



**UNAUDITED INTERIM
FINANCIAL REPORT**

**FOR THE QUARTER ENDED
31 MARCH 2023**



SICOM FINANCIAL SERVICES LTD
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
31 March 2023

SICOM Financial Services Ltd (the **Company**) has the pleasure to submit its Unaudited Interim Financial Report for the quarter ended 31 March 2023 (the **report**), as required under the Banking Act 2004.

This explanatory note, together with the accompanying report, have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Guideline on Public Disclosure of Information.

Principal activities

The Company is engaged in depository, leasing and personal loan business activities. The Company also manages SICOM General Fund and SICOM Overseas Diversified Fund, which are constituted under the SICOM Unit Trust.

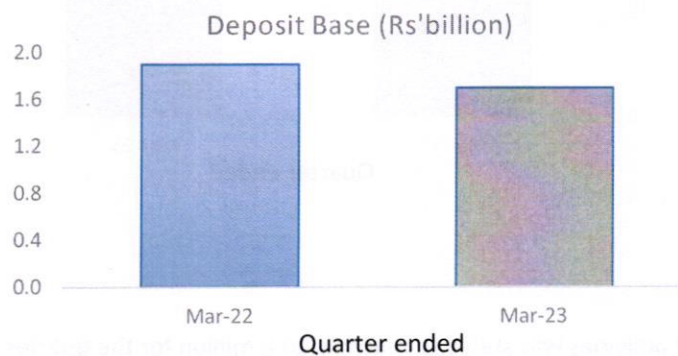
Accounting policies

The principal accounting policies and methods of computation adopted in the preparation of the report are the same as those used for the audited accounts for the financial year ended 30 June 2022.

Financial review

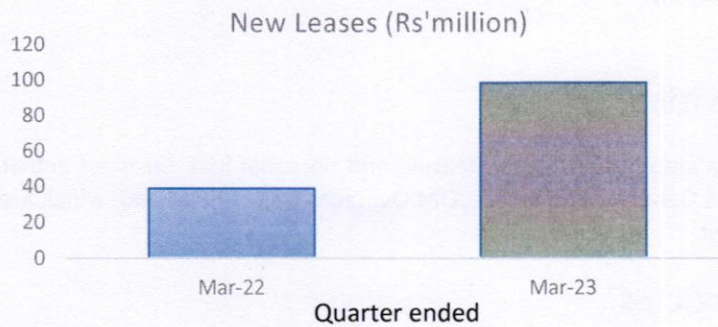
Deposits

Total deposits stood at Rs 1.7 billion as at 31 March 2023 as compared to Rs 1.9 billion as at 31 March 2022, following redemptions in deposits with interest rates increasing on the market.



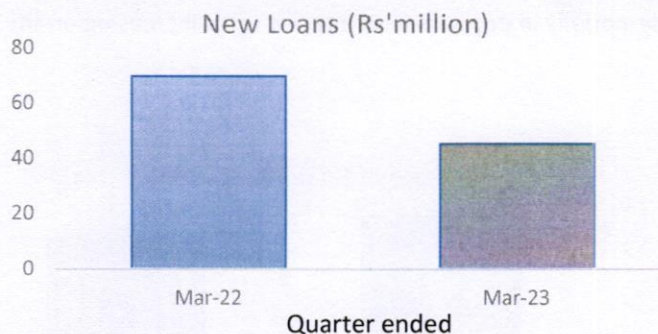
Leases

The amount of lease approved stood at Rs 98.2 million for the quarter ended 31 March 2023 while for the same quarter last year an amount of Rs 38.4 million was approved as new leases. This significant improvement in lease business was made on the back of numerous sales and marketing initiatives to boost the lease business.



