Cash and cash equivalents		418,864	234,043	282,811
Short term deposits		83,494	80,495	79,040
Loans and receivables		2,589,557	2,209,192	2,366,421
Related companies		1,710	319	347
Taxation recoverable		13,784	12,515	13,027
Deferred Taxation		3,989	3,989	-
Investment property		-	118,000	118,000
Intangible assets		869,733	839,541	874,804
Property, plant and equipment		150,665	161,759	158,943
TOTAL ASSETS		4,131,796	3,659,853	3,893,393
LIABILITIES AND EQUITY				
LIABILITIES:				
Bank overdraft		-	62,414	1,128
Payables		425,209	338,428	417,353
Related companies		3,053	29,067	4,803
Taxation		121,954	72,390	79,228
Deferred Taxation		21,359	4,890	10,620
Loans		1,886,301	1,515,315	1,788,672
		2,457,876	2,022,504	2,301,804
EQUITY:				
Share capital	3	102,091	95,459	95,459
Share option reserve		4,429	5,661	5,661
Retained earnings		1,567,400	1,536,229	1,490,469
		1,673,920	1,637,349	1,591,589
TOTAL LIABILITIES AND EQUITY		4,131,796	3,659,853	3,893,393

Approved for issue by the Board of Directors on 12 February 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 9 MONTHS ENDED 31 DECEMBER 2019

	Share Capital \$'000	Share Option Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2018	95,459	5,661	1,268,514	1,369,634
Total comprehensive income:				
Net profit	-	-	267,715	267,715
Other comprehensive income	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u>267,715</u>	<u>267,715</u>
Transaction with owners				
Issue of shares				
Transfer from other reserves				
Dividends paid	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2018	<u>95,459</u>	<u>5,661</u>	<u>1,536,229</u>	<u>1,637,349</u>
Balance at 1 April 2019	95,459	5,661	1,490,469	1,591,589
Total comprehensive income:				
Net profit	-	-	76,931	76,931
Other comprehensive income	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u>76,931</u>	<u>76,931</u>
Transaction with owners				
Issue of shares	5,400	-	-	5,400
Transfer from other reserves	1,232	(1,232)	-	-
Dividends paid	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>6,632</u>	<u>(1,232)</u>	<u>0</u>	<u>5,400</u>
Balance at 31 December 2019	<u>102,091</u>	<u>4,429</u>	<u>1,567,400</u>	<u>1,673,920</u>

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2019

	UNAUDITED 9 MONTHS ENDED 31 DECEMBER 2019 \$'000	UNAUDITED 9 MONTHS ENDED 31 DECEMBER 2018 \$'000	AUDITED 12 MONTHS ENDED 31 MARCH 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	76,931	267,715	281,755
Items not affecting cash resources:			
Effects of exchange rate translation	(13,181)	3,820	(3,739)
Amortization of intangible assets	8,875		8,126
Depreciation	22,257	23,161	22,739
Interest income from loans	(668,854)	(508,531)	(781,095)
Interest income from securities	(551)	(1,533)	(2,587)
Taxation expense	108,482	63,709	100,671
Deferred taxation	6,750	4,500	14,219
Interest expense	148,046	131,091	168,800
Gain or loss on sale of property, plant and equipment	-	-	(2,484)
Provision for impaired loss on loan	379,366	212,589	(20,129)
Gain or loss on disposal of investment property	18,000	-	-
	<u>86,121</u>	<u>196,521</u>	<u>(213,724)</u>
Changes in operating assets and liabilities			
Receivables	(572,530)	(571,155)	(525,201)
Related companies	(3,113)	13,736	(10,556)
Payables	18,916	(97,412)	(12,974)
Inventories	-	-	-
	<u>(470,606)</u>	<u>(458,310)</u>	<u>(762,455)</u>
Interest received	638,676	484,051	692,751
Interest paid	-	-	(16,159)
Taxation paid	(65,756)	(65,224)	(97,930)
	<u>102,314</u>	<u>(39,483)</u>	<u>(183,793)</u>
Cash provided by/(used in) operating activities	<u>102,314</u>	<u>(39,483)</u>	<u>(183,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	1,533	2,587
Acquisition of intangible assets	(3,804)	-	(40,222)
Additions to property, plant and equipment	(13,979)	(45,087)	(44,998)
Short term deposits	(4,454)	(1,240)	(493)
Proceeds from disposal of property, plant and equipment	-	-	2,484
Proceeds from disposal of investment property	100,000	-	-
	<u>77,763</u>	<u>(44,794)</u>	<u>(80,642)</u>
Cash provided by/(used in) investing activities	<u>77,763</u>	<u>(44,794)</u>	<u>(80,642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(94,365)	(75,130)	(93,707)
Issued shares	5,400	-	-
Loan proceeds	150,000	-	299,489
Loan repayments	(106,052)	(13,569)	(15,719)
	<u>(45,017)</u>	<u>(88,699)</u>	<u>190,063</u>
Cash (used in)/provided by financing activities	<u>(45,017)</u>	<u>(88,699)</u>	<u>190,063</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>135,060</u>	<u>(172,976)</u>	<u>(74,372)</u>
Effects of exchange rate translation on cash and cash equivalents	2,121	(11,180)	270
Cash and cash equivalents at beginning of period	<u>281,683</u>	<u>355,785</u>	<u>355,785</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>418,864</u>	<u>171,629</u>	<u>281,683</u>

LASCO FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 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 a 100% owned subsidiary of the company. LASCO Financial Services (Barbados) Limited is incorporated in Barbados under the Companies Act Cap.308 of the Laws of Barbados. This company has ceased operations effective July 1, 2018.

LASCO Microfinance Limited is a limited liability incorporated and domiciled in Jamaica and is 100% owned subsidiary of the company. The principal activity is retail lending to the micro enterprise sector for personal and business purposes.

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

2. BASIS OF PREPARATION:

The condensed unaudited consolidated financial statements for the nine (9) months ended December 31, 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

31 DECEMBER 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 - 1,270,094,391 (2018 - 1,264,694,391) of no par value	102,091	95,459

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)	76,931	267,715
Weighted average number of ordinary stock units ('000)	<u>1,266,532</u>	<u>1,264,694</u>
Basic earnings per stock unit	<u>0.0607</u>	<u>0.2117</u>