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SICOM
FINANCIAL SERVICES
A member of the SICOM Group

ANNUAL REPORT

2022

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Directors' Report

The Directors have the pleasure to submit the twenty second Annual Report of SICOM Financial Services Ltd (the "Company") which includes the audited financial statements for the financial year ended 30 June 2022. The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, the Financial Reporting Act 2004 and the Guideline on Public Disclosure of Information issued by the Bank of Mauritius.

PRINCIPAL ACTIVITIES

The Company is engaged in depository activities and holds a deposit taking license as a 'Non-Bank Financial Institution'. The Company also transacts in leasing and loan business and manages SICOM General Fund and SICOM Overseas Diversified Fund, which are constituted under the SICOM Unit Trust.

FINANCIAL RESULTS

Leasing

Investments in finance lease stood at Rs 697.1 million for the financial year ended 30 June 2022 as compared to Rs 705.7 million for the financial year ended 30 June 2021. The lease figures are lower due to the drop in the sale of vehicles and the negative impact of the pandemic on sales initiatives to boost the lease business, while fierce competition from banking institutions proposing low interest rates on leases was another factor that impacted the business of leasing companies in general. The amount of new leases approved amounted to Rs 264.8 million as compared to Rs 308.5 million last year.

Personal Loan ("Speedy loans")

This line of business performed well during the year under review, with the loan portfolio closing at Rs 566.3million at 30 June 2022 compared to Rs 238.7 million last year. This is the result of different advertising campaigns launched during the year under review.

Deposits

The total deposits of the Company stood at Rs 1.9 billion for the year ended 30 June 2022, compared to Rs 1.7 billion last year, that is an increase of 11.8%.

Net Interest Income

Net interest income increased from Rs 45.7 million for the financial year ended 30 June 2021 to reach Rs 57.3 million for the year under review. This increase is mainly due to the higher income from the Personal Loan business and a fall in interest expense.

Profitability

Operating profit stood at Rs 16.3 million for the year ended 30 June 2022 in line with the revised budgeted profit of Rs 16.5 million and higher than the operating profit of Rs 9.5 million for the year ended 30 June 2021 mainly due to improved credit quality of the portfolio and tighter credit assessments which enabled a release in provisions for expected credit losses. However, profit before tax stood at Rs 8.2 million for the year under review as compared to Rs 20.4 million last year. The main factor which impacted on profit before tax is the unrealized loss of Rs 8.2 million from the drop in the value of SICOM General Fund and SICOM Overseas Diversified Fund. Indeed, the two funds were negatively impacted by the bad performance of overseas financial markets with for instance the MSCI World Index nose diving by 15.6% during the year under review. It may be noted that financial markets have been volatile and a pick-up in markets has been noted recently which will impact positively on the profitability of the Company. The increase in management expenses was another factor which negatively impacted on profit before tax.

Auditor

Deloitte has been appointed as external auditor of the Company for the year ended 30 June 2022. The remuneration of the auditor for the financial year amounts to Rs 641,000 (excluding VAT). (2021: Rs 610,000).

Directors' Report (cont'd)

Auditor (cont'd)

The external auditor also acts as tax advisor for the Company and the fees paid in relation to these non-audit services amount to Rs 66,000 (excluding VAT) for the financial year ended 30 June 2022 (2021: Rs 62,248).

The Company has in place policies and procedures to ensure that there is no threat to objectivity and independence of the external auditor, resulting from the provision of non-audit services. Any such services need to be pre-approved by the Audit Committee.

Directors

The names of the directors who held office as directors of the Company as 30 June 2022 and the names of those who ceased to hold office as directors of the Company during the year ended 30 June 2022 are disclosed on page 25.

Directors' share interests and service contracts

The Directors have no direct or indirect interest in the share capital of the Company. Furthermore, the Directors do not have service contracts with the Company.

Directors' emoluments

In compliance with section 221(e) of the Mauritius Companies Act 2001, the below statutory disclosures are made with respect to the remuneration and benefits received by the Directors of the Company:

During the year, Directors' fees were paid as follows : Mr O S Mahadu -Rs 416,200, Mrs KG Bhoojedhur Obeegadoo – Rs 199,600, Mr I Bonomaully – Rs 295,200, Mr C Chengabroyan – Rs 228,907 , Mrs P D Maharahaje – Rs 236,645, Mr S Reedoy – Rs 294,200 and Mr S Seeteejory – Rs 292,200 respectively.

Donations

There were no donations for the year ended 30 June 2022 (30 June 2021: Nil).

Corporate Governance

The Company adheres to the principles of good governance as outlined in the National Code of Corporate Governance and the Guideline on Corporate Governance issued by the Bank of Mauritius. Please refer to the corporate governance report, within this annual report, for more details.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company.

In preparing those financial statements, the directors are required to:

- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been adhered to, subject to any material departures disclosed, explained and quantified in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company while ensuring that the financial statements fairly present the state of affairs of the Company, as at the financial year end, and the results of their operations and cash flows for that period; and
- ensure that the financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001, Financial Reporting Act 2004 and Banking Act 2004.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Directors' Report (cont'd)

Statement of directors' responsibilities in respect of the financial statements (cont'd)

The directors are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Company.

The directors report that:

- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- the financial statements fairly present the state of affairs of the Company, as at the financial year end, and the results of their operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used;
- International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004 have been adhered to; and
- the financial statements have been prepared on the going concern basis.

Acknowledgements

The Board of Directors expresses its deep appreciation of the support given to all the stakeholders of SICOM Financial Services Ltd by the Government of Mauritius, the Bank of Mauritius, the Financial Services Commission, Salespersons, Bankers and Stockbrokers.

The Board of Directors is also thankful to its customers and stakeholders for their loyalty and trust and would like to thank Management and staffs for their dedicated effort and commitment to the Company.

Chairperson | Director | Director

Management Discussion & Analysis

The Bank of Mauritius *Guideline on Public Disclosure of Information* has been used for the preparation of this Management Discussion and Analysis ("MDA") for the financial year ended 30 June 2022.

The MDA includes forward looking statements and that risk exists that forecasts, projections and other postulations contained therein may not materialise and that actual results may vary from the plans and expectations of the Company.

The reader should, therefore, stand cautioned not to place any undue reliance on such statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf.

Economic review

Following the sharp contraction witnessed in 2020, Statistics Mauritius estimated that the real Gross Domestic Product (GDP) grew by 3.6% in 2021 with the resumption of economic activities across different sectors albeit still below the pre-pandemic level. While the saving rate is expected to have decreased to reach 11.1%, the investment rate increased to attain 19.5% in 2021.The key factors driving global inflation, coupled with a weaker rupee, have translated into higher pressures on various components of the domestic Consumer Price Index and resulted in higher inflation rates lately. The headline inflation rate was 8.0% for the twelve months ended 30 June 2022 compared to 2.2% for the corresponding period last year. During the financial year ended 30 June 2022, the MUR appreciated against the GBP, EUR, AUD, YEN and ZAR while it depreciated against the USD, on the back of sustained mismatch of demand and supply of the greenback on the domestic market. Buoyed by the gradual pickup in economic activities, the full-fledged border reopening and ease in sanitary restrictions, the domestic bourse continued to recover to its pre-COVID level during most part of the financial year under review. However, as from April 2022, the market dropped amid increased selling pressures caused by the uncertainty stemming from the growing risk of recession in developed economies. Over the financial year ended 30 June 2022, the SEMDEX, the SEM-10 and the DEMEX grew by 14.2%, 11.7% and 4.1% respectively. The financial year ended 30 June 2022 has been characterised by significant changes in the outlook of the global economy following the recovery of economic activities after the abatement of the severity of the Covid-19 infection and thereafter, the emergence of the war in Ukraine, with ensuing consequences across different advanced economies and emerging market and developing economies. In its latest projections, the International Monetary Fund (IMF) is projecting global growth at 6.1% in 2021, after an estimated contraction of 3.1% in 2020.In the first half of 2022, heightened economic and investment risks have been observed in the form of prolonged supply-chain disruptions, high energy prices, broad inflationary pressures, aggressive tightening of monetary conditions and fears of a global economic contraction. With tighter monetary policy from central banks in response to the persistent broad price pressures, asset price volatility has increased substantially since the start of 2022. Uncertainties relating to the ramifications of the war in Ukraine, slowdown in China and subdued corporate earnings have all contributed to sour market sentiment lately. During the financial year ended 30 June 2022, the MSCI World, MSCI Emerging Markets, S&P 500, CAC 40 and DAX recorded losses of 15.6%, 27.2%, 12.0%, 9.0% and 17.7% respectively. The MSCI India and MSCI China plunged by 5.7% and 33.0% respectively.

Financial performance and outlook

Refer to page 1 for a short description of the Company's performance for the financial year ended 30 June 2022.

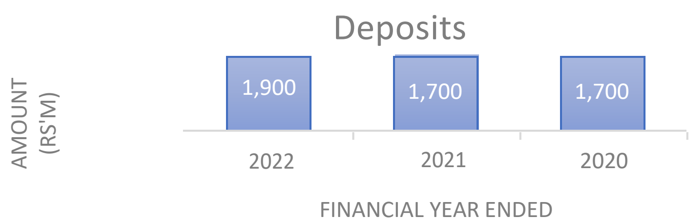
Performance against objectives

Performance Area	Current year's objective	Current year's performance	Next year's objective
Revenue growth	10.26%	5.84%	25.60%
Interest expense growth	(13.61)%	(9.51)%	3.97%
Operating profit growth	5.08%	(65.45)%	211.85%
Productivity	75.64%	85.29%	73.16%
Return on equity	4.59%	2.15%	5.51%
Return on average assets	0.96%	0.43%	1.09%

Financial review

Deposits

The total deposits of the Company grew by 11.2% to reach Rs 1.9 billion for the year under review. An amount of Rs 608.7 million was mobilized as new deposits during the year under review.

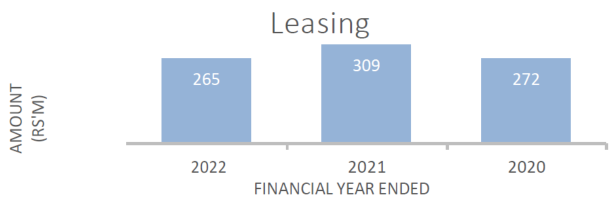


Management Discussion & Analysis (cont'd)

Financial review (cont'd)

Leases

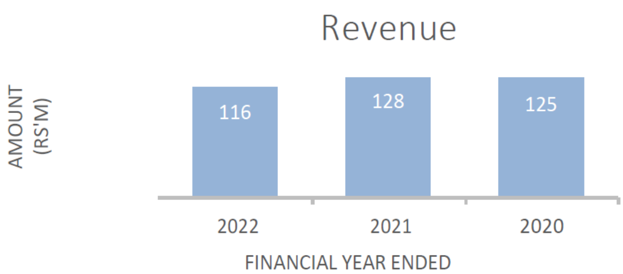
The amount of lease approved stood at Rs 264.8 million for the financial year ended 30 June 2022 while for last year the amount of lease approved stood at Rs 308.5 million. The fall in new leases was mainly due to the drop in the sale of vehicles and the negative impact of the pandemic on sales initiatives to boost the lease business.



Revenue

Revenue from leasing activities increased marginally to Rs 50.2 million for the year under review while investment income decreased to Rs 41.0 million from Rs 56.6 million last year due the persisting low interest rate environment.

Revenue from our Unit Trust activities was in the negative at Rs 2.3 million this year as compared to Rs 15.3 million last year The unrealized loss on financial assets at Fair Value through Profit and Loss for SICOM Unit Trust for the year under review, resulted from the bad performance of overseas financial markets. On a positive note, the personal loan business also brought in a substantial increase in revenue from Rs 6.3 million for the financial year ended 30 June 2021 to Rs 27.1 million for the year under review.



Revenue (Rs)	30- Jun-22	30-Jun-21	30-Jun-20
Investment Income	41,009,569	56,647,515	70,231,811
Net Leasing activities	50,229,279	49,924,482	49,687,003
Unit Trust	(2,330,643)	15,267,058	4,875,021
Personal Loan	27,062,782	6,278,986	-
Total	**115,970,987**	**128,118,041**	**124,793,835**

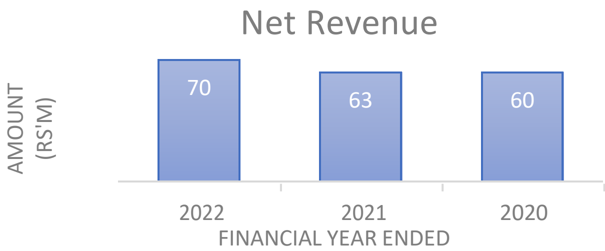
Net Revenue

Net revenue increased from Rs 62.6 million for the financial year ended 30 June 2021 to Rs 70.4 million for the year under review, mainly due the good performance of Personal Loan segment.

Management Discussion & Analysis (cont'd)

Financial review (cont'd)

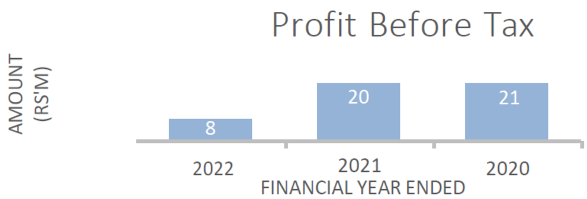
Net Revenue (cont'd)



Net Revenue (Rs)	30- Jun -22	30- Jun -21	30-Jun-20
Deposit takings, leasing and personal Loan	72,726,108	47,313,353	53,707,210
Unit Trust	(2,330,643)	15,267,058	6,259,931
Total	**70,395,465**	**62,580,411**	**59,967,141**

Profit Before Tax

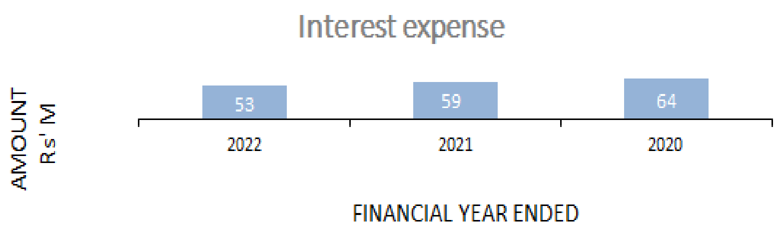
The profit before tax reached Rs 8.2 million for the year ended 30 June 2022 which is lower than last year's profit before tax of Rs 20.4 million. The main factor which impacted on profit before tax is the unrealized loss of Rs 8.2 million from the drop in the value of SICOM General Fund and SICOM Overseas Diversified Fund. Indeed, the two funds were negatively impacted by the bad performance of overseas financial markets with for instance the MSCI World Index nose diving by 15.6% during the year under review. It may be noted that financial markets have been volatile and a pick up in markets has been noted recently which will impact positively on the profitability of the Company. The increase in management expenses was another factor which negatively impacted on profit before tax.



Profit Before Tax (Rs)	30-Jun-22	30-Jun-21	30-Jun-20
Deposit taking, leasing and personal loans	13,228,063	7,890,062	18,000,589
Unit Trust	(5,052,446)	12,496,202	2,775,853
Total	**8,175,617**	**20,386,264**	**20,776,442**

Interest expense

Interest expense fell from Rs 59.5 million for the financial year ended 30 June 2021 to Rs 53.4 million for the financial year ended 30 June 2022 due to the lower interest rates provided on deposits mobilized from clients.

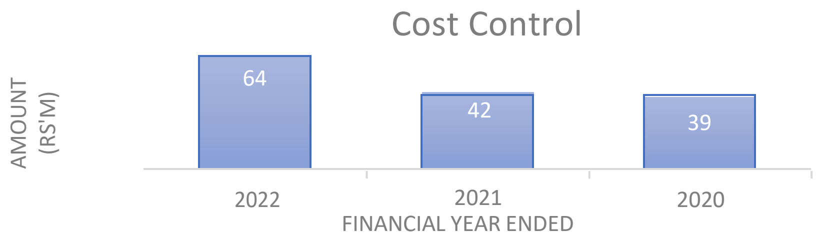


Management Discussion & Analysis (cont'd)

Financial review (cont'd)

Cost Control

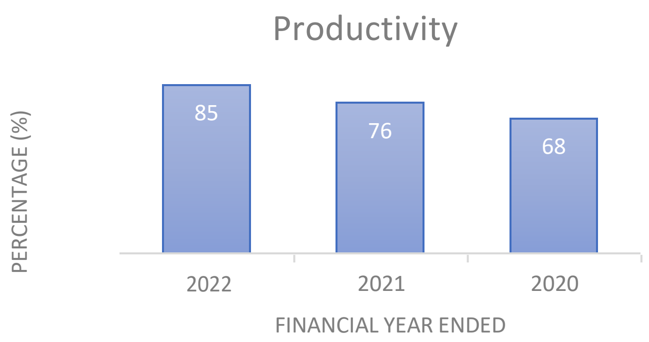
Non-interest expenses increased to Rs 63.5 million for financial year ended 30 June 2022 as a result of a rise in management expenses.



Non- interest expenses (Rs)	30-Jun-22	30-Jun-21	30-Jun-20
Deposit takings, leasing and personal Loan	60,793,595	39,423,291	35,904,325
Unit Trust	2,721,803	2,770,856	3,284,387
Total	**63,515,398**	**42,194,147**	**39,188,712**

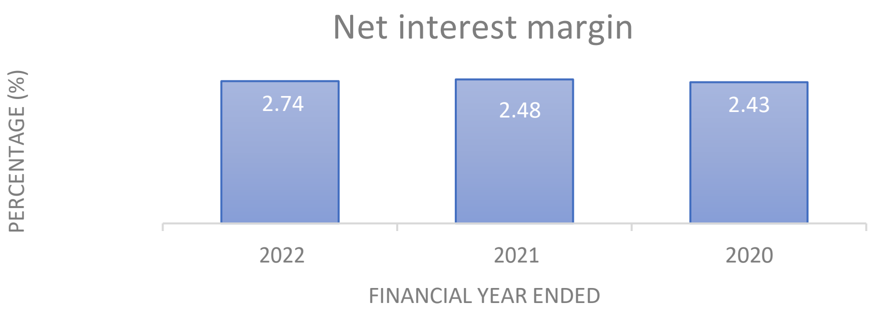
Productivity ratio

The productivity ratio stood at 85.3 % for the year under review. This rise is mainly due to the increase in costs as mentioned above.



Net interest margin

Net interest margin reached 2.74% as compared to 2.48% last year.