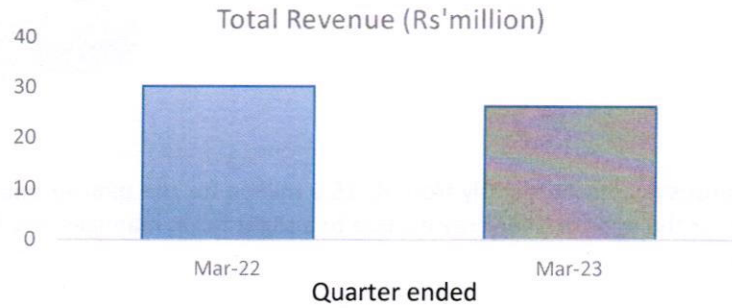
Personal Loans

The amount of new loans disbursed for the quarter ended 31 March 2023 amounted to Rs 44.9 million compared to Rs 60.8 million disbursed for the same quarter last year. The increase in interest rates has negatively impacted this line of business for the period under review.



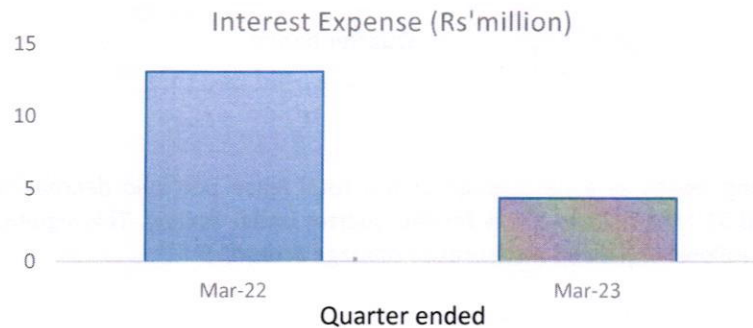
Revenue

Revenue from leasing activities was stable to reach Rs 10.8 million for the quarter under review while it stood at Rs 11.0 million for the same quarter last year. The personal loan business brought in a revenue of Rs 11.0 million for the quarter ended 31 March 2023 as compared to Rs 7.1 million for the quarter ended 31 March 2022. Total revenue reached Rs 26.3 million for the period under review as compared to Rs 30.4 million last year with the restructuring of a term deposit to benefit from a higher interest rate which will be impacting positively on interest income going forward.



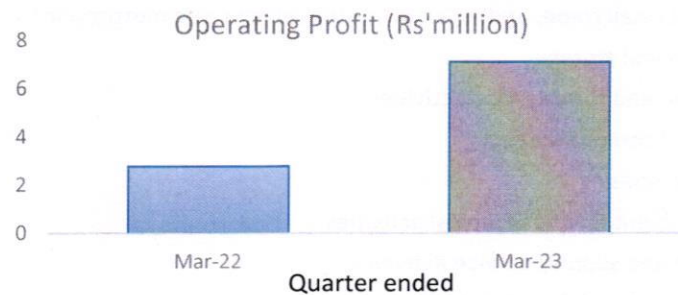
Interest expense

Interest paid to depositors fell from Rs 13.1 million for the quarter ended 31 December 2021 to Rs 4.4 million for the quarter under review due to the decrease in the deposit base.



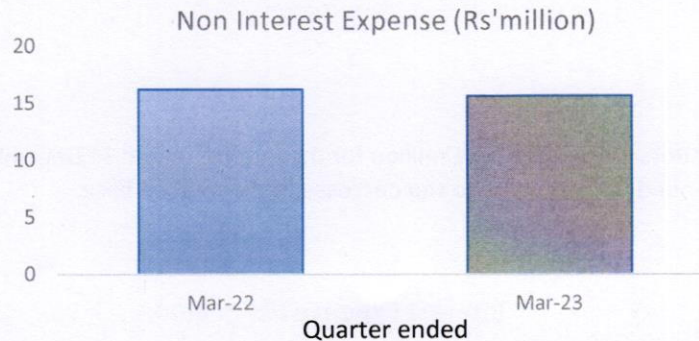
Operating profit

Operating profit reached Rs 7.1 million for the quarter ended 31 March 2023 as compared to Rs 2.8 million recorded for the quarter ended 31 March 2022. The increase in profitability was mainly due to an increase in interest income and a fall in interest expense for the period under review as compared to last year.



Cost Control

Non-interest expenses decreased slightly from Rs 16.2 million for the quarter ended 31 March 2022 to Rs 15.6 million for the quarter under review due to a slight fall in management fees payable to the holding company.



