

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

SICOM Financial Services Ltd (the **Company**) has the pleasure to submit its Unaudited Interim Financial Report for the quarter ended 31 December 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.

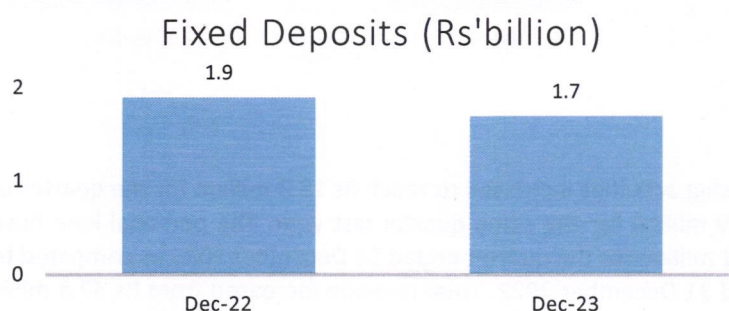
Accounting policies

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 2023.

Financial review

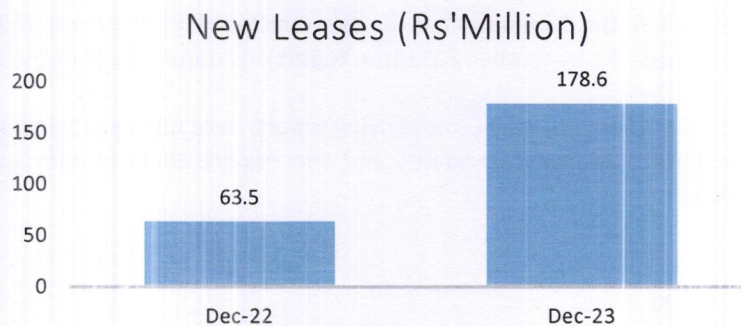
Deposits

Total deposits stood at Rs 1.7 billion as at 31 December 2023 as compared to Rs 1.9 billion as at 31 December 2022, due to the early termination of some deposits following previous increases in the Key Rate. An advertising campaign was launched in December 2023 to increase the deposit base.



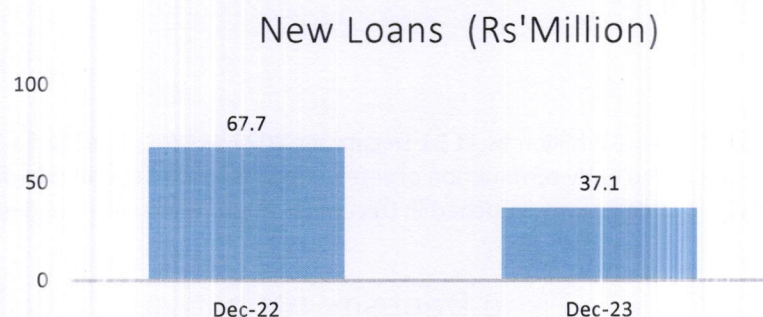
Leases

The amount of lease approved reached Rs 178.6 million for the quarter ended 30 December 2023 while for the same quarter last year an amount of Rs 63.5 million was approved as new leases. This significant increase is explained by the numerous sales and marketing initiatives deployed to boost the lease business as well as the revamping of our operating lease offer.



Personal Loans

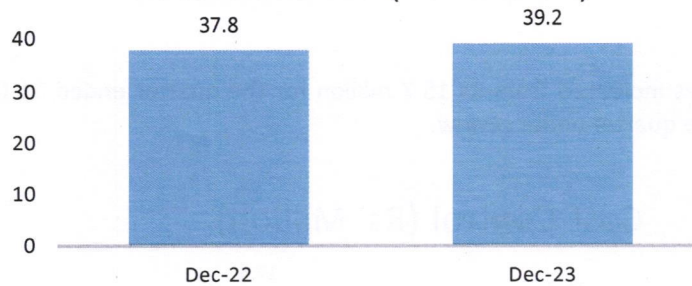
The amount of new loans disbursed for the quarter ended 31 December 2023 amounted to Rs 37.1 million compared to Rs 67.7 million disbursed for the same quarter last year. The increase in interest rates has negatively impacted this line of business for the period under review.



Revenue

Revenue from leasing activities increased to reach Rs 18.3 million for the quarter under review while it stood at Rs 10.9 million for the same quarter last year. The personal loan business brought in a revenue of Rs 12.1 million for the quarter ended 31 December 2023 as compared to Rs 9.4 million for the quarter ended 31 December 2022. Total revenue increased from Rs 37.8 million for the quarter ended 31 December 2022 to Rs 39.2 million for the quarter under review.