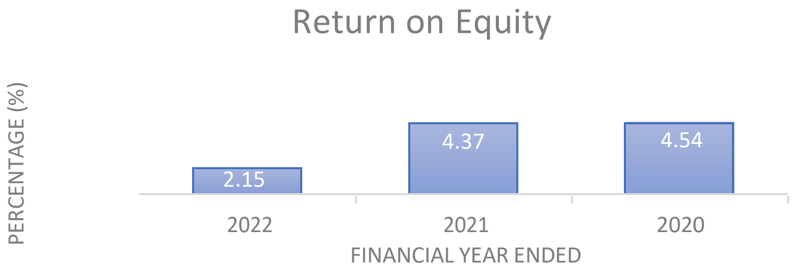


Management Discussion & Analysis (cont'd)

Financial review (cont'd)

Return on equity

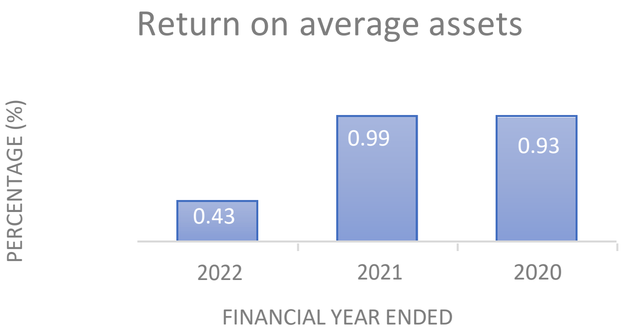
The return on equity for the financial year ended 30 June 2022 stood at 2.15% as compared to 4.37% in 2021 due to a fall in the Company's profitability.



Year	Return on Equity
30-Jun-22	2.15%
30-Jun-21	4.37%
30-Jun-20	4.54%

Return on average assets

The return on average assets fell to 0.43% for the year ended 30 June 2022.



Credit quality

The Company's total non-performing book decreased from Rs 41.1 million to Rs 22.3 million at 30 June 2022 as a result of the stringent measures to curtail arrears, increased market value of collaterals and the repossession of some impaired assets. At the same time, the ECL coverage on the non-performing book decreased from 22.8% to 17.3%.

More details on credit quality can be found in the notes to the financial statements including a sector-wise distribution of exposures and the respective impairment provisioning in note 12(e)(ii). The bucket-wise ECL coverage by ageing is found in note 12(h).

Management Discussion & Analysis (cont'd)

Risk management policies and controls

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established different sub-committees, which are responsible for approving and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Please refer to the disclosures made in the Risk Management Report which provides a description of the wider risk management framework of the Company.

Concentration risk

The Company is guided by the principles and requirements outlined in the *Guideline on Credit Concentration Risk* issued by the Bank of Mauritius. As such, the credit exposure of the Company must be within the following limits:

- aggregate credit exposure to any single customer shall not exceed 25 per cent of the Company's Tier 1 Capital;
- aggregate credit exposure to any group of connected counterparties shall not exceed 40 per cent of the Company's Tier 1 Capital; and
- aggregate large credit exposures to all customers and groups of connected counterparties shall not exceed 800 per cent of the Company's Tier 1 Capital.

The Company's six most significant individual credit concentration cases at 30 June 2022 is provided below:

Customer	Category	Net exposure	% of Tier 1 capital
1	**Single**	**Rs 4,958,011**	**1.21**
2	**Single**	**Rs 4,554,550**	**1.11**
3	**Single**	**Rs 3,722,168**	**0.91**
4	**Single**	**Rs 3,683,153**	**0.90**
5	**Single**	**Rs 3,671,018**	**0.90**
6	**Single**	**Rs 3,589,343**	**0.88**

Related party transactions policies and practices

The Company adheres to its Policy on Related Party Transactions as per the *Guideline on Related Party Transactions* issued by the Bank of Mauritius.

The Company has in place policies and procedures to review and approve exposures to related parties and ensure that market terms are approved. The Board oversees that the policies and practices are adhered to. As a general rule, related party transactions require the Board's approval.

Reports are filed on a quarterly basis to the Bank of Mauritius.

The Company has in place policies and procedures in place to review and approve exposures to related parties and ensure that market terms are approved. The Risk Management / Conduct Review Committee oversees that the policies and practices are adhered to. Related party transactions require the approval from the said committee. Reports are filed on a quarterly basis to the Bank of Mauritius.

None of the credit facilities granted to related parties were non-performing.

Management Discussion & Analysis (cont'd)

Capital Structure

Shareholding Profile

The ownership of the stated capital of the Company at 30 June 2022 is given below:

State Insurance Company of Mauritius Ltd	19,800,000 shares (99% holding)
Development Bank of Mauritius Ltd	200,000 shares (1 % holding)

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 39.6 % at 30 June 2022, 43.1 % at 30 June 2021 and 54.0 % at 30 June 2020.
- maintain liquid assets equivalent to not less than 10% of deposit liabilities. At 30 June 2022, this ratio stood at 54.8% (2021:58.1%, 2020: 73.3%).

The capital adequacy of the Company is as follows:

	30 June 2022	30 June 2021	30 June 2020
	Rsm	Rsm	Rsm
Total capital made up of:			
Tier 1 capital	407.6	409.7	416.2
Tier 2 capital	8.0	6.5	6.5
Risk Weighted Assets	1,050	964.8	782.8
Capital adequacy ratio	**39.6%**	**43.1%**	**54.0%**

The Company has complied with all externally imposed requirements during the year ended 30 June 2022.

Statement of corporate governance practices

The Company is fully committed to maintaining the highest level of integrity and good governance, and is guided by the National Code of Corporate Governance and the Guideline on Corporate Governance as issued by the Bank of Mauritius. Corporate governance disclosures can be referred to in the corporate governance report, within this annual report, which also includes the processes in place for receiving shareholder feedback on its activities and for dealing with shareholder concerns.

Chairperson

Director

Director

Annual Compliance Statement in respect of the Bank of Mauritius requirements

Name of Institution: SICOM FINANCIAL SERVICES LTD

Reporting Period: 30 JUNE 2022

I, O S Mahadu ,the Chairperson of the Board of Directors of SICOM Financial Services Ltd confirm, to the best of my knowledge that SICOM Financial Services Ltd has complied with the provisions of the law, regulations and guidelines issued by the Bank of Mauritius.

O S Mahadu
Chairperson of the Board of Directors

Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Company's operations in Mauritius presented in this Annual Report have been prepared by Management, who is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the Guidelines issued thereunder have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Company's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors, acting in part through the Audit Committee and Risk Management/Conduct Review Committee, which comprise Independent Directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Holding Company's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Company as it deems necessary.

The Company's External Auditor, Deloitte, has full and free access to the Board of Directors and its Committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

For and on behalf of the Board of Directors

Chairperson	Director	Director

Date: 21 SEP 2022

Risk Management Report

At SICOM Financial Services Ltd ("SFSL"), we strive to continually strengthen our risk management capabilities to protect and enhance shareholder value. Our aim is to make risk management simple, well understood and embedded in all our activities. Risk will provide oversight which is pro-active and proportionate while maintaining the commercial approach required to help the financial business make good risk-based decisions and to move quickly whilst understanding the risks.

The Mauritian economy has been gradually recovering from the COVID-19 pandemic following a substantial contraction in 2020-2021. The health impact of the pandemic was successfully managed with close to one million inhabitants vaccinated by May 2022 as part of the national vaccination campaign. Most sectors of economic activity are on track to reach pre-pandemic output levels, including tourism activities which are slowly picking up following the waiving of COVID-19 travel restrictions.

The key challenge for Mauritius is to continue its economic recovery, while controlling inflation in a global environment of high fuel and food prices, increasing freight costs and a weak rupee. Inflationary pressures are likely to continue as supply chain disruption due to the Russia-Ukraine conflict further impact on energy and food prices. This contributes to the erosion of our clients' purchasing power, especially those in the lower and middle income groups, and may have a detrimental impact on our business objectives.

Coming out of a crisis that disrupted societies and shut down the economy during the previous financial year, we laid the foundations for a solid and sustainable recovery. SFSL demonstrated its strength, agility and commitment to act for the benefit of all. We are committed to playing our part in helping our stakeholders and country move towards a future that is resilient and inclusive through innovative products and flexible financing solutions intended to improve the quality of life of our customers.

Main Risk Achievements for The Year

In the midst of this challenging environment, we have achieved significant milestones over the year to strengthen our environment and make it more resilient to risks identified.

* The Business Risk Assessment (BRA) tool was implemented according to Section 17 of the Financial Intelligence Anti-Money Laundering Act 2002 with purpose of assisting SFSL to evaluate, identify and mitigate the risks of money laundering and terrorism financing pertaining to all its products and services namely Deposit Taking, Personal Loans, Leasing and Unit Trusts.

The Company has created a risk-based model taking into account the following:

(a) all relevant risk factors including:

(i) the nature, scale and complexity of the reporting person's activities;
(ii) the products and services provided by the reporting person;
(iii) the persons to whom and the manner in which the products and services are provided;
(iv) the nature, scale, complexity and location of the customer's activities; reliance on
(v) third parties for elements of the customer due diligence process;
technological developments; and

(b) the outcome of any risk assessment carried out at a national level and any guidance issued.

Our Risk Strategy and Roadmap

Over the coming year we will focus on a few major projects to further strengthen our control environment and improve the resilience of the Company.

We will also continue to monitor the Cyber Security framework to ensure that it remains resilient to new cyber threats.

Managing Risk in Line with Our Strategy

Our management team, with oversight from the Board, Audit Committee and Risk Management/ Conduct Review Committee are responsible for developing our strategy. Our strategic planning process aims to ensure we have developed clear objectives and targets, and identified the actions needed to deliver them, including the management of risks arising from the strategic plan. A key aspect of any effective strategic planning process is to understand and manage those risks appropriately. To achieve this, the Risk Function works closely with the rest of the business to help identify and assess risks, which is done through setting and achieving targets as well as through its review and challenge of business plans in the strategic planning process. The Company's risk strategy is aligned with the Group strategy and supports business decision-making through the proactive identification, assessment and management of risks.

Our Risk Governance Framework

The Risk Function has led significant cultural change to drive ownership of risks across the Group, which also applies to SFSL. The Group has a strong risk culture, and a mature and embedded Enterprise Risk Management ("**ERM**") Framework with clear accountabilities and risk ownership designed to ensure that we identify, manage, mitigate and report on all key risks and controls through the three lines of defence model:

	Responsibilities	*Owners*
1st line of defence *Operations*	Responsible for day-to-day risk and control management and decision-making	Management
2nd line of defence *Risk Oversight*	Responsible for developing, facilitating and monitoring an effective risk and control framework	Risk Management, Compliance and IT Security
3rd line of defence *Independent Assurance*	Responsible for providing independent assurance on the effectiveness of the overall control environment	Internal and External Audit

Our Risk Management Framework

Our ERM Framework, in line with corporate governance guidelines of the Bank of Mauritius, was established to effectively develop and implement strategies, policies, procedures and controls to manage material risks. The ERM Framework sets out, at a high level, the Company's approach to setting risk strategy and managing risks to the strategic objectives and day-to-day operations of the business. The risk management framework is designed to manage the Company's risk proactively and to enable dynamic risk-based decision-making. Aligned to the three lines of defence model, not only does the risk management framework articulate the high-level principles and practices needed to achieve appropriate risk management standards, but it also demonstrates the inter-relationships between components of the risk management framework. Within this, the risk management process is a key element in the development and on-going maintenance of an accurate risk profile. The objective of the risk management process is to identify, assess, manage, monitor and report on the risks that the Company is exposed to.

Risk Management Process

The Risk Management Process (**"RMP"**) refers to the continuous cycle of identifying, assessing, monitoring, managing and reporting of risks, as applicable. The RMP is the cornerstone of any ERM framework and is formalised in a risk register. Below is a depiction of the ERM processes embedded within the day-to-day operations of the Company in managing its risk exposure.

The risks are identified and classified in a consistent manner across the Company. The inherent risks are then assessed in terms of their probability of occurrence, their financial as well as their reputational impact. A corresponding rating is given for the residual risk along with a control description of how each risk identified is being mitigated, together with improvement plans. The monitoring frequency of risks differs and is stipulated in the risk register.

The Company has a list of key risks it is willing to take or tolerate in pursuing its strategic objectives and business plans. The Company regularly measures and quantifies material risks to which it is exposed, using financial and non-financial metrics.

Risk Appetite

Our risk appetite statements define the opportunities and associated level of risk the Company is prepared to accept to achieve its business objectives. The statements are used to drive risk-aware decision making by key business stakeholders. Our risk appetite statements are documented in our Policies and include:

- monitoring whether the business remains within risk appetite, among other information, using key risk indicators;
- deriving the key risk indicators from the risk appetite statements to drive and monitor risk- aware decision-making; and
- both qualitative and quantitative risk statements which are forward- and backward-looking.

Overarching Risk Objective

The Company recognises that its long-term sustainability is dependent on having sufficient economic capital to meet its liabilities as they fall due, thus protecting its reputation and the integrity of its relationship with customers and other stakeholders.

Our main strategic risk objectives are:

- Maintain capital adequacy
  The Company seeks to maintain its capital adequacy ratio in line with the Bank of Mauritius guidelines.
- Stable/efficient access to funding and liquidity
  The Company aims to meet both planned and unexpected cash outflow requirements, including those requirements that arise following stress scenarios testing performed on events which could occur in line with the Bank of Mauritius guidelines.
- Maintain stakeholder confidence
  The Company has no appetite for material risks resulting in reputational damage, regulatory or legal censure, poor customer outcomes, fines or prosecutions and other types of non- budgeted operational risk losses associated with the Group's conduct and activities. The Group will maintain a robust and proportionate internal control environment.

Our Risk Culture

Our risk culture underpins our business and decision-making and, helps us embed a robust approach to managing risk. Our Risk Function drives ownership of risks in the business and ensures that risk consideration is integral to all decision making. It also provides expert advice and guidance to business areas, whilst also challenging the effectiveness of controls to manage risk and compliance. The Board is committed to promoting a culture of high standards of corporate governance, business integrity, ethics and professionalism in all our activities.

Risk Management Structure, Roles and Responsibilities

The diagram below illustrates the Company's risk management structure and key responsibilities. The Company also forms part of the Group's Management Risk Committees such as the Internal Risk Committee (**"IRC")** and Cyber Security Committee and the main responsibilities are as shown on the next page. This structure ensures that risk management processes are effectively embedded across the Company.

Risk Management / Conduct Review Committee (At Company Level)	Internal Risk Committee (At Group Level)	Cyber Security Committee (At Group Level)
•Assists the Board in fulfilling its oversight responsibilities •Advises the Board on the development and implementation of a ERM Framework •Monitors and approves all related party transaction issues of the Company •Ensures that all credit exposures are in line with regulatory limits.	•Reports to the Group's Risk Committee of the Board •Has an understanding of the key risks to which the Group is exposed and oversees the effective management of these risks •Reviews the ERM Framework including the Risk Management Strategy and Policies, Risk Appetite Statements and Risk Tolerance Levels	•Oversees the Group's risk assessment and management processes with regards to Cyber Risks •Designs the cybersecurity strategy in line with expectations from key stakeholders •Participates in design and review of security policies and procedures •Reviews threat intelligence outputs and makes recommendations to the IRC on the organisation's exposure to current and emerging information security threats

Management of Key Risks

The main risks which might threaten our business model, future performance, solvency and liquidity positions are:

Credit Risk

Credit risk may arise if the loans and leases given become non-performing. The Company has internal procedures to ensure that facilities provided are within set risk parameters. Moreover, a close monitoring of loan and lease repayments is made to minimise credit risk. The arrears committee meetings are held on a regular basis to review and monitor arrears.

Operational Risk

Operational risk is the risk of loss or cost resulting from failed internal processes and systems and includes business continuity, IT risks and human capital risks. Management has implemented the 4 eyes principle for review, regular internal audit inspections, adequate insurance cover, stress testing and has in place a business continuity plan.

Liquidity Risk

It is the risk that the Company does not have enough financial resources to meet its financial obligations as they fall due. The Company is required to maintain at all times a liquidity ratio of 10% in line with the Bank of Mauritius Guideline on Capital Adequacy Ratio for Non-Bank Deposit Taking Institutions. The Company also tries to match the tenor of leases and deposits and monitors its liquidity gap.

Interest Rate Risk

It is the risk arising from changes in interest rates impacting the Company's net interest margin. The Company regularly reviews the changes in interest rates on its margin and monitors the interest rate sensitivity of its portfolio.

Credit Concentration Risk

It is the risk of overexposure to a client, group of clients or industry sector which may potentially have a significant impact on the Company's performance. The Company is required to follow the prudential limits set out by the Bank of Mauritius Guideline on Credit Concentration and has developed internal policies in this respect.

Strategic Risk

Strategic Risk would arise if there is a significant change in the financial market structure that would force the company to change its business plan, resource allocation and strategic direction. To mitigate this risk the Company regulary asseses its strategy through its 3 Year strategic plan.

Compliance Risk

The Compliance function is outsourced at Group level and regular reviews are conducted to monitor the complany's compliance with the rules, regulations, codes and the guidelines of the Bank of Mauritius and Financial Services Commission.

Business Continuity

After the surge of the COVID-19 pandemic, the Company has enhanced its existing Business Continuity Plan to ensure continuity of service to our clients and other stakeholders. As economies begin to rebound post-pandemic, the global risk agenda has diversified away from COVID-19 toward a broader range of threats such as geopolitics, inflation, more sophisticated cyberattacks and climate change issues, being the main challenges now facing businesses.

Having customer satisfaction as main focus, the Company has redesigned its internal processes. With digitalisation of our services, we are aiming at further developing easily accessible products for a wide range of customers.

Emerging Risks

Emerging risks are defined by the Group as newly developing or changing threats or opportunities, external to the Group, that are subject to a high degree of uncertainty but have the potential to materially impact the Group, including the company.

The Group has in place an emerging risks process which enables it to:

- have a proactive approach to emerging risk management across the Group;
- identify, manage and monitor a broad range of emerging risks; and
- mitigate the impact of emerging risks that could impact the delivery of the strategic plan.

Climate Change

The Company recognises that climate change potentially poses material long-term financial risks to the business and is receiving increased scrutiny from regulators and investors. Climate change risk can be divided into physical and transition risks. Both of these categories can manifest themselves through a range of existing financial and non-financial risks, including insurance, market, operational, strategic and reputational risks.