Credit quality

Non-performing leases as a percentage of the total lease portfolio decreased from 6.6% for the quarter ended 31 March 22 to 3.6 % for the quarter under review. This significant improvement in credit quality follows enhanced measures to manage arrears.

Sector Wise distribution of the Leasing Portfolio

Sector	Amount (Rs)
A - Agriculture, forestry and fishing	4,885,597
C - Manufacturing	16,473,633
D - Electricity, gas, steam and air conditioning supply	1,742,316
E - Water supply; sewerage, waste management and remediation activities	438,224
F - Construction	28,015,553
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	86,584,286
H - Transportation and storage	8,658,429
I - Accommodation and food service activities	1,315,814
J - Information and communication	7,404,615
L - Real estate activities	9,081,653
M - Professional, scientific and technical activities	19,824,334
N - Administrative and support service activities	36,615,650
Q - Human health and social work activities	8,134,666
R - Arts, entertainment and recreation	1,095,262
S - Other service activities	6,717,331
Financial Auxilliaries and Other Financial Intermediaries	5,120,601
TOTAL CORPORATE	242,107,965
TOTAL HOUSEHOLDS	493,265,855
TOTAL BALANCE OUTSTANDING LEASING	735,373,820

Risk management policies and controls

The major risks faced by the Company and how these are mitigated have been detailed below:

Risks	How risk is mitigated?
Credit	<ul style="list-style-type: none"> • Underwriting policy and procedures • Credit concentration limits and credit mandates • Regular reviews of lease and loan exposures • Regular reviews of credit policy and other related policies
Liquidity risk	<ul style="list-style-type: none"> • Limits such as liquidity ratio, capital adequacy ratio, depositors' concentration, lease to deposits ratio • Matching of tenors of leases and loans with deposits/liquidity gap • Maintain a high percentage of liquid assets
Interest rate risk	<ul style="list-style-type: none"> • Proper mix in fixed and floating rates of assets and liabilities
Operational risk	<ul style="list-style-type: none"> • Regular internal audits and compliance inspections • Business Continuity Plan in place • Regular training of staff

Capital structure

As a non-bank deposit taking institution, the Company is required to:

- Maintain a minimum capital adequacy ratio of 10% which was at 39.3 % for quarter 31 March 2023 and 41.1 % for quarter 31 March 2022.
- Maintain liquid assets equivalent to not less than 10% of deposit liabilities and for quarter 31 March 2023 this ratio stood at 41.7 % (quarter 31 March 2022: 50.1%)

Prospects

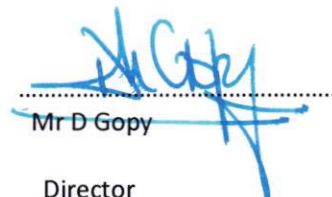
The main areas of focus of the Company for the financial year ending 30 June 2023 are to continue increasing the sale of its products and services through different sales and marketing initiatives, to develop new products, further digitalise its operations, consolidate its arrears management system, improve operational efficiency and enhance its asset/liability management to improve its interest margin.


Mrs N Ramdewar

Group CEO


Mr C Chengabroyan

Director


Mr D Gopy

Director

Date : 15-05-2023

SICOM FINANCIAL SERVICES LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	31-Mar-23	30-Jun-22	31-Mar-22
	Rs	Rs	Rs
ASSETS			
Cash and cash equivalents	24,969,399	249,629,110	247,014,434
Investment securities	169,396,430	292,239,673	299,809,049
Term deposits	547,261,845	571,406,336	665,483,575
Loans and advances	677,593,341	569,897,626	530,404,456
Property, plant and equipment	9,072,487	5,544,317	5,323,483
Intangible assets	1,269,341	1,478,549	1,076,343
Net investment in finance leases	727,847,628	697,103,005	692,726,218
Other assets	11,762,298	9,858,265	9,717,522
Assets held for sale	8,750,000	8,750,000	-
Current tax assets	16,632	3,289,141	2,814,471
Deferred tax assets	4,281,842	4,481,605	-
Rights of use assets	12,635,316	13,739,373	8,771,687
TOTAL ASSETS	2,194,856,559	2,427,417,000	2,463,141,238
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers	1,668,716,650	1,912,824,781	1,944,030,155
Retirement benefit obligations	23,095,000	23,946,000	16,342,000
Dividend	-	8,460,265	-
Deferred tax liabilities			441,612
Other liabilities	10,220,506	5,948,040	18,160,446
Lease liabilities	13,015,025	13,931,569	9,422,181
TOTAL LIABILITIES	1,715,047,181	1,965,110,655	1,988,396,394
EQUITY			
Stated capital	200,000,000	200,000,000	200,000,000
Retained earnings	228,803,128	211,294,095	220,294,252
Other reserves	51,006,250	51,012,250	54,450,592
TOTAL EQUITY	479,809,378	462,306,345	474,744,844
TOTAL EQUITY AND LIABILITIES	2,194,856,559	2,427,417,000	2,463,141,238