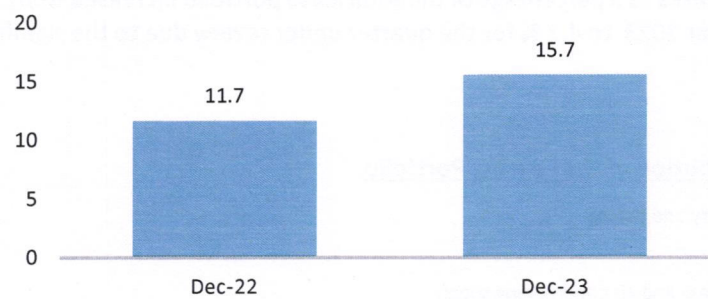
Total Revenue (Rs' million)



Interest expense

Interest paid to depositors increased from Rs 11.7 million for the quarter ended 31 December 2022 to Rs 15.7 million for the quarter under review due to new deposits bearing higher interest rates.

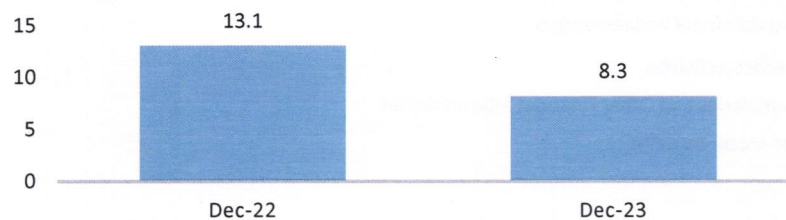
Interest Expense (Rs' million)



Profit Before Tax

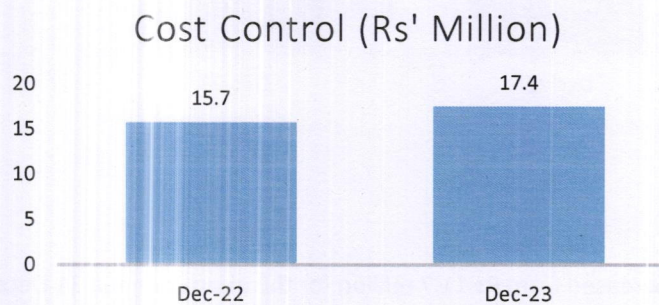
Profit before tax reached Rs 8.3 million for the quarter ended 31 December 2023 as compared to Rs 13.1 million recorded for the quarter ended 31 December 2022. The profit before tax was higher for the quarter ended 31 December 2022 due to the one- off sale of an investment.

PBT (Rs' million)



Cost Control

Non-interest expenses increased from Rs 15.7 million for the quarter ended 31 December 2022 to Rs 17.4 million for the quarter under review.



Credit quality

Non-performing leases as a percentage of the total lease portfolio increased from 3.8% for the quarter ended 31 December 2023 to 4.7 % for the quarter under review due to the significant increase in the lease portfolio.

Sector Wise distribution of the Leasing Portfolio

A. - Agriculture, forestry and fishing	5,945,334.39
C - Manufacturing	22,640,316.66
D - Electricity, gas, steam and air conditioning supply	3,309,445.58
E - Water supply; sewerage, waste management and remediation activities	356,453.70
F - Construction	42,616,362.97
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	124,805,629.13
H - Transportation and storage	13,082,778.57
I - Accommodation and food service activities	6,541,340.66
J - Information and communication	10,245,678.67
L - Real estate activities	9,325,073.33
M - Professional, scientific and technical activities	38,281,571.58
N - Administrative and support service activities	49,212,037.74
Q - Human health and social work activities	11,900,098.09
R - Arts, entertainment and recreation	810,596.78
S - Other service activities	8,735,840.30
Financial Auxiliaries and Other Financial Intermediaries	8,765,721.79
Purchase of Motor Vehicles	541,331,210.06
	<u>897,905,490.00</u>

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



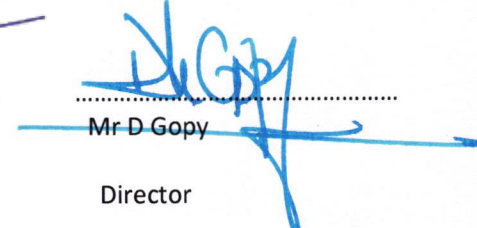
Capital structure

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

- Maintain a minimum capital adequacy ratio of 10% which was at 33.4% for quarter 31 December 2023 and 37.6% for quarter 31 December 2022.
- Maintain liquid assets equivalent to not less than 10% of deposit liabilities and for quarter 31 December 2023, this ratio stood at 29.5% (quarter 31 December 2022: 43.4%)

Prospects

The main areas of focus of the Company for the financial year ending 30 June 2024 are to continue increasing the sale of its products and services through different sales and marketing initiatives, to 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	Mr C Chengabroyan	Mr D Gopy
Group CEO	Director	Director