The Company will submit its roadmap for the development of its internal risk framework for climate- related and environmental financial risks by 30 September 2022, in line with the Bank of Mauritius' Guideline on Climate-related and Environmental Financial Risk Management. Additionally, progress reports on the roadmap on a half-yearly basis with the first report will be submitted by 31 March 2023 and draft disclosure submission by 30 September 2023.

Global Financial Instability

Global financial instability can occur through unexpected or unpredictable external events that affect fundamental macroeconomic variables, such as GDP growth, consumption, inflation or unemployment. As markets worldwide continue to recover from the impact of COVID-19, there is a risk that global financial instability could be triggered and/or worsened by numerous external events, including natural disasters, war, terrorism, natural resource or fuel shortages and global technological failures. Should the Russia-Ukraine war continue, there is a likelihood that the impact on global financial instability will increase which may hamper our business objectives.

Board Opinion

The Board is of the opinion that the Company's risk management processes and systems of internal control are effective.

Corporate governance report

1. Introduction

SICOM Financial Services Ltd (hereinafter referred to as the **Company** or **SFSL**) was set up as a public company in December 1999 and started operations in April 2000. The Company is a subsidiary of the State Insurance Company of Mauritius Ltd (hereinafter referred to as **SICOM** or the **Holding Company**) and forms part of the SICOM group of entities (the **SICOM Group**).

The Company is licensed by the Financial Services Commission, under section 14 of the Financial Services Act 2007, to provide lease finance since January 2002, and under section 98 of the Securities Act 2005 to operate as a Collective Investment Scheme Manager since October 2011. The Company is also licensed/authorised by the Bank of Mauritius to conduct deposit-taking and loans businesses.

The Company is a public interest entity as defined by the Financial Reporting Act 2004.

2. Corporate Governance

Aligned with its Holding Company's objectives, SFSL is committed to creating long-term goals stakeholders' value by maintaining high standards of corporate governance and its unwavering commitment in applying and implementing the eight (8) principles set out in the National Code for Corporate Governance for Mauritius (2016) (the **Code**) as explained in appropriate sections of the Report.

SFSL enjoys a solid reputation as a well-managed, well-structured reputable and trusted financial services company holding several licences, with two (2) Collective Investment Schemes under its management, namely:

- SICOM General Fund; and
- SICOM Overseas Diversified Fund,

which are constituted under the SICOM Unit Trust.

3. SICOM Group Governance Framework, an evolution

SFSL has over the years built in experience and adopted its corporate practices which to a large extent aligns with SICOM's governance framework.

3.1. Corporate Governance Infrastructure

This sub-section of the report explains how SFSL has developed an efficient and compliant governance infrastructure which continues to evolve in ensuring that the Board and Management co-exist together in a harmonious manner for the progress of the organisation.

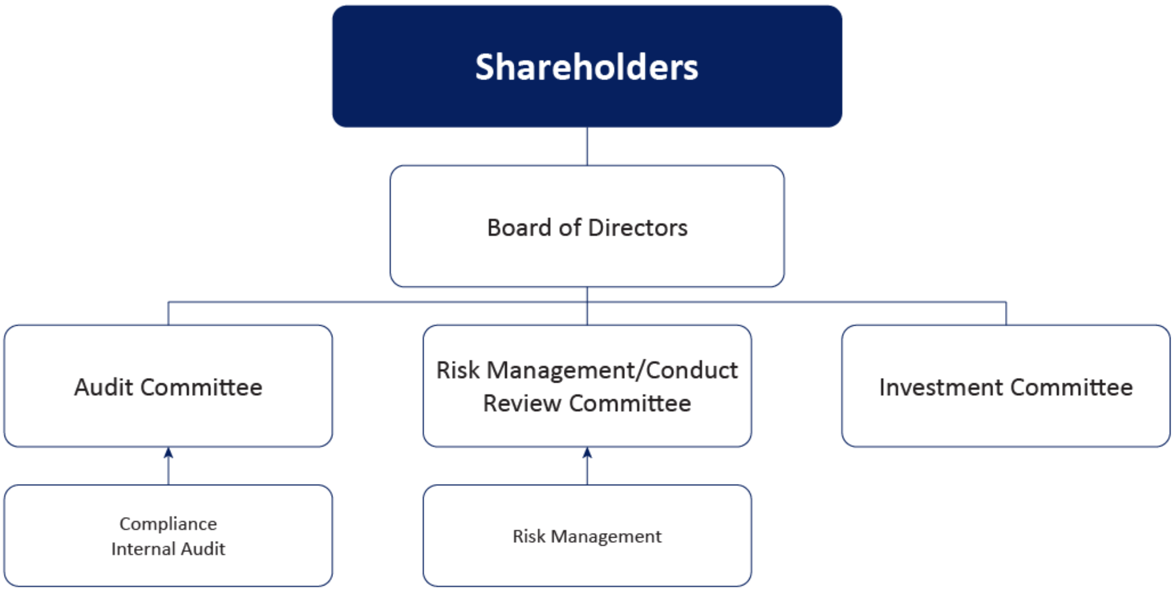


Figure 1: Board Operating Structure

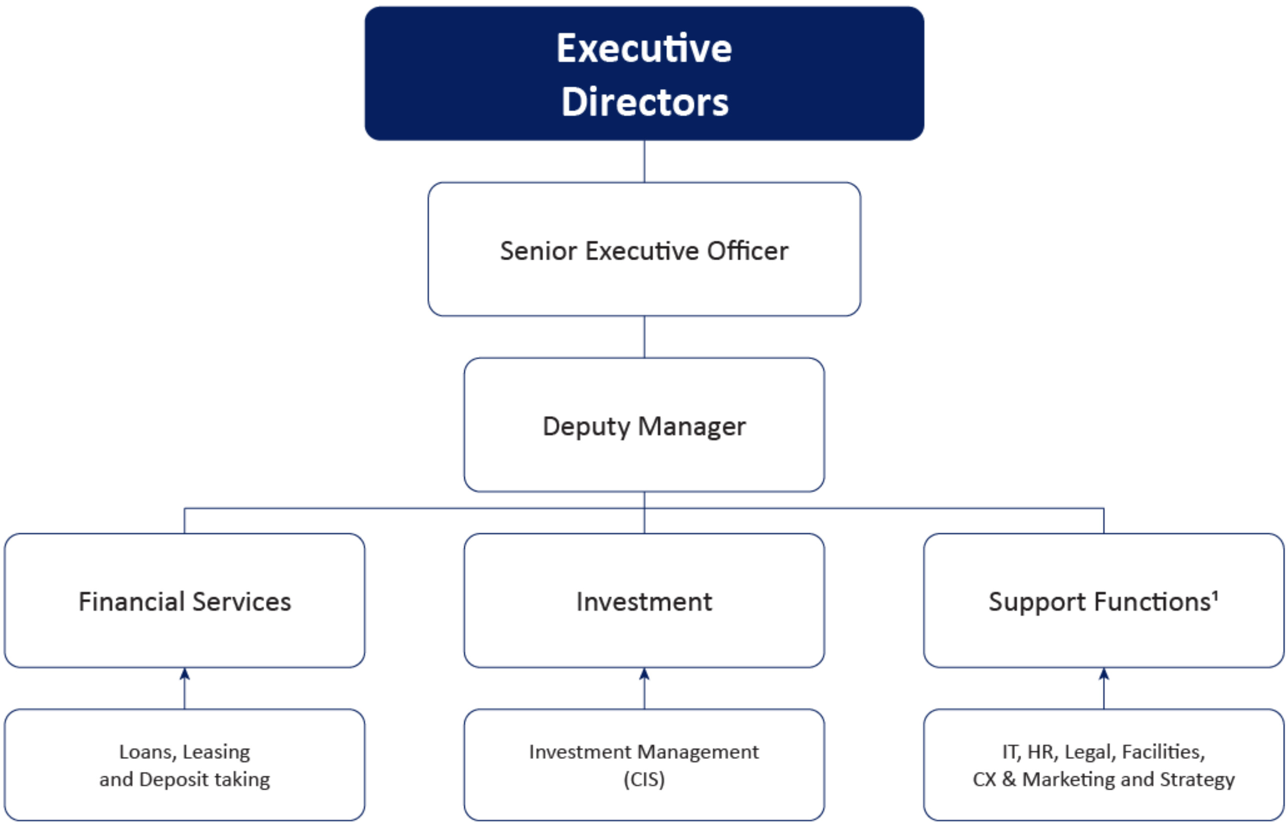


Figure 2: SFSL Organisation Structure

[1] Support Functions are provided by SFSL's holding company, SICOM. Service-level agreements are in place and regularly reviewed.

3.1.1. SFSL's Governance Documents

SFSL's main governance documents, that are summarised below, as well as other corporate governance information, are available for consultation on the Group's corporate website (www.sicom.mu). These documents are reviewed on a regular basis. These not only evidence the SFSL's compliance with applicable local laws, but also demonstrate its intent to go beyond the adherence to recommendations, best practices, and trends in corporate governance, both at a national and international level. To that end, SFSL has, during this financial year, updated some of its policies and introduced new policies as follows:

- Personal Loan Policy;
- Revised Leasing Policy;
- Revised Policy on Outsourcing;
- Revised Liquidity Risk Management Policy;
- Revised Customer Acceptance Policy; and
- Revised Policy on Politically Exposed Persons

Constitution	The Amended and Restated Constitution of the Company is dated 10 June 2005 (the Constitution). The Company's Constitution, adopted in conformity with the provisions of the Companies Act 2001, governs the general internal functioning of the Company including, amongst other matters, the rights and obligations of the shareholders.
Board's Charter	The Company's Board Charter sets out the objectives, roles and responsibilities and composition of the Board. The Board Charter is reviewed as and when required.
Code of Ethics for Directors and Employees	The Group's Codes of Ethics for Directors and Employees provides the overarching philosophy on its corporate values and standards of behaviours.
Corporate Governance Policy for the Group	The Group's Corporate Governance Policy establishes, along with the Company's Charters and other policies, a framework of good governance practices for the Group.
Remuneration Policy for Directors and Senior Executives	The Group's Remuneration Policy for Directors and Senior Executives provides a structured basis in determining the remuneration of Board members and Senior Executives of the Group.

Table 1: Summary of the main governance documents

The Company also has in the place the following governance documents:
• Board Committees' Charters
• Position Statements of the Chairperson of the Board and Board Committees, Group CEO and Company Secretary
• Director Selection and Orientation Policy
• Policy on Related Party Transactions
• Whistleblowing Policy
• Group's Anti-Harassment and Non-Discriminatory Policy

3.1.2. Our Governance Structure

SFSL's Corporate Governance structure has been established in accordance with the provisions of the Code, national and international practice.

The Company is led by a committed and unitary Board, which is collectively and ultimately responsible for the oversight, long-term success, reputation and governance of the organisation. Though there is delegation of authority in certain areas and clear lines of responsibility, the Board retains ultimate control over the affairs of the Company.

The Board works towards the achievement of the Company's strategy by providing effective leadership and strategic guidance. Robust risk management and sound internal controls help to ensure adherence of the Company to relevant legal and regulatory requirements.

The Board also assumes the accountability for the Company meeting all its statutory and regulatory requirements. Board Committees have been set-up in accordance with the Company's Constitution and recommendations of the Code, as well as the Bank of Mauritius' Guideline on Corporate Governance, to assist the Board in the discharge of its duties and responsibilities by providing in- depth focus on specific areas. In fulfilling their role of providing oversight and guidance, Chairpersons of Board Committees escalate all significant matters affecting the affairs and reputation of the Company to the Board.

- **The Chairperson**

The Chairperson of the Board is a Non-Executive Director and is seconded in this pivotal role by Executive, Non-Executive, and Independent Non-Executive Directors. He leads the Board, ensuring it is functioning properly and that each Director can make an effective contribution. He remains the spokesperson for the Board.

• The Group CEO

The Group Chief Executive Officer (the **Group CEO**) is at the helm of the SICOM Group and has the authority and responsibility to manage the overall operations and resources of the Group. She acts as the main point of contact between the Board and Management. The other responsibilities of the Group CEO include, among others, to develop and recommend to the Board a long-term vision and strategy for the Group as well as the annual business plans and budgets that support this strategy; to execute and implement the strategy as decided by the Board; to monitor the Group's performance and keep the Board appropriately informed; to foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity and meets social responsibility objectives and imperatives.

The day-to-day operations of the Company are entrusted with the Senior Executive Officer of the Company, who is assisted by the Deputy Manager.

The profile of the senior management team/management team is on page 29 and on the Group's website.

• Company Secretary

The Company Secretary is responsible for the co-ordination of all Board business namely Board agendas, Board papers, minutes and all statutory filings. Appointment and removal of the Company Secretary shall be the subject of Board approval.

DTOS Ltd (**DTOS**) acts as the Company Secretary to the Board and all its underlying Committees.

DTOS is a leading management company operating in the Mauritian global business sector for the last 29 years. Founded in 1993 and licensed by the Financial Services Commission, DTOS provides a comprehensive range of professional services including amongst corporate secretarial, administration and accounting services.

DTOS has a substantial and diversified clients' base that includes Fortune 500 multinationals, private equity firms, global banking institutions, financial powerhouses, institutional investors, family offices and High Net Worth individuals who enjoy a high degree of confidentiality established through Mauritian laws. Headquartered in the Republic of Mauritius with offices in UAE, India, China, France, Uganda and Kenya, DTOS is a leading regional expert providing business solutions to clients in Mauritius and worldwide.

The position statements of the Chairperson, the Group CEO and the Company Secretary are available on the Group's website.

3.1.3. SFSL's Board Members & Management Team

3.1.3.1. Directors in Office

Directors who held office during financial year

Independent

1. O S Mahadu (Chairperson)
2. C Chengabroyan (appointed as from 29 September 2021)
3. S Reedoy
4. S Seeteejory

Non-Executive

1. K G Bhoojedhur-Obeegadoo
2. I Bonomaully
3. P D Maharahaje (appointed as from 27 August 2021)

Executive

1. N Ramdewar (Group CEO)
2. D K Gopy

Changes to the composition of Company Board

1. N Seewoochurn (up to 01 August 2021)

Profile of Directors

Oomesh Sharma MAHADU (Chairperson)

Fellow of the Association of Chartered Certified Accountants

Member of the Mauritius Institute of Professional Accountants (MIPA)

Oomesh is the Finance Manager of Polytechnics Mauritius Ltd, a skills-based tertiary education institution under the aegis of the Ministry of Education, Tertiary Education, Science and Technology. Along with being the Finance Manager, Oomesh plays a pivotal role in formulating and deployment of many strategic initiatives of his organization and contributes extensively towards the growth of Polytechnics Mauritius Ltd. His professional experience spans over 15 years with diversified experience in accounting, auditing, and financial analysis. After working more than 8 years in Big 4 Accounting Firms (Deloitte Middle East and EY) both internationally and locally, he joined the industry. He cumulates financial expertise in various fields such as real estate, construction, aviation, education, manufacturing & textiles, financial services, heavy industries, oil & gas, energy, mining, not-for-profit organizations, sports, IT companies, marketing & multimedia and trading in Mauritius and abroad.

Nandita RAMDEWAR (Group CEO)

Fellow of the Association of Chartered Certified Accountants

Masters in Business Administration - specialisation in Finance, Manchester Business School Fellow of the Mauritius Institute of Directors

Member of the International Fiscal Association (Mauritius)

Nandita Ramdewar is the Group CEO as from 1 May 2021. She joined SICOM as Manager (Finance) in 1992 after working for a leading audit firm. Since then, she has been heading several business units of the Group at senior management level and has also acted as the Company Secretary. She has acquired along the years a broad experience in insurance, strategy, finance, investments, financial services, corporate matters and other fields. In February 2018, she was appointed Deputy Group CEO, besides acting as Chief Finance Officer. She was acting as Officer- in-Charge from August 2019 to April 2021.

She currently serves as Director on the Boards of State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd, SICOM Global Fund Limited, SICOM Management Limited and National Housing Development Co Ltd. She has in the past acted as the Chairperson of the Private Secondary Schools Authority and has been a Director of the Stock Exchange of Mauritius Ltd and Central Depository and Settlement Co. Ltd.

Karuna G. BHOOJEDHUR-OBEEGADOO

Fellow of the Institute of Actuaries, UK

BSc (Hons) in Actuarial Science, London School of Economics and Political Science Fellow of the Mauritius Institute of Directors

Karuna Bhoojedhur-Obeegadoo was the Group Chief Executive Officer heading the SICOM Group of Companies until her retirement in September 2017. She has also worked with M&G Reinsurance Company in London (now Swiss Re) prior to joining SICOM and was appointed Actuarial Adviser to the National Pensions Fund and member of its Investment Committee.

In the past, she has served as Director on the board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and the Board of Investment.

She is currently a Director on the Board of companies within the SICOM Group and is also a member of the Board of the MCB Group Ltd and of its Audit Committee, Remuneration, Corporate Governance, Ethics and Sustainability Committee and a member of the Board of MCB Equity Fund Ltd.

Ishwarlall BONOMAULLY

Fellow of the Association of Chartered Certified Accountants MSc in Finance (UOM)

Ishwarlall Bonomaully joined the former Income Tax Department (now Mauritius Revenue Authority) where he was Inspector of Taxes for 4 years. He was also an Accountant at the Management Audit Bureau for 15 years.

During his career, he served on different boards of state-owned enterprises. He is currently a director on the board of the Development Bank of Mauritius Ltd, State Trading Corporation and Industrial Finance Corporation of Mauritius (IFCM) Ltd. He is also Chairman of the National Resilience Fund Management Committee, a special fund set up under the Finance and Audit Act.

Ishwarlall Bonomaully is currently Director at the Ministry of Finance, Economic Planning and Development. He is mainly responsible for the formulation and finalisation of budgets and strategies for different sectors, the compilation of the five-year public sector investment programme and monitoring of capital projects, project appraisal and selection, and procurement policies.

Chelven Chengabroyan (Appointed on 29 September 2021)

MSc (Hons) in Finance from Cass Business School (UK) with specialisation in the valuation of derivatives and financial instruments
BSc (Hons) Accounting with Finance from the University of Mauritius
Member of the Institute of Chartered Accountants in England and Wales (ICAEW) Fellow member of the Association of the Chartered Certified Accountants (ACCA) Member of the Chartered Institute of Securities and Investment (CISI)

Chelven Chengabroyan is a partner at NJC ASSOCIATES and a member firm of IECnet Global. Chelven has over 17 years of experience in audit and advisory services gathered both locally and internationally. Prior to this role, he was part of the management team of Kross Border Corporate Services (rebranded as Rogers Capital) for over 1 year and a Senior Manager at Deloitte & Touche (M.E.) in United Arab Emirates (UAE) for over 6 years specialised in the financial services industry. He is a licensed Insolvency Practitioner.