SICOM FINANCIAL SERVICES LTD
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2023

	Quarter ended 31 March 2023 Rs	Quarter ended 31 March 2022 Rs	Period ended 31 March 2023 Rs	Period ended 31 March 2022 Rs	Year ended 30 June 2022 Rs
Interest income using the effective interest methos	10,184,450	16,633,735	54,545,930	50,490,403	66,677,309
Interest income on finance lease receivables	10,781,384	10,998,210	32,266,916	33,848,789	44,429,092
Interest expense	(4,357,046)	(13,058,563)	(28,142,164)	(40,491,738)	(53,878,375)
Net interest income	16,608,788	14,573,382	58,670,682	43,847,454	57,228,026
Operating lease rental income	453,611	508,355	1,122,241	1,525,065	1,999,073
Fee and commission income	1,266,275	1,021,767	3,729,794	4,614,323	4,468,281
Dividend income	-	-	12,900	29,400	2,463,130
Other Income	3,592,700	1,213,682	5,289,218	2,539,702	4,074,046
Net gain/(loss) arising on financial assets measured at FVTPL	2,581,461	(3,596,407)	1,743,763	(729,194)	(8,139,944)
Operating income	24,502,835	13,720,779	70,568,598	51,826,750	62,092,612
Allowance for credit impairment	(2,005,865)	5,083,575	(3,575,171)	3,047,134	9,598,411
Fair Value loss on asset held for sale	-	-	-	-	(3,888,687)
Personnel expenses	(6,613,776)	(6,461,154)	(17,583,082)	(16,305,321)	(21,382,452)
Other expenses	(9,000,594)	(9,739,769)	(28,143,234)	(28,933,470)	(38,403,190)
Gain/(loss) on disposal of asset held for sale	186,516	186,475	186,516	186,475.00	158,923
Profit before taxation	7,069,116	2,789,906	21,453,627	9,821,568	8,175,617
Income tax (expense)/credit	(3,944,594)	(928,927)	(3,944,594)	(1,650,411)	1,777,636
Profit for the period	3,124,522	1,860,979	17,509,033	8,171,157	9,953,253

SICOM FINANCIAL SERVICES LTD
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023

	Period ended 31-Mar-23	Year ended 30-Jun-22	Period ended 31-Mar-22
	Rs	Rs	Rs
Profit for the period	17,509,033	9,953,253	8,171,157
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of post employment benefit obligations	-	(6,951,000)	-
Income tax relating to components of other comprehensive income	-	1,181,670	-
Increase in fair value of assets at FVOCI	(6,000)	192,000	183,000
Other comprehensive income for the period, net of tax	(6,000)	(5,577,330)	183,000
Total comprehensive income for the period	17,503,033	4,375,923	8,354,157

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023

	Stated capital	Retained earnings	Other reserves			General Banking reserve	Total
			Statutory reserves	Investment revaluation	Actuarial losses		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2022	200,000,000	211,294,095	61,085,220	(168,000)	(16,477,619)	6,572,649	462,306,345
Profit for period	-	17,509,033	-	-	-	-	17,509,033
Other comprehensive income for the period	-	-	-	(6,000)	-	-	(6,000)
At 31 December 2022	<u>200,000,000</u>	<u>228,803,128</u>	<u>61,085,220</u>	<u>(174,000)</u>	<u>(16,477,619)</u>	<u>6,572,649</u>	<u>479,809,378</u>