Date : 15-FEB-2024

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

	31-Dec-23 Rs.	30-Jun-23 Rs.	31-Dec-22 Rs.
ASSETS			
Cash and cash equivalents	64,026,145	50,969,311	51,661,491
Investment securities	172,342,149	169,586,869	166,061,046
Deposits with financial institutions	332,037,595	375,466,820	580,224,324
Loans and advances to customers	711,482,338	707,035,845	677,975,408
Net investment in finance leases	899,326,682	755,215,794	729,609,891
Asset held for sale	6,135,000	6,135,000	8,750,000
Equipment	74,590,354	39,021,067	7,932,332
Intangible assets	1,227,394	1,155,243	1,448,537
Rights of use assets	11,531,259	12,267,297	13,003,335
Current tax assets	-	979,690	1,081,039
Deferred tax assets	3,646,374	3,646,374	4,325,543
Other assets	32,603,185	14,861,961	20,503,266
TOTAL ASSETS	2,308,948,475	2,136,341,271	2,262,576,212
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers	1,758,114,769	1,601,514,322	1,742,280,916
Dividend payable	-	21,297,528	-
Lease liabilities	12,067,079	12,702,584	13,323,977
Retirement benefit obligations	27,512,000	27,512,000	23,946,000
Current tax liabilities	297,021	-	-
Other liabilities	36,925,559	9,927,695	9,142,490
TOTAL LIABILITIES	1,834,916,428	1,672,954,129	1,788,693,383
EQUITY			
Stated capital	200,000,000	200,000,000	200,000,000
Retained earnings	221,489,888	210,937,983	222,891,579
Other reserves	52,542,159	52,449,159	50,991,250
TOTAL EQUITY	474,032,047	463,387,142	473,882,829
TOTAL EQUITY AND LIABILITIES	2,308,948,475	2,136,341,271	2,262,576,212

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

	Quarter ended 31-Dec-23	Quarter ended 31-Dec-22	Period ended 31-Dec-23	Period ended 31-Dec-22	Year ended 30-Jun-23
	Rs	Rs	Rs	Rs	Rs
Interest income using effective interest method	17,537,257	27,032,720	34,806,081	17,328,760	63,507,256
Interest income on finance lease receivables	13,838,047	10,791,533	26,127,200	10,693,999	43,541,552
Interest expense	(15,663,552)	(11,733,171)	(29,536,127)	(12,051,947)	(50,939,841)
Net interest income	15,711,752	26,091,082	31,397,154	15,970,812	56,108,967
Operating lease rental income	4,355,703	263,315	6,559,721	405,315	1,921,088
Fee and commission income	1,983,395	1,212,246	4,342,744	1,251,273	8,054,071
Dividend income	-	12,900	24,300	-	2,175,509
Other Income	1,532,598	846,373	2,755,864	850,145	24,014,886
Gain on disposal of equipment and repossessed assets	-	-	-	-	4,100
Net (loss)/ gain arising on financial assets measured at FVTPL	1,539,039	1,566,545	917,629	(2,404,243)	2,768,885
Operating income	25,122,487	29,992,461	45,997,412	16,073,302	95,047,506
Net impairment gains/(losses) on financial assets	485,711	(1,168,053)	(932,178)	(401,253)	(3,712,571)
Fair value loss on repossessed assets	-	-	-	-	(2,855,745)
Personnel expenses	(5,704,025)	(6,183,049)	(10,314,485)	(4,786,257)	(23,447,517)
Other expenses	(11,648,385)	(9,532,031)	(22,336,743)	(9,610,609)	(35,323,073)
Total Expenses	(16,866,699)	(16,883,133)	(33,583,406)	(14,798,119)	(65,338,906)
Profit before income tax	8,255,788	13,109,328	12,414,006	1,275,183	29,708,600
Income tax expense	(1,238,368)	(2,595,749)	(1,862,101)	(191,278)	(4,652,685)
Profit for the period	7,017,420	10,513,579	10,551,905	1,083,905	25,055,915

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

	Period ended 31-Dec-23	Year ended 30-Jun-23	Period ended 31-Dec-22
	Rs	Rs	Rs
Profit for the period	10,551,905	25,055,915	11,597,484
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of post employment benefit obligations	-	(3,273,000)	-
Income tax relating to components of other comprehensive income	-	556,410	-
Increase in fair value of assets at FVOCI	93,000	39,000	(21,000)
Other comprehensive income for the period, net of tax	93,000	(2,677,590)	(21,000)
Total comprehensive income for the period	10,644,905	22,378,325	11,576,484

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

	Other reserves						Total
	Stated capital	Retained earnings	Statutory reserves	Investment revaluation	Actuarial losses	General Banking reserve	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2023	200,000,000	210,937,983	64,843,607	(129,000)	(19,194,209)	6,928,761	463,387,142
Profit for period	-	10,551,905	-	-	-	-	10,551,905
Other comprehensive income for the period	-	-	-	93,000	-	-	93,000
	-	10,551,905	-	93,000	-	-	10,644,905
At 31 December 2023	<u>200,000,000</u>	<u>221,489,888</u>	<u>64,843,607</u>	<u>(36,000)</u>	<u>(19,194,209)</u>	<u>6,928,761</u>	<u>474,032,047</u>