Dev Kumar GOPY

Diplôme d'Etude Approfondies (DEA) in Finance
Maîtrise in Financial Management from Institut d'Administration des Entreprises (IAE), University of Montpellier II, France
Qualified Stockbroker

Dev Gopy joined SICOM in 2001 after working for a leading local banking institution. He is responsible for managing the investments of the SICOM Group locally and overseas. He is also responsible for the loans, leasing, investment advisory and collective investment schemes businesses of the Group as well as the operations of SICOM Global Fund Limited and SICOM Management Limited.

He currently serves as Executive Director on the Boards of State Insurance Company of Mauritius Ltd and SICOM Management Ltd. He is also a Director of Cyber Properties Investments Ltd and has in the past been a Director of the Stock Exchange of Mauritius Ltd and the Central Depository and Settlement Co. Ltd.

Parvashi Devi MAHARAHAJE (Appointed on 27 August 2021)

Associate Member of the Chartered Governance Institute UK & Ireland since 2014 Fully qualified ICSA Professional
Bachelor of Business Administration

Parvashi Devi Maharahaje is a Chartered Corporate Governance Professional and is currently holding the post of Assistant Permanent Secretary at the Ministry of Financial Services and Good Governance. She reckons over 10 years of working experience, mostly acquired from the Financial Services Sector and Public Administration.

In 2017 she joined the Public Service as an Assistant Permanent Secretary under the Administrative Cadre of the Prime Minister's Office. During these 5 years in the Public Service, she has been posted at the Office of the President, the Ministry of Education and Tertiary Education, Science and Technology and the Ministry of Financial Services and Good Governance. She has assisted in the implementation of Government's policies and preparation of legislations. During her posting at the Office of the President she has been given the opportunity to organize high State Level functions and support the President of the Republic of Mauritius to uphold and defend the Constitution.

Before joining the Public Service, she has been working in Management Companies where she managed and administered portfolios of Global Business Companies, Funds and Trusts. She has also been a Board Member of the Financial Services Fund.

Subiraj REEDOY

BSc Social Work (UOM)
Masters in Business Administration (MBA), University of Mauritius LLB, University of London

Reedoy Subiraj (Ravi) is a consultant, having extensive experience in the Government services and the NGO sector. He has spent nearly 28 years in various positions in several Ministries, Government Institutions and Departments. He has joined the Sugar Industry Labour Welfare Fund as Clerical Officer in 1991 to 1994 and subsequently was appointed as Community Development Officer up to September 2007. He was then appointed as Project Manager at the Decentralised Cooperation Programme, Ministry of Finance and Economic Development, which was funded by the European Union to combat poverty alleviation, from 2007 to 2010.

He was appointed as Programme Coordinator at the Women and Children's Solidarity Programme operating under the Prime Minister's Office from 2010 to 2011. As programme coordinator he was then entrusted the responsibility to merge two programmes namely the Special Collaborative Programme for Support to Women and Children in distress operating under the Ministry of Gender Equality, Child Development and Family Welfare where he has been working until June 2019. He is currently a consultant working for many SMEs and NGOs for the development and sustainability of respective organisations in terms of training, mentoring and coaching.

Sarvesh SEETEEJORY

Master's in Business Administration (MBA) specialization Marketing Post Graduate Certificate in Education (PGCE Business)
BSc (Hons) Marketing Management

Sarvesh Seeteejory started his career as Assistant Floor Manager at Discount Hyper Limited to eventually becoming Marketing Executive at the Kids Skills Ltd. Since 2012 till present, he has been imparting knowledge to students and guiding them in becoming better Mauritian Citizen as an Educator at the Bhujoharry Secondary College. Lately, he has been employed as a part time Lecturer at the Open University in the field of Marketing.

Management's Profile

Moorganaden (Ruben) CHADIEN

Senior Executive Officer

Ruben Chadien joined SICOM in 1994 and has gathered knowledge and experience working in different departments of the company. He moved to SICOM Financial Services Ltd upon its setting up in 2000 and has, through time, gained a rich experience in Deposit Taking, Leasing, Loans and Unit Trusts administration. He is today responsible for the day-to-day operations of SICOM Financial Services Ltd and manages the Loan portfolio of the Group. Ruben holds an MBA from the University of Surrey (UK) and is a Fellow member of the Association of Chartered Certified Accountants (ACCA).

Ameerah KASENALLY-BOODOO

Deputy Manager

Ameerah Kasenally-Boodoo joined SICOM in 2003 where she worked in the Investment Department before moving to SICOM Financial Services Ltd in 2008. She is currently the Deputy Manager and is assisting in the running of the Company's operations.

Ameerah holds a BSc (Honours) in Economics from the London School of Economics and Political Science and an MBA from University of Birmingham (UK).

3.1.4. Other directorships held by Members of the Board

Directors/Committee	Other Directorships
Nandita Ramdewar	• State Insurance Company of Mauritius Ltd • SICOM General Insurance Ltd • SICOM Management Limited • SICOM Global Fund Limited • National Housing Development Co. Ltd
Karuna G Bhoojedhur-Obeegadoo	• State Insurance Company of Mauritius Ltd • SICOM General Insurance Ltd • SICOM Management Limited • SICOM Global Fund Limited • MCB Group Limited • MCB Equity Fund Ltd
Ishwarlall Bonomaully	• Development Bank of Mauritius Ltd • DBM Energy Ltd • Industrial Finance Corporation of Mauritius (IFCM) Ltd
Chelven Chengabroyan	• Stairway Property Development Ltd • Stairway Property Sales Ltd • Lambda Holdings Limited
Dev Kumar Gopy	• State Insurance Company of Mauritius Ltd • SICOM Management Limited • Cyber Properties Investment Ltd
Subiraj Reedoy	• HOPE FOUNDATION LTD • RAVTECH CO LTD

3.1.5. The Structure of the Board and its Committees

- **Board size and composition**

The Board of Directors is a unitary Board composed of nine Directors, out of which there are six (6) male representatives and three (3) female representatives. The Company has a judicious mix of Executive Directors, Non-Executive Directors, and Independent Directors. The Board is composed of two Executive Directors, three Non-Executive Directors and four Independent Directors, who are all residents of Mauritius. There are no alternate directors on the Board of the Company.

The Board is broad-based and consists of individuals from different backgrounds with the right balance of skills, experience and diversity. The Company complies with the statutory number of directors and has a Board Charter which is reviewed by the Board as and when required. Collectively, the Board is well structured and of sufficient size to discharge its duties, having regard to the activities and size of the Company and the Group. Overall, the Board is of opinion that the current number of Directors with their mix of knowledge, skills and experience is adequate to effectively discharge its duties.

The functions and responsibilities of the Chairperson and Group CEO are separate. The Chairperson is a Non-Executive Director and leads the Board, ensuring it is functioning properly and that each Director is able to make an effective contribution. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary. The Group CEO has the overall responsibility of managing the operations of the Group and implementing the strategies and policies as decided by the Board.

The Independent and the Non-Executive Directors do not have any involvement in the operations of the Company, which could materially affect their ability to exercise independent judgment. Moreover, none of the appointed Independent Directors were employed by the Company or its subsidiaries during the past three years.

- **Board meetings**

In accordance with best governance practices, the Board ensures that regular Board meetings and committee meetings are held.

Board Meetings are set in advance according to the terms of the Company's Board Charter and its Constitution. Board meetings are held at least four times during a financial year. Additional meetings may be convened to consider urgent matters.

Over and above meetings, some decisions are also taken by circularisation of written resolutions.

- **Board meetings process**

Start of the Financial Year (FY)	Following consultation with the Group CEO and Chairperson, a draft calendar is prepared for Board Meetings for the coming FY.
Prior to Meetings	Together with the Group CEO and Chairperson, the Company Secretary prepares the agendas. Final agendas are circulated to the Directors in advance of all meetings by the Company Secretary, together with the Board pack.
Board Meetings	Over and above the co-ordination of all Board meetings, the Company Secretary also takes and keeps minutes of all meetings.

- **Information provided to Directors**

The Chairperson, assisted by the Company Secretary, ensures that the Directors are provided with the necessary information, and sufficiently in advance, in order to effectively carry out their responsibilities and adequately prepare for the meetings.

The Company has a process in place whereby Board and Committee papers are shared via an online and secured portal.

- **Board governance during the Covid-19 pandemic**

As part of the governance changes brought along by the pandemic, the Board has remained steadfast and continued hosting its meetings online through a secured platform. The Board was kept informed of the continuing Covid-19 related challenges and priorities of the Company.

Digitalisation and leveraging on new digital technologies became new priorities for the Group, including the Company.

Directors, in the performance of their duties, may seek, at the Company's expense, outside legal, financial or other professional advice on any matter within their terms of reference. Directors may also have access, at all reasonable times, to members of the Management team for any clarification on board matters.

3.2. Board Oversight

3.2.1. The Board of Directors

SFSL's Board has a strategic oversight on the activities of the organisation. Key priorities, in line with the Group's strategy, identified for the next reporting year 2022/2023 are as follows:

- Business Growth and Development;
- Focusing on Customers;
- Enhancing Operational Excellence; and
- Employee engagement and development.

The members of the Board and their attendance at Board meetings during this reporting period 2021/2022 were as follows:

DIRECTORS' ATTENDANCE DURING THEIR PERIOD OF DIRECTORSHIP			
NUMBER OF MEETINGS HELD		7	
DIRECTORS	CLASSIFICATION	ATTENDANCE	
O S Mahadu	Independent	7 of 7	● ● ● ● ● ● ●
N Ramdewar	Executive	7 of 7	● ● ● ● ● ● ●
K G Bhoojedhur-Obeegadoo	Non-Executive	6 of 7	● ● ● ● ● ● ○
I Bonomaully	Non-Executive	5 of 7	● ● ● ● ● ○ ○
C Chengabroyan	Independent	5 of 5	● ● ● ● ●
D K Gopy	Executive	7 of 7	● ● ● ● ● ● ●
P D Maharahaje	Independent	5 of 5	● ● ● ● ●
S Reedoy	Independent	7 of 7	● ● ● ● ● ● ●
N Seewoochurn[1]	Non-Executive	1 of 1	●
S Seeteejory	Independent	6 of 7	● ● ● ● ● ● ○

Changes to the composition of the Company's Board during this Reporting Period:

[1]N Seewoochurn (up to 01 August 2021)

During this reporting year, the Board of SFSL examined, discussed and resolved on the following matters :

During this period, the Company's Board discussed and considered the following key areas:
• Approval of annual budget
• Overview of Business and Financial performance of the Company, Annual Reports and Financial Statements,
• Appointment of Directors and review of composition of Board Sub-Committees
• Evaluation of the performance of the Board and its Sub-Committees
• Appointment of external auditor
• Approval of Related Party Transactions on quarterly basis
• Complaints Coordinator's Report
• Compliance Plan 2022/2023
• Report of the Money Laundering Reporting Officer (MLRO)

3.2.2. Board Committees

In accordance with the Company's Constitution and recommendations of the Code, several sub- committees have been set up to assist the Board in the effective performance of its duties. Each Committee comprises members with a wealth of knowledge and experience in fields relevant to the operations of the Company, including insurance, pensions, actuarial science, finance, legal, marketing and business administration.

Each Board Committee has its own Charter, approved by the Board and published on the website, and which may be reviewed as and when required. The responsibilities of the Chairperson of the Board and the Chairperson of each sub-committee have been clearly defined in their respective position statements.

The Committees are as follows:

a) Audit Committee;

b) Risk Management/Conduct Review Committee; and

c) Investment Committee.

Attendance at Committee meetings

The Directors who served on the Board Committees and their attendance at meetings during the financial year 2021/2022 are provided in the following table:

Directors	AC	RC	IC
No. of meetings held	4	5	2
O S Mahadu	-	-	2 of 2
N Ramdewar	-	5 of 5	1 of 1
K G Bhoojedhur-Obeegadoo	-	2 of 3	2 of 2
I Bonomaully	1 of 1	3 of 3	2 of 2
C Chengabroyan	3 of 3	2 of 2	1 of 1
D K Gopy	-	-	1 of 1
P D Maharahaje	-	-	2 of 2
N Seewoochurn (up to 01 August 2021)	1 of 1	1 of 1	-
S Reedoy	3 of 3	2 of 2	1 of 1
S Seeteejory	3 of 3	2 of 2	1 of 1

AC	Audit Committee
RC	Risk Management/Conduct Review Committee
IC	Investment Committee

3.2.2.1. Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities related to accounting, financial reporting practices, quality and integrity of financial reports, compliance, and internal controls.

The Audit Committee consists of three (3) Independent Directors. During the financial year 2021/2022, the Committee met four (4) times.

The members of the Committee are/were:

MEMBERS	CATEGORY
C Chengabroyan (Chairperson as from 27 January 2022)	Independent Director
I Bonomaully (up to 27 January 2022)	Non-Executive Director
S Reedoy (as from 27 January 2022)	Independent Director
S Seeteejory (as from 27 January 2022)	Independent Director
N Seewoochurn (Chairperson up to 01 August 2021)	Non-Executive Director

- **Key focus areas**

During this Reporting Period, the Audit Committee discussed and considered the following key areas:
• Revised Policies
• Report of the Money Laundering Reporting Officer (MLRO)
• Internal Audit Reports
• Audit Plan of External Auditors
• Compliance Plan
• Internal Audit Plan
• Revised AML/CFT Compliance Manual and Policies
• Recommendation for approval of annual financial statement to the Board

3.2.2.2. Risk Management/Conduct Review Committee

The Risk Management/Conduct Review Committee assists the Board in fulfilling its oversight responsibilities related to risk management. The Risk Management/Conduct Review Committee also advises the Board on the Company's overall current and future risk appetite and reports to the Board on the state of risk culture within the Company. The Committee is responsible for monitoring and evaluating the company's strategic, financial, operational and financial risks

The Risk Committee consists of three (3) Independent and one (1) Executive Director. During the financial year 2021/2022, the Committee met five (5) times.

The members of the Committee are/were:

MEMBERS	CATEGORY
S Reedoy (Chairperson as from 27 January 2022)	Independent Director
N Ramdewar	Executive Director
C Chengabroyan (as from 27 January 2022)	Independent Director
S Seeteejory (as from 27 January 2022)	Independent Director
K G Bhoojedhur-Obeegadoo (up to 27 January 2022)	Non-Executive Director
I Bonomaully (Chairperson and Member up to 27 January 2022)	Non-Executive Director
N Seewoochurn (up to 1 August 2022)	Non-Executive Director

- **Key focus areas**

During this Reporting Period, the Risk Committee discussed and considered the following key areas:

- Risk Reports on a quarterly basis
- Related Party Transactions on a quarterly basis
- Risk Management Plan

3.2.2.3. Investment Committee

The Investment Committee lays down and reviews on a regular basis the investment strategy of the different funds managed by the Company. The Committee has the objective of selecting investments to achieve a reasonable rate of return, while taking associated risks into consideration. It may also take investment decisions and ensures that investments are in all respect reasonable and proper. The Committee also monitors and reviews the performance of the different funds under management.

The Investment Committee consists of one (1) Independent Director and three (3) Non-Executive Directors. During the financial year 2021/2022, the Committee met twice.

The members of the Committee are/were:

MEMBERS	CATEGORY
K G Bhoojedhur-Obeegadoo (Chairperson as from 27 January 2022)	Non-Executive Director
C Chengabroyan (from 29 September 2021 to 27 January 2022)	Non-Executive Director
O S Mahadu	Independent Director
S Reedoy (up to 27 January 2022)	Independent Director
S Seeteejory (up to 27 January 2022)	Independent Director
I Bonomaully (up to 27 January 2022)	Independent Director
P D Maharahaje (as from 27 August 2021)	Non-Executive Director
N Seewoochurn (up to 1 August 2021)	Non-Executive Director
D K Gopy (up to 27 January 2022)	Executive Director
N Ramdewar (up to 27 January 2022)	Executive Director

- **Key focus areas**

During this Reporting Period, the Strategy and Investment Committee discussed and considered the following key areas:
• Review of Investments on a half yearly basis

3.3. Active Monitoring

This section explains how the Board members are provided with the necessary tools and training so that they can lead the organisation efficiently.

3.3.1. Appointment of Directors

As part of its mandate, the Board carefully considers the needs of the organisation and considers the following factors when appointing new Directors:

a) Skills, knowledge and expertise;
b) Previous experience;
c) Balance required on the Board including but not limited to gender and age;
d) Independence (where required); and
e) Any conflict of interest.

Each Director is elected by a separate shareholder's resolution to hold office until the next Annual Meeting at which he/she may be eligible for re-election.

Under the Company's Constitution, the Board is allowed to appoint any person as a Director to fill a casual vacancy or the Shareholders can make an addition to the existing Directors subject to the number thereof not being more than nine (9).

3.3.2. The Induction Process

The Company has an induction process for newly appointed Directors. The objective of that process is to ensure that the new directors are able to rapidly acquire sufficient knowledge of the Company and its internal corporate governance processes.

Upon their appointment, non-Executive Directors are given a letter of appointment, and all new Directors participate in an induction and orientation programme to enable them to acquire sufficient knowledge of the Company's business and familiarise themselves with its governance structure. To that end, all new Directors are provided with an induction pack.

Induction Pack
An overview of the Company
Company's Constitution
Board Charter
Charters of the Board's Sub-committees
The Code of Ethics for directors
The Banking Act 2004
The Financial Services Act 2007
Relevant extracts of the Companies Act 2001
Relevant Guidelines of the Bank of Mauritius
The National Code of Corporate Governance for Mauritius (2016)
The latest Annual Report

The Group CEO and the Company Secretary are always available to provide any additional information that may be required by newly appointed Directors.

For this reporting period, all new Directors were appointed in compliance with the above process.

3.3.3. Directors' Professional Development

Directors are encouraged to remain updated with industry practices, trends and standards. They may also request for any specific training of interest to them for the fulfilment of their duties as directors.

During the financial year 2021/2022, the Directors received trainings and followed informational sessions. The main topics covered were technology, strategy and insurance business.

