LASCO FINANCIAL SERVICES

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LASCO MONEY®

LASCO MICROFINANCE LIMITED

Q2

UNAUDITED QUARTERLY FINANCIAL REPORT

July – September 2018

LASCO FINANCIAL SERVICES LIMITED
2nd Quarter July – September 2018

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

1,141.2 million dollars in Income

Up 59.5 percent over the corresponding 2017 period
An increase of 425.9 million dollars

303.9 million dollars Profit from Operations

Up 45.5 percent over the corresponding 2017 period
An increase of 95.1 million dollars

161.1 million dollars Net Profit for the period

Down 3 percent over the corresponding 2017 period
A decrease of 5.5 million dollars

LASCO Financial Services Limited's (LFSL) second quarter transactions generated $190.6M more revenues than the corresponding period in 2017 to close the period with total revenue of $586.6M. This result represents a 48% year over year growth and is being driven by a general increase in business over the previous year. Profit from Operations, moved from $125.5M in 2017 to $131.6M, a 5% increase, whilst net profit after tax closed the second quarter with $60.6M or 39% less than the 2017 period.

After six months of operation for the 2018/19 Financial Year, Income from core activity increased by 59.6% whereas other income grew by 68%. At the end of the previous financial year, total income was $1.620M whilst current income is now $1.141M. Our new business contributed 60% of the increased revenue and is now contributing 27% to overall income.

Year to date expenses grew by 65.3%. This is mainly due to the expenses from the Subsidiary which would not have been reflected in the previous year. Subsequent to the acquisition in December 2017 and ensuing merger of the loans business of LFSL into the subsidiary, there has been additions of staff and investments in technology and infrastructure to support the growing customer base and workforce. These investments are key to the development of the business to support the planned growth and market presence.

LASCO FINANCIAL SERVICES LIMITED
2nd Quarter July - September 2018

The six months profit from operations closed the period at $303.9M, a 45.6% increase over the previous year and 74% of the profit from operations of the 2017-2018 full financial year. After accruing for finance costs of $81.1M and taxation of $61.6M,compared to $4.2M and $$37.7M respectively in the previous year, the Company fell short of $5.5M or 3% to close the six month period with a profit after tax of $161.1M and EBITDA of $318.9M.

BALANCE SHEET HIGHLIGHTS

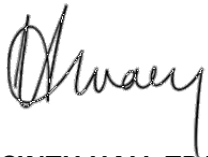
	Q2 2019 $'000	Q2 2018 $'000
CASH & SHORT TERM DEPOSITS	546,477	480,786
TOTAL ASSETS	3,629,556	1,760,621
LONG TERM DEBT	1,480,704	nil

Total assets increased year over year by $1,868.9M or 106% to close the quarter at $3,629.4M. Cash and short term deposits increased by $65.6M despite the growing loans portfolio. The company still generates strong cash from its operations, which is necessary given the nature of the Money Service Business.

The business continues to grow in spite of the challenges within the markets in which it serves. There is a general downturn in remittances; cambio spreads, though currently stable, has been the subject of occasional shocks which can have an impact on profits. The loans business though faced with aggressive competitive activity from other microfinance companies and commercial banks, is still able to carve out a market share to the benefit of its customers.

Our intention for the second half of the financial year is continued expansion of services for our customers, making LASCO Financial Services their financial institution of choice.

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 2018

	Note	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		3 MONTHS ENDED 30 SEPTEMBER 2018 $'000	3 MONTHS ENDED 30 SEPTEMBER 2017 $'000	6 MONTHS ENDED 30 SEPTEMBER 2018 $'000	6 MONTHS ENDED 30 SEPTEMBER 2017 $'000	12 MONTHS ENDED 31 MARCH 2018 $'000
REVENUE						
Income		558,135	378,599	1,084,182	681,282	1,548,248
Other income		28,553	17,391	57,019	33,934	72,017
		586,688	395,990	1,141,201	715,216	1,620,265
EXPENSES:						
Administrative and other expenses		(204,038)	(138,454)	(404,502)	(252,174)	(624,994)
Selling and promotion expenses		(250,980)	(132,032)	(432,772)	(254,239)	(593,035)
		(455,018)	(270,486)	(837,274)	(506,413)	(1,218,029)
PROFIT FROM OPERATIONS		131,670	125,504	303,927	208,803	402,236
Finance cost		(40,431)	(2,137)	(81,130)	(4,288)	(66,819)
PROFIT BEFORE TAXATION		91,239	123,367	222,797	204,515	335,417
Taxation		(30,614)	(23,493)	(61,649)	(37,771)	(81,133)
NET PROFIT FOR THE PERIOD		60,625	99,874	161,148	166,744	254,284
OTHER COMPREHENSIVE INCOME:						
Items that will or may not be reclassified to profit or loss -						
Share Option Plan		-	-	-	-	
TOTAL COMPREHENSIVE INCOME		60,625	99,874	161,148	166,744	254,284
Weighted average number of shares in issue	4	1,264,694	1,255,078	1,264,694	1,255,078	1,258,006
Basic Earnings per stock unit		$0.0479	$0.0796	$0.1274	$0.1329	$0.2021