The Company has already identified some areas and subjects in which the directors have also shown an interest for the next financial year's training programme.

3.3.4. Succession Planning

The Board ensures the orderly succession of appointment to the Board and to Senior Executive positions so as to maintain an appropriate balance of knowledge, skills and experience on the Board and within the Company. The Corporate Governance, Sustainability and Nomination Committee, established under the Board of SFSL's holding company, has been delegated the task by the Board to consider succession planning for Directors and other Senior Executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed in the future.

As part of the Company's succession plan, the situation at Board and senior management levels is regularly assessed and appropriate action is taken to fill gaps where needed.

3.3.5. Directors' Duties, Remuneration and Performance

- **Legal duties**

All Directors are aware of their legal duties and are required to act in good faith and in the best interests of the Company.

- **Interest register**

In accordance with the Companies Act 2001, an interest register is maintained by the Company Secretary and is updated as and when required. Directors have a duty to disclose any interest that they have, including any related-party transaction. At the end of each financial year, Directors are requested to fill in a disclosure of interest form.

The interest register may be made available to the Shareholders of the Company upon request to the Company Secretary.

For this reporting period, no conflict of interest has been reported.

• Related Parties

The Company adheres to the requirements as set out by Guideline on Related Party Transactions (as amended in May 2022) issued by the Bank of Mauritius and to its Policy on Related Party Transactions which has been established under the said guideline.

Details on related-party transactions are found on page 98 to 103 of the Annual Report under Note 28.

• Access to information

The Directors have access to the advice and services of the Company Secretary, as well as access to senior executives for matters they wish to discuss at Board or Committee meetings or any other matter they consider to be appropriate. There are no restrictions placed over the right of access to information.

• Information, information technology and information security governance

The confidentiality, integrity and availability of information are of significant importance to the Company. With a spike in cyber security threats around the world, the Company continues to invest in technology to enhance its operational resilience, and security solutions are continuously sought to keep abreast of new security threats.

The Company has put in place information policies to cover different spheres associated with information security, the information systems, the administration of logical and physical access to information processed and stored, as well as the transmission of information.

The Group’s Information Security Policy is a key component of the Group’s overall Information Security Management Framework and reflects the commitment of Management to information security. Policies and their related procedures are regularly updated to reflect current requirements and best practices adopted by the Company and are made accessible to all staff by publishing them on its intranet.

The Company also undertook several initiatives to uphold the robustness of its information security framework, including awareness sessions organised for staff on cybersecurity risks.

• Assessment and evaluation of Board Members

The Company is committed to developing its corporate governance by adopting the best practices applicable to the industry. During this financial year, the Board assessed its functioning, quality and efficiency of its work and that of its Committees. Accordingly, necessary steps are being taken to tackle the main areas identified for improvement.

During this reporting period, an evaluation of the effectiveness of the Board, its Committees, as well as its individual directors, was conducted. The assessment exercise for individual Directors was led by the Company’s Chairperson.

During the assessment, the Directors showed satisfaction as regards the functioning and effectiveness of the Board and its committees, as well as the role played by the Chairperson and the Group CEO. he evaluations were conducted through the completion of a comprehensive questionnaire.

The assessment process concluded that overall, the Directors were satisfied with the performance of the Board and its Committees.

• Remuneration

The Company's underlying remuneration philosophy is to set the appropriate level of remuneration to be able to attract, motivate and retain its personnel and Directors, giving due consideration, as applicable, to laws, guidelines, market rates, views of the Shareholders as well as the Group's strategies and long-term objectives.

The remuneration of the Group's personnel, including its Executive Directors, is covered under the Salary Review which is carried out every 3 years by an independent Salary Commissioner, and the remuneration of its Non-Executive Directors is approved by the Shareholders at the Annual Meeting of Shareholders.

The Company has a Board-approved Remuneration Policy.

The two Executive Directors did not receive any emoluments from the Company. Non-executive directors have not received remuneration in the form of options or bonuses associated with organisational performance. The Company does not have any long-term incentive plans in place. Further details on Directors' remuneration are found on page 2 of the Annual Report.

• Reporting with Integrity

Our objective is to be a reliable service provider to our customers and stakeholders and to be a strategic partner in facilitating the economic development of Mauritius. Today, SICOM is a well- diversified financial services group, and it fulfils its purpose through:

- Support and advocate to customers with regards to our products and services
- A deep knowledge of what matters to stakeholders
- Safeguard customers' interests while balancing them with those of shareholders
- Recognise the power of shared value in a way that benefits all stakeholders
- Enable customers to achieve their lifetime financial goals
- Invests customers' funds responsibly
- Focus on continuous and improved engagement with all stakeholders
- Strive to achieve service excellence by being responsive to our customers' needs and preferences

The Company recognises its interconnectivity between the economic, social and environmental systems it operates in, and this determines its approach to sustainability. The interconnectivity highlights urgency to transform its growth path to be a socially inclusive, low carbon and resource efficient organisation.

Additionally, there is an enhanced section about the Company on how it engages with its stakeholders throughout the year. The business model portraying how it creates value for its main stakeholders is also set out on pages 46 to 49.

Our Annual Report, can be accessed on our website at https://www.sicom.mu/en/about/about- sicom

• Donations

The Company did not make any political donation during the financial year 2021/2022.

3.4. At the core: Risk and Culture

3.4.1. Board opinion

The Board is of the opinion that the Company's risk management processes and systems of internal control are effective.

3.4.2. Risk management

Managing risk remains integral to generating sustainable shareholder and stakeholder value. The Board has ultimate responsibility for risk management and internal control. The Risk Committee is mandated by the Board to oversee all risk management and internal control issues. The task of maintaining a sound system of risk management has been delegated to Senior Management and the Risk Officer. Internal governance structures include a Risk Management function that complies with legislative requirements.

The comprehensive Risk Management Report can be found at pages 13 to 20.

3.4.3. Internal controls

The system of internal controls has been designed to prevent, detect and mitigate significant risks faced by the Company. Such a system provides reasonable assurance against material error, omission, misstatement or loss, and manages risks of failure in operational systems.

The Company maintains proper records to ensure effective operation of its business and compliance with laws and regulations.

Management is responsible for managing all of the Company's activities, including implementation of the strategies and policies adopted by the Board, and the operation of the internal control system.

Internal control covers all material processes of the Company. Key areas of effective internal controls are as follows:

a) A clear organisation structure;
b) The recommendations of the Risk Management/Conduct Review and Audit Committees, reports of the Manager - Internal Audit, and the External Auditor are considered when assessing the effectiveness of internal controls;
c) A comprehensive management information and accounting system is in place to provide reliable financial and operational performance data;
d) A Compliance function is in place under the leadership of the Money Laundering Reporting Officer and compliance policies and procedures have been established to ensure compliance with applicable laws, regulations, codes and guidelines; and
e) Management has put in place appropriate financial and operational controls by way of segregation of duties and financial/monetary limits.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board, through the Risk Management/Conduct Review and Audit Committees and Senior Management, is regularly apprised of such assessment. Deficiencies, if any, are promptly considered by Management, and remedial actions taken and/or action plans devised to address the weaknesses. Both the Internal and the External Auditors have access to the Audit Committee.

3.4.4. Audit

- **Directors' responsibilities**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in compliance with the requirements of the Companies Act 2001, the Banking Act 2004 and Guidelines issued by the Bank of Mauritius and the Financial Reporting Act 2004, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

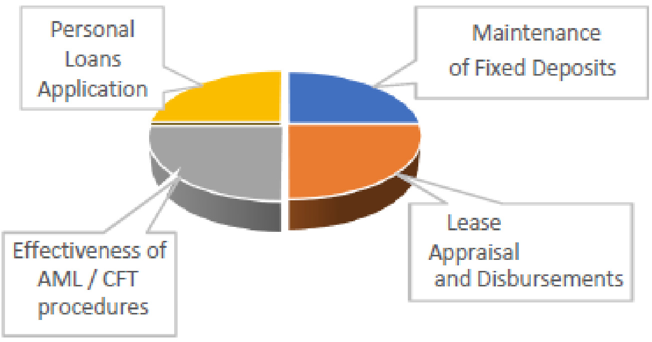
- **Internal audit**

The Internal Audit function has the overall responsibility of providing independent and objective assurance designed to add value and improve the Company's operations. The scope of work of the Internal Audit function is to enable the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control, information systems and governance processes.

The Internal Audit function is composed of four (4) members and is headed by the Manager - Internal Audit who reports directly to the Audit Committee. It derives its authority from the Board and is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal controls and risk management practices. The Internal Audit function is, however, not responsible for the implementation of the controls. There are no restrictions placed over the right of access by the Internal Audit function to the records of the Company or to management and the employees. The Internal Audit function is independent of management.

The internal audit function is adequately staffed, and the members have the necessary qualifications, appropriate tools and experience to carry out their duties and responsibilities. The function is also committed to its continuous improvement by ensuring training in relevant fields and continuous professional development for its members. The profile of the Manager - Internal Audit is available on the Company's website.

The annual Internal Audit plan, which is approved by the Audit Committee, is based on the principles of risk management and aims at ensuring that the scope of work is aligned with the degree of risks attributable to the areas to be audited. During the financial year 2021/2022, four (4) planned internal audit reviews were carried out and covered the areas as depicted in the charts below.



Subsequent to the findings of these audits, appropriate recommendations are made to the Audit Committee and Management, and their implementations are monitored.

- **External audit**

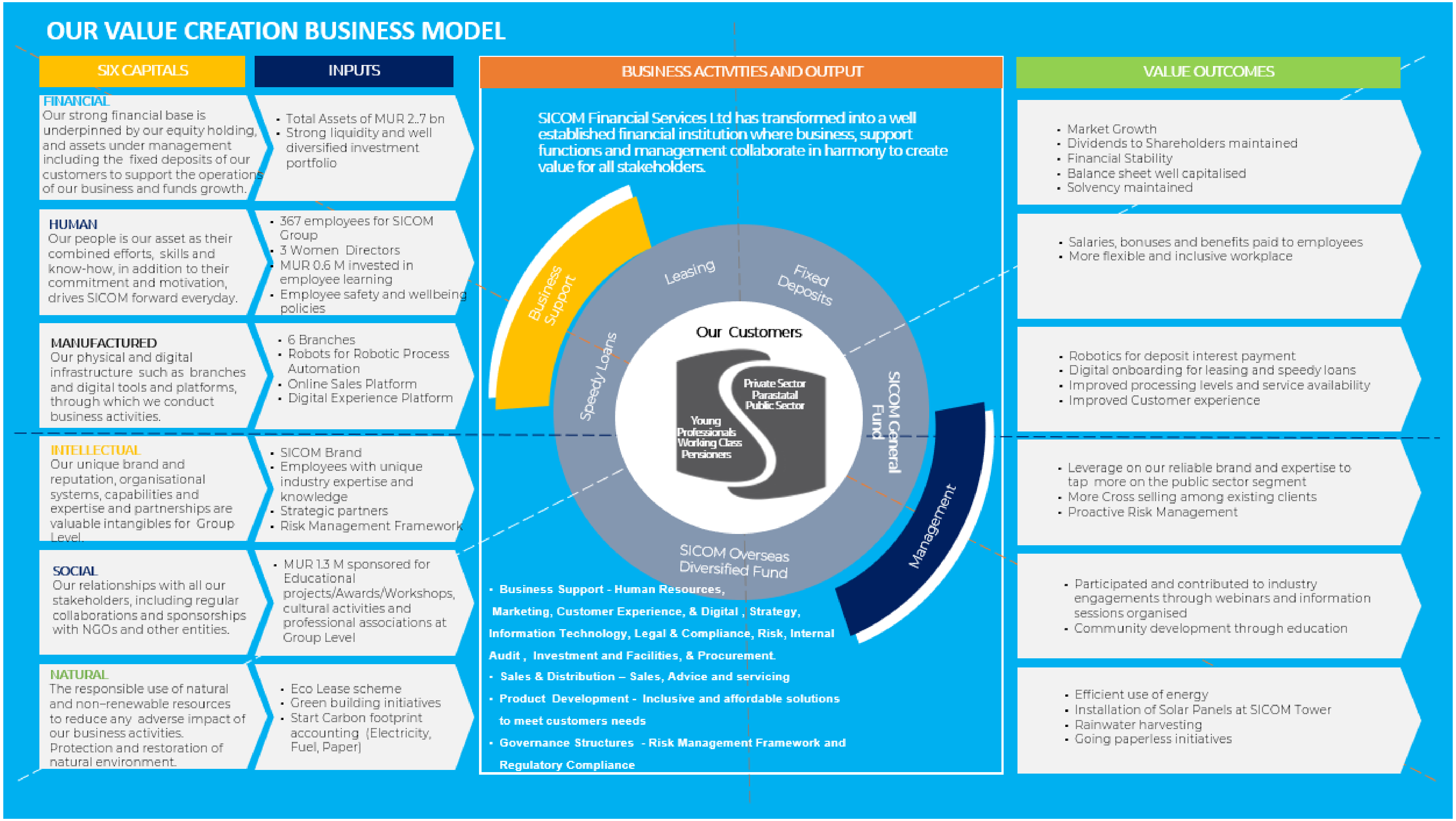
The Board had recommended the appointment of Deloitte as the External Auditor of the Group for the financial years 30 June 2021-2025 following a tender exercise. This appointment is subject to the approval on an annual basis from the Bank of Mauritius and the Financial Services Commission.

The roles and responsibilities of the Audit Committee in the external audit process are set out in the Audit Committee Charter.

The provision of non-audit services is subject to a tender process so as to ensure that the nature of the non-audit services, if provided by the External Auditor, could not be perceived as impairing their independence on the external audit exercise. External auditor's fees and fees for other services are disclosed on page 2 of the Directors' Report.

3.5. Relations with Shareholders and Other Key Stakeholders

3.5.1. Value creation model



3.5.2. Meeting our commitments to our stakeholders

The Group's commitment extends to addressing all material matters impacting stakeholders across the businesses, ensuring that it is accessible through our various engagement platforms. It is of utmost importance to manage stakeholders' relations and to observe effective industry and international governance practices in managing and responding to the requirements and views of the Group's stakeholders.

WHY ARE THESE STAKEHOLDERS IMPORTANT TO US?	WHAT ARE THEIR CONCERNS/ INTERESTS?	HOW DID WE ADDRESS THEIR CONCERNS/INTERESTS in 2021/2022?	CHANNELS USED TO ENGAGE OUR STAKEHOLDERS
Customers (Individual and Corporate) Our customers generate revenue, through the purchase of our products and services. We offer our customers quality advice and fairly priced products to help them meet their needs and achieve their financial goals. Our competitive advantage leverages providing our customers with financial education and inclusion initiatives to encourage saving, investing, credit behaviour and retirement readiness.	Omnichannel experience and ease of use Responsible and appropriate advice Fast and efficient customer service Innovative and flexible product solutions Relief in times of significant financial difficulty	• Launched new products and initiatives to enhance our customer proposition • Provided value for money financial solutions to our customers in a responsible way • Use robotics to simplify our processes, giving back time to customers through reduction in servicing and processing time • Call centre services for greater availability • Enhanced our digital platform channels to drive digital engagement	• Traditional distribution channels (including branches and worksites) • Implementation of customer satisfaction surveys • Online Sales Platform • Media channels • Annual and interim reports • Newsletters • E-mails
Shareholders Our shareholders provinces for our financial capital so that our businesses can compete in their chosen markets and support sustainable growth.	• Strong governance, ethics and transparency • Long-term sustainable financial returns and distributions • Clear strategic direction and consistency in operational execution • Experienced management team • Transparent reporting and disclosures • Strong financial control environment including corporate governance and ethics frameworks	• Strong delivery on our operational objectives • Strategy Validation Exercise • Maintained transparent reporting and disclosures in line with our reporting standards and internal policies and procedures • Frequent updates to the Board about major projects	• Annual General Meeting • Annual Report • Website • Digital Tools • Media Channels

WHY ARE THESE STAKEHOLDERS IMPORTANT TO US?	WHAT ARE THEIR CONCERNS/ INTERESTS?	HOW DID WE ADDRESS THEIR CONCERNS/INTERESTS in 2021/2022?	CHANNELS USED TO ENGAGE OUR STAKEHOLDERS
Employees Our people are our greatest competitive advantage, and their welfare is our highest priority. We rely on our highly motivated and engaged employees to put our customers first in everything they do and to act as brand custodians, enabling us to execute on our strategic priorities and generate long-term value for our investors.	• Competitive reward structures and benefits • Career growth and development • An inclusive culture that is safe and enabling • Addressing mental health and overall wellness • Flexibility – work/life balance	• Benchmarked rewards to industry and linked to business performance and outcomes • Learning culture and continued professional development are encouraged by way of various schemes that motivate employees to pursue their self-development. • Invested in various employee skills development and mentorship initiatives, including agile and other technical courses • Various Communication channels e.g. SMS, Intranet • Conducted multiple wellness initiatives	• Communication via Intranet, Creation of a Learning Zone • Internal communication • Annual and interim reports
Intermediaries They serve as a crucial link between our customers and us. By establishing relationships with new customers, providing appropriate advice based on their needs, and providing a service to them through a combination of face-to-face and digital channels, they optimise and enhance the customer experience. They play a vital role in attracting new business and in retaining existing customers.	• Ease of doing business • Digital capabilities that enable engagement sales, and servicing • Product and regulatory training • Fair incentives that reward efforts • To be associated with a brand which delivers on its promises	• Improved our digital servicing capabilities, such as tracking tools, and sales and servicing platforms, to drive ease of use of our digital solutions • Provided ongoing training to improve the experience of our intermediaries • Trainings organised on new products • Develop sustainable relationships • Digitalisation of the service between SICOM and Intermediaries for SICOM Financial Services Ltd	• Branches and worksites • Digital tools • Agent Awards Night • Annual and interim reports
Business partners (Car dealers, Legal advisors, Consultants, Suppliers)	• Fair payment practices • Comply to terms in Service Level Agreements • Fair tender process • Supplier relationship management	• Timely payment to suppliers and other business partners such as consultants • Develop sustainable relationships • Work as a team with a common goal • Timely communication and consultation	• Digital Tools • Email, Phone call, Letters • Regular Visits

WHY ARE THESE STAKEHOLDERS IMPORTANT TO US?	WHAT ARE THEIR CONCERNS/ INTERESTS?	HOW DID WE ADDRESS THEIR CONCERNS/INTERESTS in 2021/2022?	CHANNELS USED TO ENGAGE OUR STAKEHOLDERS
Government and Regulators	• Good governance • Compliance with BoM and FSC regulation • Proactively engage with regulators through Trilateral Meetings and inspections • The effectiveness of the control functions	• Maintained our solvency capital at levels above regulatory requirements • Detailed risk management and controls systems and performed a self assessment for Risk and the Compliance function • Focused more on dealing with future pandemics as part of business as usual, with management taking the requisite steps to risk-proof the business • Comply with new laws and create organisation wide awareness	• Direct communication including 'submissions of required report, attendance of meetings
Community We recognise the interdependence between ourselves and the communities we serve. We go beyond our operations and focus on contributing to socio-economic development that is impactful and sustainable to uplift our communities	• Financial education and inclusion • Access to supplier development opportunities • Skills development and employment opportunities • Education support	• Supporting the National Social Inclusion Foundation for CSR projects • Trainees periodically onboarded for short-term training within the organisation • Supported the communities through various initiatives, such as sponsorships related to education, road safety, skills development initiatives etc.	• Media channels • Annual and interim reports • Community projects and campaigns
Environment	• Going Green initiatives • Energy saving initiatives	• Installation of solar Panels at SICOM Tower • Include more plants and trees within our premises • Installation of LED bulbs in the buildings • Going Paperless • Rain water harvesting for maintenance purposes • Undertake energy audits of buildings • Procurement of energy efficient equipment	• Meeting with the Ministry of Environment, Solid Waste Management and Climate Change representatives for possible environmental projects • Forestation project at Mont Vert

- **Shareholders' diary**

Details	Date
Financial year-end	30 June 2022
Audited Financial Statements (year ended 30 June 2022)	September 2022
Annual Meeting	October 2022
Dividend Payment	November 2022

- **Shareholders' communication**

The Company holds an Annual Meeting of Shareholders with prior notice given to them (in line with the provisions of the Companies Act 2001) and the latter are required to express their vote on matters which include the approval of accounts, approval of dividends and appointment/reappointment of Directors.

- **Dividend policy**

The Company's objective is to provide value to its shareholders through an optimum return on equity. When determining the appropriateness of a dividend, we consider the profit after taxation, technical provisions and appropriations to statutory and other reserves for ongoing operational activities as well as the Group's strategy. The current policy of dividend distribution is a minimum of 25% of the profit after tax of the Company. Refer to Note 18 for the details of the dividends proposed and paid.

Statement of Compliance

[Section 75(3) of the Financial Reporting Act 2004]

Name of Public Interest Entity ('PIE'): SICOM Financial Services Ltd

Reporting Period: Year ended 30 June 2022

On behalf of the Board of Directors of the SICOM Financial Services Ltd (the **Company**), we confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the National Code of Corporate Governance for Mauritius.

Mr Oomesh Sharma MAHADU
Chairperson

Mr Chelven Chengabroyan
Director

Date: 21 SEP 2022

Secretary's Certificate

We certify to the best of our knowledge and belief that for the year ended 30 June 2022, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Mauritius Companies Act 2001, in terms of Section 122(d).

DTOS Ltd
Company Secretary
SICOM Financial Services Ltd
Date: 21 SEP 2022

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholders of SICOM Financial Services Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **SICOM Financial Services Ltd** (the "Company" and the "Public Interest Entity") set out on pages 51 to 114, which comprise the statement of financial position as at 30 June 2022, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
The Company has computed the expected credit losses ("ECLs") on its lease receivables and loan book in line with the provisions set out by IFRS 9 *Financial Instruments*. For the lease book, management has identified two main categories, namely the performing leases and the non-performing leases, which are in a state of default with arrears of more than 90 days. For the performing book, management has applied the simplified approach, which makes use of a provision matrix based on the free-flow rate analysis of its lease receivables. For the non-performing book, management has determined the lifetime ECLs based on an individual assessment performed for each impaired exposure, by taking into account the underlying collateral value and any other cash flows. The Company also has a loan book comprising mainly speedy loans which are loans to government employees and other eligible customers, for which it has used a proxy approach to determine the probability of default for computing the ECLs. The above methods for computing the ECLs require the application of significant judgement and estimates including: • Identifying the appropriate level of segmentation for the lease portfolio; • Deriving the free-flow rate analysis to determine the historical default rate for each respective sector; • Incorporating appropriate forward-economic information into the ECLs computation; • Assessing the value of the underlying collaterals; • Selecting the proxy for determining the probability of default for computing ECLs on its speedy loans; and • Assessing the ECL raised for exposures. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of lease and loan receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included the following amongst others: • Validating the ECLs model for both the lease and the loan books which include determining the appropriateness of: a) the level of segmentation for the provision matrix; b) the time period for the free flow rate analysis; c) the forward-looking information incorporated within the model; and d) the computation of the weighted probability of default. e) the proxy used to determine the PDs for the speedy loans. • Assessing the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Independently assessing the probability of default, loss given default and exposure at default assumptions; • Assessing the independence and competence of the appraisers used by management to value the underlying collaterals on a sample basis; • Inspecting the minutes of Risk Management/ Conduct Review Committee to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performing substantive tests of details on non-performing lease receivables including: a) Testing the reliability of the arrears report to identify the non-performing exposures; and b) Validating the valuation of collateral securities to support the individual impairment charge.

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Independent auditor's report to the Shareholders of SICOM Financial Services Ltd (Cont'd)

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the management discussion and analysis, the annual statement of compliance in respect of the Bank of Mauritius requirements, the statement of management's responsibilities for financial reporting, the risk management report, the corporate governance report, the statement of compliance, and the secretary's certificate but, does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Mauritius

Independent auditor's report to the Shareholders of SICOM Financial Services Ltd (Cont'd)

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company other than in our capacity as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Financial Reporting Act 2004

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to Section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

Use of this report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Deloitte

Chartered Accountants

21 September 2022

Pradeep Malik

Pradeep Malik, FCA

Licensed by FRC

SICOM FINANCIAL SERVICES LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022	2021	2020
ASSETS		**Rs.**	Rs.	Rs.
Cash and cash equivalents	5	**249,629,110**	221,250,887	151,774,445
Investment securities	6	**292,239,673**	299,186,672	287,680,734
Deposits with financial institutions	7	**571,406,336**	670,014,300	947,034,785
Loans and advances	8	**569,897,626**	312,375,869	135,082,062
Net investment in finance leases	12	**697,103,005**	705,674,304	661,411,228
Assets held for sale	13(b)	**8,750,000**	-	-
Property and equipment	9	**5,544,317**	6,759,612	11,404,722
Intangible assets	10	**1,478,549**	1,979,818	2,633,902
Right-of-use assets	11	**13,739,373**	9,679,103	10,888,991
Current tax assets	15(a)	**3,289,141**	395,220	2,910,641
Deferred tax assets	15(d)	**4,481,605**	-	753,498
Other assets	13(a)	**9,858,265**	8,417,717	8,583,894
TOTAL ASSETS		**2,427,417,000**	2,235,733,502	2,220,158,902
EQUITY AND LIABILITIES				
LIABILITIES				
Deposits from customers	14	**1,912,824,781**	1,720,301,143	1,706,604,100
Dividend payable	18	**8,460,265**	14,154,317	17,317,466
Lease liabilities	11	**13,931,569**	10,193,990	11,173,389
Retirement benefit obligations	17	**23,946,000**	17,193,000	19,850,000
Deferred tax liabilities	15(d)	**-**	197,894	-
Other liabilities	16	**5,948,040**	7,302,471	3,233,460
TOTAL LIABILITIES		**1,965,110,655**	1,769,342,815	1,758,178,415
SHAREHOLDERS' EQUITY				
Stated capital	19	**200,000,000**	200,000,000	200,000,000
Retained earnings		**211,294,095**	212,123,095	212,123,096
Other reserves	20	**51,012,250**	54,267,592	49,857,391
TOTAL EQUITY		**462,306,345**	466,390,687	461,980,487
TOTAL EQUITY AND LIABILITIES		**2,427,417,000**	2,235,733,502	2,220,158,902

These financial statements have been authorised and approved for issue by the Board of Directors on 21 SEP 2022 and signed on its behalf by:

Signature	Signature	Signature
Chairperson	Director	Director

The notes on pages 57 to 114 form an integral part of these financial statements.
The independent auditor's report is on pages 48 to 50.

	Notes	2022	2021	2020
		Rs.	Rs.	Rs.
Interest income calculated using the effective interest method	21	**66,677,309**	60,455,192	70,199,722
Interest income on finance lease receivables	21	**44,429,092**	44,820,613	43,356,781
Interest expense	21	**(53,878,375)**	(59,547,216)	(65,126,694)
Net interest income	21	**57,228,026**	45,728,589	48,429,809
Operating lease rental income		**1,999,073**	2,587,104	3,887,218
Fee and commission income		**4,468,281**	4,956,187	2,406,584
Dividend income	22	**2,463,130**	1,461,883	931,992
Other income	26	**4,074,046**	2,945,909	2,597,581
Gain on disposal of property, plant and equipment		**-**	31,887	29,045
Net (loss)/gain arising on financial assets measured at FVTPL*		**(8,139,944)**	10,859,265	1,384,912
		4,864,586	22,842,235	11,237,332
Operating income		**62,092,612**	68,570,824	59,667,141
Net impairment loss on financial assets (including reversals of impairment losses)	23	**9,598,411**	(5,990,413)	298,013
Fair value loss on assets held for sale	13(b)	**(3,888,687)**	-	-
Personnel expenses	24	**(21,382,452)**	(17,434,866)	(15,149,344)
Other expenses	25	**(33,854,295)**	(18,773,228)	(18,113,382)
Depreciation and amortisation	9,10,11	**(4,548,895)**	(4,856,082)	(5,723,560)
Gain/(loss) on disposal of assets held for sale		**158,923**	(1,129,971)	(202,426)
Profit before income tax		**8,175,617**	20,386,264	20,776,442
Income tax credit/(expense)	15(b)	**1,777,636**	(3,734,127)	(776,795)
Profit for the year		**9,953,253**	16,652,137	19,999,647

** FVTPL = Fair value through profit or loss*

The notes on pages 57 to 114 form an integral part of these financial statements.
The independent auditor's report is on pages 48 to 50.

	Notes	2022	2021	2020
		Rs.	Rs.	Rs.
Profit for the year		**9,953,253**	16,652,137	19,999,647
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post employment benefit obligations	17(a)(vi), 17 (c)(iv)	**(6,951,000)**	2,286,000	(2,493,000)
Income tax relating to components of other comprehensive income	15(d)(ii)	**1,181,670**	(388,620)	84,762
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI	6	**192,000**	15,000	(474,000)
Other comprehensive income for the year, net of tax		**(5,577,330)**	1,912,380	(2,882,238)
Total comprehensive income for the year		**4,375,923**	18,564,517	17,117,409

** FVTOCI = Fair value through other comprehensive income*

				Other reserves				
	Notes	Stated capital	Retained earnings	Statutory reserves	Investment revaluation reserve	Actuarial losses reserve	General Banking reserve	Total equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2019		200,000,000	213,034,521	54,094,464	99,000	(10,197,431)	5,149,990	462,180,544
Profit for the year		-	19,999,647	-	-	-	-	19,999,647
Other comprehensive income for the year		-	-	-	(474,000)	(2,408,238)	-	(2,882,238)
Total comprehensive income for the year		-	19,999,647	-	(474,000)	(2,408,238)	-	17,117,409
Dividend to ordinary shareholders	18	-	(17,317,466)	-	-	-	-	(17,317,466)
Transfer to statutory reserve	20	-	(2,999,947)	2,999,947	-	-	-	-
Transfer to general banking reserve	20	-	(593,659)	-	-	-	593,659	-
At 30 June 2020		**200,000,000**	**212,123,096**	**57,094,411**	**(375,000)**	**(12,605,669)**	**5,743,649**	**461,980,487**
At 1 July 2020		200,000,000	212,123,096	57,094,411	(375,000)	(12,605,669)	5,743,649	461,980,487
Profit for the year		-	16,652,137	-	-	-	-	16,652,137
Other comprehensive income for the year		-	-	-	15,000	1,897,380	-	1,912,380
Total comprehensive income for the year		-	16,652,137	-	15,000	1,897,380	-	18,564,517
Dividend to ordinary shareholders	18	-	(14,154,317)	-	-	-	-	(14,154,317)
Transfer to statutory reserve	20	-	(2,497,821)	2,497,821	-	-	-	-
At 30 June 2021		**200,000,000**	**212,123,095**	**59,592,232**	**(360,000)**	**(10,708,289)**	**5,743,649**	**466,390,687**

The notes on pages 57 to 114 form an integral part of these financial statements.
The independent auditor's report is on pages 48 to 50.

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Stated capital	Retained earnings	Other reserves: Statutory reserves	Other reserves: Investment revaluation reserve	Other reserves: Actuarial losses reserve	Other reserves: General Banking reserve	Total equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2021		200,000,000	212,123,095	59,592,232	(360,000)	(10,708,289)	5,743,649	466,390,687
Profit for the year		-	9,953,253	-	-	-	-	9,953,253
Other comprehensive income for the year		-	-	-	192,000	(5,769,330)	-	(5,577,330)
Total comprehensive income for the year		-	9,953,253	-	192,000	(5,769,330)	-	4,375,923
Dividend to ordinary shareholders	18	-	(8,460,265)	-	-	-	-	(8,460,265)
Transfer to statutory reserve	20	-	(1,492,988)	1,492,988	-	-	-	-
Transfer to general banking reserve	20	-	(829,000)	-	-	-	829,000	-
						-		
At 30 June 2022		**200,000,000**	**211,294,095**	**61,085,220**	**(168,000)**	**(16,477,619)**	**6,572,649**	**462,306,345**

The notes on pages 57 to 114 form an integral part of these financial statements.
The independent auditor's report is on pages 48 to 50.

	2022	2021	2020
	Rs.	Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	**8,175,617**	20,386,264	20,776,442
Adjustments for:			
Net impairment loss on financial assets (including reversals of impairment losses)	**(9,598,411)**	5,990,413	(298,013)
Interest income	**(111,106,401)**	(104,102,547)	(110,763,202)
Interest expense	**53,878,375**	59,547,216	65,126,694
Dividend income	**(2,463,130)**	(1,461,883)	(931,992)
Movement in retirement benefit obligations	**653,000**	480,000	903,000
Depreciation on property and equipment	**1,898,984**	2,268,095	3,128,915
Amortisation of intangible assets	**1,265,231**	1,378,099	1,384,757
Depreciation on right-of-use assets	**1,384,680**	1,209,888	1,209,888
Gain on termination of right-of-use assets	**(579,151)**	-	-
Profit on disposal of property and equipment	**-**	(31,887)	(29,045)
Fair value loss on repossessed assets	**3,888,687**	-	-
Net loss/(gain) arising on financial assets measured at FVTPL	**8,139,944**	(10,859,265)	(1,384,912)
(Gain)/loss on disposal of repossessed leased assets	**(158,923)**	1,129,971	202,426
Changes in operating assets and liabilities	**(44,621,498)**	(24,065,636)	(20,675,043)
(Decrease)/increase in other liabilities	**(1,519,222)**	4,041,216	(217,134)
(Increase)/decrease in other assets	**(453,019)**	581,773	1,189,641
Decrease/(increase) in net investment in finance leases	**625,091**	(51,563,134)	(82,880,895)
Loans and advances disbursed	**(408,552,000)**	(250,808,900)	(280,000)
Proceeds from loans and advances	**151,877,941**	72,261,706	59,033,909
Deposits from customers-net	**201,476,753**	13,714,878	(136,288,181)
Net cash used in operations	**(101,165,954)**	(235,838,097)	(180,117,703)
Interest received	**202,759,461**	82,311,128	166,189,769
Dividend received	**1,491,283**	1,045,817	1,332,660
Interest paid	**(62,216,778)**	(58,963,651)	(64,331,561)
Retirement benefits paid	**(851,000)**	(851,000)	-
Income tax paid	**(4,614,114)**	(655,935)	(3,262,638)
Net cash generated from/(used in) operating activities	**35,402,898**	(212,951,738)	(80,189,473)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to term deposits	**(600,000,000)**	-	(253,169,000)
Repayment of term deposits	**611,000,000**	299,169,100	295,716,460
Purchase of investment securities	**(1,308,108)**	(931,042)	(1,134,838)
Purchase of property and equipment	**(828,134)**	(474,879)	(179,412)
Purchase of intangibles	**(763,962)**	(724,015)	(270,110)
Proceeds from disposal of motor vehicles held under operating lease	**144,445**	2,883,781	493,306
Disposal of repossessed leased assets	**466,200**	1,403,500	411,000
Net cash generated from investing activities	**8,710,441**	301,326,445	41,867,406
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	**(14,154,317)**	(17,317,466)	(24,115,160)
Repayment lease liabilities	**(1,580,799)**	(1,580,799)	(1,580,799)
Net cash used in financing activities	**(15,735,116)**	(18,898,265)	(25,695,959)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**28,378,223**	69,476,442	(64,018,026)
CASH AND CASH EQUIVALENTS AT 1 JULY	**221,250,887**	151,774,445	215,792,471
CASH AND CASH EQUIVALENTS AT 30 JUNE	**249,629,110**	221,250,887	151,774,445

The notes on pages 57 to 114 form an integral part of these financial statements.
The independent auditor's report is on pages 48 to 50.

1. GENERAL INFORMATION

SICOM Financial Services Ltd ("the Company") is a public company incorporated in Mauritius on 28th December 1999 and started operations on 26th April 2000. Its registered office and place of business is situated at SICOM Building, Sir Celicourt Antelme Street, Port Louis, Mauritius. The Company is engaged in depository business, investment business, finance and operating lease activities and the granting of loans. The Company holds a deposit taking licence from the Bank of Mauritius as a non-bank financial institution. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company. The directors have authorised the issue of the financial statements on 15 September 2022 and they do not have the power to amend the financial statements after issue.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, Banking Act 2004, Financial Reporting Act 2004 and the Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Company are concerned.

The financial statements have been prepared on a historical cost basis, except where otherwise stated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The financial statements are presented in Mauritian Rupees (Rs) which is also the Company's functional currency.

2.2 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Basis of measurement

In the current year, the Company has applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2021.