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Note	UNAUDITED SEPTEMBER 2018 $'000	UNAUDITED SEPTEMBER 2017 $'000	AUDITED MARCH 2018 $'000
ASSETS				
Cash and cash equivalents		461,305	179,446	366,893
Short term deposits		85,172	301,340	79,255
Loans and receivables		1,952,234	1,013,090	1,828,426
Related companies		319	-	319
Taxation recoverable		11,913	10,259	10,235
Deferred tax assets		3,989	-	3,599
Investment property		118,000	115,000	118,000
Intangible assets		839,802	18,926	842,708
Property, plant and equipment		156,822	122,560	136,666
TOTAL ASSETS		3,629,556	1,760,621	3,386,101
LIABILITIES AND EQUITY				
LIABILITIES:				
Bank overdraft	-	-	-	11,108
Payables		509,518	424,827	430,956
Related companies		28,454	1,214	15,331
Taxation		75,998	59,364	73,905
Deferred Taxation		4,100	4,179	-
Loans		1,480,704	-	1,485,167
		2,098,774	489,584	2,016,467
EQUITY:				
Share capital	3	95,459	85,819	95,459
Share option reserve		5,661	7,451	5,661
Retained earnings		1,429,662	1,177,767	1,268,514
		1,530,782	1,271,037	1,369,634
TOTAL LIABILITIES AND EQUITY		3,629,556	1,760,621	3,386,101

Approved for issue by the Board of Directors on 30th October 2018 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 6 MONTHS ENDED 30 SEPTEMBER 2018

	Share Capital $'000	Share Option Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 April 2017	83,036	7,968	1,064,438	1,155,442
Total comprehensive income:				
Net profit	-	-	166,744	166,744
Other comprehensive income		-	-	-
	-	-	166,744	166,744
Transaction with owners				
Issue of shares	2,266			2,266
Transfer from other reserves	517	(517)		
Dividends paid	-	-	(53,415)	(53,415)
	2,783	(517)	(53,415)	(51,149)
Balance at 30 September 2017	85,819	7,451	1,177,767	1,271,037
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	-	-	-	-
	-	-	161,148	161,148
Transaction with owners				
Issue of shares		-	-	-
Transfer from other reserves			-	-
Dividends paid	-	-		-
	-	-	0	-
Balance at 30 September 2018	95,459	5,661	1,429,662	1,530,782

LASCO FINANCIAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2018

	UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2018 $'000	UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2017 $'000	AUDITED 12 MONTHS ENDED 31 MARCH 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	161,148	166,744	254,284
Items not affecting cash resources:			
Exchange loss/(gain) on foreign balances	(18,009)	6,893	12,051
Gain/loss on disposal of property, plant and equipment	(2,484)	-	
Fair value gain on investment property	-	-	(3,000)
Amortisation of Intangible asset	2,906	2,849	6,308
Depreciation	12,134	8,202	23,462
Interest income from loans	(305,014)	(49,614)	(264,384)
Interest income from securities	(1,204)	(5,627)	(5,845)
Taxation expense	57,939	37,771	86,438
Deferred taxation	3,710	-	(5,305)
Interest expense	81,130	4,288	66,819
	(7,744)	171,506	170,828
Changes in operating assets and liabilities			
Receivables	(83,401)	(341,049)	(530,020)
Related companies	13,123	(234)	13,564
Payables	78,562	112,925	102,794
	540	(56,852)	(242,834)
Interest received	265,811	37,699	263,044
Interest paid	-	(13,624)	(14,754)
Taxation paid	(57,524)	-	(69,670)
Cash provided by/(used in) operating activities	208,827	(32,777)	(64,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	5,627	5,845
Additions to intangible assets	-	(4,062)	(7,287)
Proceeds from sale of property, plant and equipment	2,536		
Additions to property, plant and equipment	(32,342)	(30,741)	(51,151)
Short term deposits	(5,917)	69,504	287,628
Cash flow from acquisition of subsidiary	-	-	(1,269,017)
Cash (used in)/provided by investing activities	(35,723)	40,328	(1,033,982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(80,737)	(4,288)	(32,427)
Issued shares	-	2,266	10,116
Dividends paid	-	(53,415)	(50,208)
Loan proceeds	-	-	2,748,020
Loan repayments	(4,856)	(42,356)	(1,497,346)
Cash (used in)/provided by financing activities	(85,593)	(97,793)	1,178,155
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	87,511	(90,242)	79,959
Exchange (loss)/gain on cash balances	18,009	(6,893)	(755)
Cash and cash equivalents at beginning of period	355,785	276,581	276,581
CASH AND CASH EQUIVALENTS AT END OF PERIOD	461,305	179,446	355,785

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 services as an agent of MoneyGram International Money Transfer which is a remittance company facilitating person to person transfers for a fee, in accordance with licences issued by the Bank of Jamaica.
- The granting of loans for personal and business purposes.

(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.

(d) Effective December 1, 2017, LASCO Financial Services Limited has acquired 100% shares in LASCO Microfinance Limited (formerly Scotia Jamaica Microfinance Company Limited) which is now a subsidiary of the company. LASCO Microfinance Limited (formerly Scotia Jamaica Microfinance Company Limited) is incorporated in Jamaica under the Companies Act.

(e) The company and its subsidiaries are referred to as "the Group".

2. BASIS OF PREPARATION:

The condensed unaudited consolidated financial statements for the quarter ended June 30, 2018, 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 2018.

3. SHARE CAPITAL:

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

	2018 $'000	2017 $'000
Stated capital, issued and fully paid - 1,264,694,391 (2017 - 1,256,844,391) of no par value	95,459	85,819

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

	2018 $'000	2017 $'000
Net profit attributable to stockholders ($'000)	161,148	166,744
Weighted average number of ordinary stock units ('000)	1,264,694	1,255,078
Basic earnings per stock unit	$0.1274	$ 0.1329