New and revised Standards that are effective but with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 16	Lease - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification
IFRS 16	Lease - Amendments regarding replacement issues in the context of the IBOR reform

New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of measurement (cont'd)

New and revised Standards in issue but not yet effective (cont'd)

IAS 1	Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective date 1 January 2023)
IAS 12	Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)
IAS 16	Property, plant and equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)

The directors anticipate that these Standards and Interpretations will be applied in the Company's financial statements at the above effective dates in future periods. The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

2.4 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

2.5 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income ("FVTOCI");

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

- all other debt instruments (e.g. debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.
- However, the Company may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income or expense over the relevant period

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

2.6 Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principals and interests ("SPPI").

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Debt instruments at amortised cost or at FVTOCI (cont'd)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Company's business comprises loans to customers that are held for collecting contractual cash flows, namely a loan granted to the holding company which matured during the year ended 30 June 2022 and loans granted to staff members, and a new product which was launched during the financial year ended 30 June 2021, "speedy loans" to government employees.

Certain debt securities are held by the Company in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Company considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows, and has thus classified these at amortised cost.

2.7 Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 2.4.

2.8 Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

2.9 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Company renegotiates loans or lease receivables to customers in financial difficulty to maximise collection and minimise the risk of default. A loan or lease receivable forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the credit facility, changes to the timing of the cash flows of the credit facility (principal and interest repayment) and any reduction in the amount of cash flows due (principal and interest forgiveness).

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Company deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Company considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

Refer to note 2.11 (F) for more details on approach taken for impairment losses on modified financial assets.

2.11 Impairment of financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on the following financial instruments that are not measured at FVTPL:

- loans and advances to customers;
- debt investment securities;
- lease receivables; and
- loan and lease commitments issued.

No impairment loss is recognised on equity investments.
ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 2.11 (B).

The Company's policy is always to measure loss allowances for lease receivables as lifetime ECL. The Company has thus applied the simplified approach ("provision matrix") for computing ECLs on its lease receivable book, as detailed below under 2.11 (A).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

For undrawn loan and lease commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Company if the holder of the commitment draws down the loan/lease and the cash flows that the Company expects to receive if the loan/ lease is drawn down.

More information is available in note 2.11(C) on the ECL methodology applied by the Company in respect to its loan book.

(A) Simplified approach for lease receivables

The Company applies the IFRS 9 simplified approach to measure the lifetime ECLs on its lease receivables. Through this approach, the Company recognises the ECLs at each reporting date, from the initial recognition. To measure the ECLs, the Company has grouped its lease receivables based on shared credit risk characteristics (e.g. by sectors) and days past due. Initially, the entire lease portfolio are allocated into pre-defined sectors per the Bank of Mauritius sector-wise distribution by sectors, and further disaggregated based on specific parameters, determined by management.

Computing the Probability of Default ("PD") under the simplified approach:

The Company determines the default rate based on the provision matrix, which uses the free-flow rate method based on the Company's observed historical default rates. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company further calibrates the provision matrix to adjust the historical credit loss experience with forward looking information. For example, if the forecast economic conditions (e.g. gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in any particular sector, the historical observed default rates are updated, and changes in the forward looking estimates are analysed and the assessment of correlation between historical observed default rates and the forward economic information refreshed.

Considering the imperfect relation dependent and independent variables, management has determined the weighted average default rate for the purpose of computing the ECLs, which are adjusted for expected changes in the Mauritian economy, based on management's estimates, to arrive at the probability weighted lifetime loss rate.

Computing the Loss Given Default ("LGD") under the simplified approach:

Given that all leases are secured by the underlying collaterals, the Company has determined the LGD by carrying the fair value of the collaterals on a sample basis to provide a representative unbiased picture of its whole lease book (e.g. by covering model, year of purchase, type of asset, etc). The fair value of the collateral has been performed by independent reputed valuers. The fair value of the collateral is further adjusted to incorporate the estimated cost to sell based on past experience and an additional haircut based on management's best estimate of the expected loss observed from the historical proceeds received from the sale of a repossessed asset against its fair value at the time of repossession. This haircut is applied to arrive at the expected cash flows expected from foreclosure of the asset. The net fair value of the collaterals is arrived after applying the adjustments for the cost to sell and the haircut and compared against the total lease receivable outstanding and arrears, to determine the LGD.

Computing the ECLs

ECLs are computed as the product of the LGD and the PD as detailed above, and the exposure at default ("EAD") which is the lease receivable inclusive of accrued interest at period end.

For the performing book (i.e. leases which are not more than 90 days overdue), the bucket wise probability weighted PDs is applied to the lease receivable and the corresponding LGD at period end.

For the non-performing book, i.e. leases which are more than 90 days overdue which management considers as being in default, the Company performs an individual assessment of the lease by considering the value of the underlying collateral, sustainability of any business plans, availability of any other financial support, subsequent receipts, and the timing of any future cash flows. The impairment loss is computed by comparing the expected cash flows (recoverable amount) against the outstanding lease receivable amount at the end of each reporting period. The PD of the impaired asset is assumed to be at 100%.

(B) General ("Three Stage") approach for other financial instruments

For recognition of impairment loss on other financial assets, the Company determines whether there has been a significant increase in credit risk since initial recognition ("SICR").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(B) General ("Three Stage") approach for other financial instruments (cont'd)

SICR

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The Company has applied the backstop of 30 days as prescribed under IFRS 9 and a financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, i.e. would move from Stage 1 to Stage 2.

For retail customers, if the borrower meets one of more of the following criteria:

- Short term forbearance*;
- Standing order or direct debit cancellation*;
- Extension to terms granted*;
- Previous arrears within the last 12 months;

For wholesale customers, if the borrower is on the watchlist or if the instrument meets one or more of the below criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance* or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/leases.

*These specific criteria have been reviewed by management in the context of COVID-19 and has been adapted to suit the specific circumstances and credit risk profile of counterparties.

Stage classification

Exposures would be classified into three stages as follows:

Stage 1	Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures, 12-month ECLs are recognised.
Stage 2	Exposures for which a significant increase in credit risk has occurred since origination. The Company assesses whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime ECLs are recognised for these assets.
Stage 3	Exposures which meet the definition of default. The Company has defined default as exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses are recognised for these assets.

(C) Measuring ECLs under the general approach

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit-impaired. Expected credit losses are the discounted product of Probability of Default ("PD"), Exposure at Default ("EAD") and the Loss Given Default ("LGD").

$$ECL = PD \times LGD \times EAD$$

Financial statement line item	**ECL approach**
Cash and cash equivalents Deposits with financial institutions	Credit risk from balances with banks and financial institutions is considered to be negligible since the counterparties are reputed financial institutions with high quality external credit ratings. Based on management's assessment, the ECLs have been computed using a 12-month PD under Stage 1.
Investment securities	Investment securities at amortised cost represent investments made in bonds issued by the Government of Mauritius. The sovereign risk is considered to be negligible and thus the classification has been determined to be under Stage 1 with a corresponding 12-month PD of 0.28% (30 June 2021: 0.40%) and a LGD of 45% (30 June 2021: 45%) based on Basel III recommendations for unsecured exposures.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(C) Measuring ECLs under the general approach (cont'd)

Financial statement line item	ECL approach
Loans and advances	The Company has three types of loans, namely staff loans, loans to its holding company and a new product which was launched in the year ended 30 June 2021: speedy loans, to all civil servants, employees of parastatal bodies, state-owned companies, public entities & pensioners of schemes administered by SICOM at a flat rate of 5.90%. The loan amount can range from Rs50,000 to Rs1,000,000. The speedy and staff loans are considered to be fully collaterised in the sense that the monthly repayment is automatically done from the borrowers' monthly salary by "check-off". Therefore, the LGD on these loans has been determined to be negligible by management, as well as the loan to the holding company, given the absence of any defaults in the credit obligations of the holding company in the past. Given the absence of any default since the set-up of the speedy loan scheme, and the very low levels of arrears, the Bank has applied a proxy approach for the computation of the ECLs using the Basel III recommendations as basis for computation.
Other assets	Other assets include receivables from related parties as well as other short-term debtors (e.g. on residual value, registration fees, etc.). Given the history of no write offs and post year end receipts, the entire receivables have been categorised as under Stage 1 and a corresponding ECL computed.

(D) Default

The Company considers a financial asset to be in default when contractual payments are more than 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held.

(E) Write offs

Loans, lease receivables and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

The Company is also guided by the requirements set out by the Bank of Mauritius Guideline on Write Off of Non-Performing Assets in determining its write off policy.

(F) Modification loss

Refer to Note 2.9 for details of modification of a financial asset and when it can result in a derecognition. This note provides details on the ECLs.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms with the remaining lifetime PD at the reporting date based on the modified terms.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(F) Modification loss (cont'd)

For financial assets modified as part of the Company's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Company performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Company calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance on modification of financial assets'. Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original). Modification losses for financial assets are included in the profit or loss.

(G) Presentation of ECLs in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the revaluation reserve; and
- for loan commitments as a provision under "other liabilities".

(H) Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated leases, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

2.12 Financial liabilities

Financial liabilities carried at amortised cost consist mainly of deposits from customers and other liabilities. All financial liabilities are recognised initially at fair value and in the case of any borrowings, net of transaction costs incurred. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well through the effective interest rate method (EIR) amortisation process.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Company determines the classification of its financial liabilities at initial recognition and at period end, all the financial liabilities were classified as at amortised cost.

2.13 Offsetting financial instruments and transactions

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

2.14 Leasing

<u>The Company as a lessee</u>

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Leasing (cont'd)

The Company as a lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payment made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Company as a lessor

The Company is engaged in the provision of leases to both individuals and corporates. The Company's portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Company, the risks associated with the lease portfolio was monitored through a strong credit assessment, determining the financed amount as part of the cost of the asset based on the customers' credit risk profile, and considering other collaterals where applicable (e.g. guarantors).

The Company, as a lessor, recognises and measures the rights and obligations under a lease as per the general requirements of IFRS 16 Leases. Consequently those rights and obligations are not subject to the general recognition and measurement requirements of IFRS 9 Financial Instruments. However, the lease receivables recognised by the Company are subject to the derecognition and impairment requirements of IFRS 9 which have been described in notes 2.9 and 2.11(A).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Leasing (cont'd)

The Company as a lessee (cont'd)

Finance leases – Company is a lessor

(i) Recognition and initial measurement for finance lease receivables

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Company, and thus the lease payment receivable is treated by the Company as repayment of principal and interest income to reimburse and reward the lessor for its investment and services. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. The Company aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's finance lease receivable.

Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Estimated unguaranteed residual values used in computing the Company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised and any reduction in respect of amounts accrued is recognised immediately.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Assets classified as operating leases are depreciated over their useful lives on a basis consistent with similar fixed assets.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks. For the purpose of the presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of less than three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.16 Investment securities

Investment securities comprise investments in:

i) Quoted equities designated at FVTOCI in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss;
ii) Unquoted equities whose business model is to hold to collect contractual cash flow. The contractual cash flow does not meet the SPPI test since return are not fixed and depends on the performance of the funds. These have thus been classified as FVTPL.
iii) Debt instruments held to collect contractual cash flow and gave rise to cash flows representing sole payment and payments of principal and interest. These are classified and measured as debt instruments at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Loans and advances

The 'loans and advances' caption in the statement of financial position includes loans and advances measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. Expected credit losses on these loans and advances are computed in the manner described in note 2.11(C).

2.18 Property and equipment ("PPE")

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. The gain or loss arising on the disposals or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Improvement to leasehold building	10%
Furniture and fittings	10%
Computer equipment	20%
Motor vehicles - owned	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Assets under operating leases are depreciated over their expected useful lives net of any residual value.

2.19 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and are assessed at each reporting period whether there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software is initially recorded at cost and amortized using the straight-line method over the estimated useful life of 5 to 12.5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.21 Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Other tax exposures

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within profit or loss and the income tax liability on the statement of financial position. The Corporate Social Responsibility (CSR) charge for the current period is measured at the amount expected to be paid to the Mauritius Revenue Authority. The Company is also subject to the Advanced Payment System (APS) whereby it pays income tax on a quarterly basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Deposits from customers

Deposits are received from individual and corporate clients. Deposits are repayable and derecognised on demand or when the deposits come to maturity. Deposits are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.23 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

2.24 Retirement benefit obligations

Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Unfunded benefits

In addition to the Defined Benefit Plan, the Company also provides benefits outside the pension funds to members of the defined benefit plans.

The liability recognised in the statement of financial position in respect of unfunded benefits is the present value of the unfunded obligation at the end of the reporting period. The unfunded obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net unfunded liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company determines the interest expense on the unfunded liability for the period by applying the discount rate used to measure the unfunded obligation at the beginning of the annual period to the unfunded liability, taking into account any changes in the unfunded liability during the period as a result of benefit payments. Interest expense is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements, are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Retirement benefit obligations (cont'd)

State Plan

Contributions to the Contribution Sociale Generalisee plan are expensed to the profit or loss in the period in which they fall due.

Short term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

2.25 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.26 Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2.27 Assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

2.28 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

Monetary assets and monetary liabilities denominated in foreign currencies at the end of each reporting period are translated into Mauritian rupees at the rate of exchange ruling at that date. Foreign currency transactions are converted into Mauritian rupees at the exchange rate ruling at the dates of the transactions. Exchange differences arising on the settlement and the retranslation of monetary items are recognised in profit or loss.

2.29 Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Interest income and expense (cont'd)

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

2.30 Income from leasing business

Finance lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment amount outstanding on the finance leases.

Operating lease income is recognised over the term of the lease using the straight-line method over the lease term.

2.31 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been reclassified to conform with changes in presentation in the current year.

As required by the Bank of Mauritius Guideline on Public Disclosure of Information, disclosures have been made with comparative information for two years.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Classification as finance or operating leases

The directors have considered the guidance set out in IFRS 16 Leases to determine the classification of leases as finance or operating leases, and had to consider whether the significant risks and rewards of ownership are transferred to the lessees.

Establishing groups of assets with similar credit risk characteristics:

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 2.10 for details of the characteristics considered in this judgement. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key estimation uncertainty

Discount rate used to determine the carrying amount of the Company's defined benefit obligation

The determination of the Company's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year. Further information on the carrying amounts of the Company's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 17.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on lease receivables between 1 and 90 days past due had been 5 per cent higher (lower) as of 30 June 2022, the loss allowance on lease receivables would have been Rs 0.1million higher(lower). (2021: Rs 0.01 million) higher(lower).

The impact of a 5 per cent increase/decrease in the ECL rates on the loss allowance of lease receivables between 91 and 180 days of 30 June 2022 would have resulted in an immaterial change. (2021: Rs 0.02 million) higher(lower).

If the ECL rates on lease receivables between 181 and 360 days past due had been 5 per cent higher (lower) as of 30 June 2022, the loss allowance on lease receivables would have been Rs 0.02million higher(lower). (2021: Rs 0.3 million) higher(lower).

If the loss rate on the loan book would have been 5% higher, the total impairment provisioning on the loan portfolio would have been Rs 0.05 million higher. (2021: Rs 0.1 million)

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4. CATEGORIES OF FINANCIAL INSTRUMENTS

30 June 2022	At amortised cost	FVTOCI	FVTPL
Financial assets	**Rs**	**Rs**	**Rs**
Cash and cash equivalents	**249,629,110**	**-**	**-**
Investment securities	**250,098,180**	**852,000**	**41,289,493**
Deposits with financial institutions	**571,406,336**	**-**	**-**
Loans and advances	**569,897,626**	**-**	**-**
Other assets	**6,558,981**	**-**	**-**
Financial liabilities			
Deposits from customers	**1,912,824,781**	**-**	**-**
Lease liabilities	**13,931,569**	**-**	**-**
Other liabilities	**5,948,040**	**-**	**-**
Dividend payable	**8,460,265**	**-**	**-**
30 June 2021			
Financial assets			
Cash and cash equivalents	221,250,887	-	-
Investment securities	250,405,343	660,000	48,121,329
Deposits with financial institutions	670,014,300	-	-
Loans and advances	312,375,869	-	-
Other assets	4,816,629	-	-
Financial liabilities			
Deposits from customers	1,720,301,143	-	-
Lease liabilities	10,193,990	-	-
Other liabilities	7,302,470	-	-
Dividend payable	14,154,317	-	-
30 June 2020			
Financial assets			
Cash and cash equivalents	151,774,445	-	-
Investment securities	250,704,712	645,000	36,331,022
Deposits with financial institutions	947,034,785	-	-
Loans and advances	135,082,062	-	-
Other assets	3,934,391	-	-
Financial liabilities			
Deposits from customers	1,706,604,100	-	-
Lease liabilities	11,173,389	-	-
Other liabilities	3,233,460	-	-
Dividend payable	17,317,466	-	-

5. CASH AND CASH EQUIVALENTS

	2022	2021	2020
	Rs.	Rs.	Rs.
Cash at bank	**31,254,786**	50,276,907	28,915,221
Call deposits	**218,374,324**	170,973,980	122,859,224
Cash and cash equivalents (current)	**249,629,110**	221,250,887	151,774,445

Call deposits bear interests in the range of 0.00% to 0.75% (2021: 0.00% to 0.20% and 2020: 0.00% to 1.80%) per annum. Management has assessed the impact of the allowance for expected credit losses on cash and cash equivalents as not being material for both the current and prior years.

6. INVESTMENT SECURITIES

	Quoted equity instruments designated at FVOCI*	**Unquoted equity instruments measured at FVTPL**	**Debt instruments measured at Amortised Cost**	**2022 Total**	2021 Total	2020 Total
	Rs.	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.
At 1 July	**660,000**	**48,121,329**	**250,831,757**	**299,613,086**	288,107,657	286,353,671
Additions	**-**	**1,308,108**	**-**	**1,308,108**	931,042	1,134,838
Increase/(decrease) in fair value	**192,000**	**(8,139,944)**	**-**	**(7,947,944)**	10,874,265	910,912
Interest and amortisation of premium /discount	**-**	**-**	**(533,169)**	**(533,169)**	(299,878)	(291,763)
At 30 June	**852,000**	**41,289,493**	**250,298,588**	**292,440,081**	299,613,086	288,107,658
Allowance for expected credit losses (Stage 1)	-	-	**(200,408)**	**(200,408)**	(426,414)	(426,924)
	852,000	**41,289,493**	**250,098,180**	**292,239,673**	299,186,672	287,680,734
Remaining term to maturity:						
- Between 1 to 5 years *(Non-Current)*	**-**	**-**	**152,250,446**	**152,250,446**	-	-
- More than 5 years *(Non-Current)*	**-**	**-**	**97,847,734**	**97,847,734**	250,405,343	250,704,712
- no fixed term	**852,000**	**41,289,493**	**-**	**42,141,493**	48,781,329	36,976,022
	852,000	**41,289,493**	**250,098,180**	**292,239,673**	299,186,672	287,680,734

*The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

6. INVESTMENT SECURITIES (CONT'D)

	2022	2021	2020
	Rs.	Rs.	Rs.
Allowance for expected credit losses - Stage 1			
At beginning of the year	**426,414**	426,924	427,420
Release of allowances for expected credit losses	**(226,006)**	(510)	(496)
At end of the year	**200,408**	426,414	426,924

Allowances for expected credit losses on term deposits are classified under stage 1 and there was no movement between stages during the years 2022, 2021 and 2020.

(i) Investment securities at FVTPL comprise principally unquoted securities in local funds. The fair value is based on the ex-div Net Asset Value ("NAV") of the underlying funds at the end of the reporting date.

(ii) Investment securities at FVOCI comprise principally local quoted securities. The fair value of local quoted securities is based on the latest market price published by The Stock Exchange of Mauritius Ltd at the end of the reporting date.

(iii) Debt instruments at amortised cost comprise:-

Government of Mauritius Bonds bearing interests at rates in the range of 5.00% to 8.29% (2021 and 2020: ranging from 5.00% to 8.29%) per annum and maturing between November 2026 and January 2028.

7. DEPOSITS WITH FINANCIAL INSTITUTIONS

These consist of deposits with local banks and other financial institutions for period ranging from one to ten years and with interest at rates in the range of 3.00% to 9.50% (2021: 3.4% to 10.50%, 2020: 2.85% to 10.50%) per annum.

	2022	2021	2020
	Rs	Rs	Rs
Term deposits	**552,954,663**	563,954,703	863,123,763
Accrued interest receivable	**19,167,813**	108,412,883	87,428,064
	572,122,476	672,367,586	950,551,827
Less: allowance for expected credit losses (Stage 1)	**(716,140)**	(2,353,286)	(3,517,042)
	571,406,336	670,014,300	947,034,785
Remaining term to maturity			
Current			
Over 3 months and up to 6 months	**-**	22,033,439	102,152,698
Over 6 months and up to 12 months	**24,271,560**	585,954,722	201,292,473
Non-Current			
Over 1 year and up to 5 years	**547,850,916**	64,379,425	647,106,656
	572,122,476	672,367,586	950,551,827
Allowance for expected credit losses - Stage 1			
At beginning of the year	**2,353,286**	3,517,042	3,562,520
Release of allowances for expected credit losses	**(1,637,146)**	(1,163,756)	(45,478)
At end of the year	**716,140**	2,353,286	3,517,042

Allowance for expected credit losses on deposits with financial institutions are classified under stage 1 and there was no movement between stages during the years 2022, 2021 and 2020.

8. LOANS AND ADVANCES

	Note	2022	2021	2020
		Rs.	Rs.	Rs.
Loans and advances to holding company	8.1	-	69,970,309	133,939,840
Other loans- Staff loans	8.2	3,694,307	3,749,117	1,142,222
Loans and advances to customers-Speedy loans	8.3	566,203,319	238,656,443	-
		569,897,626	312,375,869	135,082,062

8.1 Loans and advances to holding company

	2022	2021	2020
	Rs	Rs	Rs
Loans and advances to holding company	-	69,977,307	133,953,235
Less: allowance for expected credit losses (Stage 1)	-	(6,998)	(13,395)
	-	69,970,309	133,939,840
Remaining term to maturity			
Current			
Up to 3 months	-	16,910,563	15,460,284
Over 3 months and up to 6 months	-	17,293,914	15,810,756
Over 6 months and up to 12 months	-	35,772,830	32,704,888
Non-current			
Over 1 year and up to 5 years	-	-	69,977,307
	-	69,977,307	133,953,235

The above loans were unsecured and bore interest at the rate of 9.00% p.a. with monthly capital repayments.

	2022	2021	2020
	Rs	Rs	Rs
Allowance for expected credit losses- Stage 1			
At beginning of the year	6,998	13,395	19,244
Release of impairment allowances for the year	(6,998)	(6,397)	(5,849)
At end of the year	-	6,998	13,395

Impairment for expected credit losses on loans and advances to holding company were classified under stage 1 and there was no movement between stages during current and prior years.

Loans granted to the holding company were categorised under the "Financial and business services" category as per the Bank of Mauritius classification.

8.2 Other loans - Staff loans

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	3,783,929	1,152,828	1,417,505
Additions	700,000	3,678,000	280,000
Repayments	(779,249)	(1,046,899)	(544,677)
	3,704,680	3,783,929	1,152,828
Less: allowance for expected credit losses (Stage 1)	(10,373)	(34,812)	(10,606)
At 30 June	3,694,307	3,749,117	1,142,222

8. LOANS AND ADVANCES (CONT'D)

8.2 Other loans - Staff loans (Cont'd)

	2022	2021	2020
Allowance for expected credit losses - Stage 1	**Rs.**	Rs.	Rs.
At beginning of the year	**34,812**	10,606	13,041
(Credit)/ charge for the year	**(24,439)**	24,206	(2,435)
At end of the year	**10,373**	34,812	10,606

Allowance for expected credit losses on other loans are classified under stage 1 and there was no movement between stages during the years 2022, 2021 and 2020.

	2022	2021	2020
	Rs.	Rs.	Rs.
Remaining term of maturity			
Current			
Up to 3 months	**113,123**	142,109	117,921
Over 3 months and up to 6 months	**113,965**	143,269	119,034
Over 6 months and upto 1 year	**230,483**	290,058	302,744
Non-Current			
Over 1 year and up to 5 years	**1,820,727**	1,775,332	484,541
Over 5 years	**1,426,382**	1,433,161	128,588
	3,704,680	3,783,929	1,152,828

Other loans bear interest at 2.00% to 4.00% (2021 and 2020: 2.00% to 4.00%) per annum and have repayment terms ranging between three to seven years. These relate principally to loans granted to staff members of the Company. Loans granted to staff members are categorised under the "Personal" category as per the Bank of Mauritius classification.

8.3 Loans and advances to customers (Speedy loans)

	2022	2021
	Rs	**Rs**
Gross amount	**566,289,058**	240,532,597
Less: allowance for expected credit losses (Stage 1)	**(85,739)**	(1,876,154)
At 30 June	**566,203,319**	238,656,443
Remaining term to maturity		
Current		
Up to 3 months	**23,106,814**	9,321,070
Over 3 months and up to 6 months	**21,296,923**	8,067,816
Over 6 months and up to 12 months	**43,166,524**	16,407,441
Non-current		
Over 1 year and up to 5 years	**367,456,672**	141,571,499
Over 5 years	**111,262,125**	65,164,771
	566,289,058	240,532,597

	2022	2021
Allowance for expected credit losses - Stage 1	**Rs.**	Rs.
At beginning of the year	**1,876,154**	-
(Credit)/charge for the year	**(1,790,415)**	1,876,154
At end of the year	**85,739**	1,876,154

Loans and advances to customers bear interest at the rate of 5.9% per annum and have repayment terms ranging between one to seven years. These loans relate to a new loan product, "Speedy Loans", which was launched by the Company during the year ended 30 June 2021. Refer to Note 2.11(C) for more details. These loans are categorised under the "Personal" category as per the Bank of Mauritius classification.

9. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Fittings	Motor Vehicles	Motor Vehicles under operating lease	Total
COST	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2019	3,661,750	442,960	512,648	22,439,888	27,057,246
Disposal	-	-	-	(1,108,449)	(1,108,449)
Additions	119,094	60,318	-	-	179,412
At 30 June 2020	3,780,844	503,278	512,648	21,331,439	26,128,209
Disposal	-	-	-	(9,791,603)	(9,791,603)
Additions	393,746	81,133	-	-	474,879
At 30 June 2021	4,174,590	584,411	512,648	11,539,836	16,811,485
Disposal	-	-	-	(515,874)	(515,874)
Additions	190,413	637,721	-	-	828,134
At 30 June 2022	**4,365,003**	**1,222,132**	**512,648**	**11,023,962**	**17,123,745**
DEPRECIATION					
At 1 July 2019	3,173,527	273,490	512,648	8,279,095	12,238,760
Disposal	-	-	-	(644,188)	(644,188)
Charge for the year	149,353	69,096	-	2,910,466	3,128,915
At 30 June 2020	3,322,880	342,586	512,648	10,545,373	14,723,487
Disposal	-	-	-	(6,939,709)	(6,939,709)
Charge for the year	192,558	105,724	-	1,969,813	2,268,095
At 30 June 2021	3,515,438	448,310	512,648	5,575,477	10,051,873
Disposal	-	-	-	(371,429)	(371,429)
Charge for the year	281,234	97,773	-	1,519,977	1,898,984
At 30 June 2022	**3,796,672**	**546,083**	**512,648**	**6,724,025**	**11,579,428**
NET BOOK VALUE					
At 30 June 2020	457,964	160,692	-	10,786,066	11,404,722
At 30 June 2021	659,152	136,101	-	5,964,359	6,759,612
At 30 June 2022	**568,331**	**676,049**	**-**	**4,299,937**	**5,544,317**

9. PROPERTY AND EQUIPMENT (CONT'D)

Property and equipment include motor vehicles leased out under operating leases to third parties, that are expected to generate yield 8.0% on an ongoing basis. The motor vehicles held have committed lessees up to two years.

At the end of the reporting period, the Company has contracted with lessees the following future income (including buy-back options):

	Motor Vehicles
	Rs.
Within one year	2,442,067
In the first to the second year	2,303,261
	4,745,328

10. INTANGIBLE ASSETS

	Computer Software
<u>COST</u>	Rs.
At 1 July 2019	13,679,835
Additions	270,110
At 30 June 2020	13,949,945
Additions	724,015
At 30 June 2021	14,673,960
Additions	763,962
At 30 June 2022	**15,437,922**
<u>AMORTISATION</u>	
At 1 July 2019	9,931,286
Charge for the year	1,384,757
At 30 June 2020	11,316,043
Charge for the year	1,378,099
At 30 June 2021	12,694,142
Charge for the year	1,265,231
At 30 June 2022	**13,959,373**
<u>NET BOOK VALUE</u>	
At 30 June 2020	2,633,902
At 30 June 2021	1,979,818
At 30 June 2022	**1,478,549**

11. RIGHT- OF-USE ASSETS / LEASE LIABILITIES

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and movement during the year:

Cost

	2022	2021	2020
	Rs	Rs	Rs
At 1 July	**12,098,879**	12,098,879	-
On initial adoption of IFRS 16	**-**	-	12,098,879
Additions	**14,720,757**	-	-
Termination	**(12,098,879)**	-	-
At 30 June	**14,720,757**	12,098,879	12,098,879

Depreciation

	2022	2021	2020
	Rs	Rs	Rs
At 1 July	**2,419,776**	1,209,888	-
Charge for the year	**1,384,680**	1,209,888	1,209,888
Termination	**(2,823,072)**	-	-
At 30 June	**981,384**	2,419,776	1,209,888
Net Book Value	**13,739,373**	9,679,103	10,888,991

Lease liabilities

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	2022	2021	2020
	Rs	Rs	Rs
At 1 July	**10,193,990**	11,173,389	-
On initial adoption of IFRS 16	**-**	-	12,098,879
Interest expense	**614,713**	601,400	655,309
Payable	**(162,133)**	-	-
Payments	**(1,580,799)**	(1,580,799)	(1,580,799)
Additions	**14,720,757**	-	-
Termination	**(9,854,959)**	-	-
At 30 June	**13,931,569**	10,193,990	11,173,389

	2022	2021	2020
	Rs	Rs	Rs
Analysed as:			
Current	**1,228,982**	1,039,449	979,400
Non-current	**12,702,587**	9,154,541	10,193,990
	13,931,569	10,193,990	11,173,389

Disclosure required by IFRS 16:

Maturity analysis			
Year 1	**1,333,913**	1,036,449	979,399
Year 2	**1,180,515**	1,096,822	1,036,449
Year 3	**1,344,497**	1,160,711	1,096,822
Year 4	**1,406,263**	1,228,322	1,160,711
Year 5	**1,470,866**	1,299,871	1,228,322
Onwards	**7,195,515**	4,371,815	5,671,686
	13,931,569	10,193,990	11,173,389

Amounts recognised in the statement of profit or loss

The following are the amounts recognised in profit or loss:	**2022**	2021	2020
	Rs	Rs	Rs
Depreciation expense of right-of-use assets	**1,384,680**	1,209,888	1,209,888
Interest expense on lease liabilities	**614,713**	601,400	655,309
Gain on termination of rental agreement with Holding Company (Note 26)	**579,151**	-	-

The total cash outflow for leases for the three years ended was Rs 1,580,799.

12 NET INVESTMENT IN FINANCE LEASES

		2022	2021	2020
(a)	Movement during the year:-	**Rs.**	Rs.	Rs.
	At 1 July	**705,674,304**	661,411,228	581,319,354
	Leases granted during the year	**229,448,756**	261,667,437	271,934,458
	Capital repayment during the year	**(224,039,443)**	(207,921,527)	(189,046,382)
	Transfers to assets held for sale (Note 13(b))	**(12,945,964)**	(2,533,471)	(613,426)
	At 30 June	**698,137,653**	712,623,667	663,594,004
	Interest receivable	**3,232,805**	3,218,470	2,752,610
	Investment in finance leases before ECL	**701,370,458**	715,842,137	666,346,614
	Allowance for expected credit losses	**(4,267,453)**	(10,167,833)	(4,935,386)
	Net investment in finance leases	**697,103,005**	705,674,304	661,411,228

		2022	2021	2020
(b)	Gross and net investment in finance leases	**Rs.**	Rs.	Rs.
	Gross investment in finance leases:-			
	- Within one year	**216,366,833**	199,147,502	180,881,255
	- Within 1 and 2 years	**191,960,009**	188,256,846	175,261,559
	- Within 2 to 3 years	**147,564,214**	163,498,497	152,651,242
	- Within 3 to 4 years	**115,603,091**	115,830,137	117,857,251
	- Within 4 to 5 years	**65,123,419**	84,747,457	80,112,578
	- More than five years	**38,545,290**	51,995,370	54,258,196
		775,162,856	803,475,809	761,022,081
	Less: Unearned finance income	**(88,820,345)**	(105,608,727)	(110,073,098)
		686,342,511	697,867,082	650,948,983
	Instalments due	**15,027,947**	17,975,055	15,397,631
	Allowance for expected credit losses	**(4,267,453)**	(10,167,833)	(4,935,386)
	Present value of minimum lease payments receivable	**697,103,005**	705,674,304	661,411,228
	Analysed as:-			
	- Current finance lease receivable	**182,490,704**	164,398,430	159,206,583
	- Non-current finance lease receivable	**503,851,807**	533,468,652	491,742,400
		686,342,511	697,867,082	650,948,983
	Instalments due	**15,027,947**	17,975,055	15,397,631
	Allowance for expected credit losses	**(4,267,453)**	(10,167,833)	(4,935,386)
		697,103,005	705,674,304	661,411,228

12 NET INVESTMENT IN FINANCE LEASES (CONT'D)

(c) **Remaining term to maturity**

	2022	2021	2020
	Rs.	Rs.	Rs.
Corporate customers			
Current			
Up to 3 months	**13,618,173**	9,433,920	11,390,550
Over 3 months and up to 6 months	**13,077,484**	15,267,162	10,827,840
Over 6 months and up to 12 months	**26,115,172**	27,372,869	20,908,803
Non-Current			
Over 1 year and up to 5 years	**141,700,876**	128,840,450	104,693,895
Over 5 years	**12,146,390**	11,391,394	13,448,371
	206,658,095	192,305,795	161,269,459
Other customers			
Current			
Up to 3 months	**35,083,055**	13,360,895	30,458,617
Over 3 months and up to 6 months	**31,791,225**	37,186,752	28,836,948
Over 6 months and up to 12 months	**62,805,594**	61,776,832	56,783,825
Non-Current			
Over 1 year and up to 5 years	**325,093,365**	335,657,108	330,360,599
Over 5 years	**24,911,177**	57,579,700	43,239,535
	479,684,416	505,561,287	489,679,524
Instalment due	**15,027,947**	17,975,055	15,397,631
Gross lease receivables before ECL	**701,370,458**	715,842,137	666,346,614
Allowance for expected credit losses	**(4,267,453)**	(10,167,833)	(4,935,386)
TOTAL	**697,103,005**	705,674,304	661,411,228

(d) Credit concentration of risk by industry sectors

	2022	2021	2020
	Rs.	Rs.	Rs.
Manufacturing	**3,212,414**	7,713,326	7,547,433
Transport	**23,335,775**	33,326,992	40,437,386
Construction	**8,951,595**	13,484,104	15,177,491
Personal	**606,270,294**	567,661,669	516,312,653
Financial and business services	**13,935,075**	10,550,969	6,407,291
Education	**5,000,653**	6,772,230	1,392,163
Tourism	**5,268,241**	12,016,663	9,956,577
Information, Communication and Technology	**4,450,194**	3,815,252	3,665,983
Others	**26,678,764**	50,333,099	60,514,251
	697,103,005	705,674,304	661,411,228

12 NET INVESTMENT IN FINANCE LEASES (CONT'D)

(e) Allowance for expected credit losses

	ECL on non-performing leases	ECL on performing leases	Total
	Rs	Rs	Rs
At 1 July 2021	**9,365,620**	**802,213**	**10,167,833**
Provision released during the year	**(5,509,979)**	**(390,401)**	**(5,900,380)**
At 30 June 2022	**3,855,641**	**411,812**	**4,267,453**
At 1 July 2020	4,210,605	724,781	4,935,386
Provision charged for the year	5,155,015	77,432	5,232,447
At 30 June 2021	9,365,620	802,213	10,167,833
At 1 July 2019	4,311,094	528,089	4,839,183
Provision (released)/ charged during the year	(100,489)	196,692	96,203
At 30 June 2020	4,210,605	724,781	4,935,386

(i) The allowance for expected credit losses is analysed as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Manufacturing	**38,530**	11,779	7,068
Transport	**639,124**	1,203,778	707,129
Construction	**98,763**	59,234	54,897
Personal	**3,480,337**	8,308,460	3,905,426
Financial and business services	**6,236**	57,614	22
Education	**820**	2,352	2,119
Tourism	**-**	473,529	-
Information, Communication and Technology	**1,232**	28,094	196,713
Others	**2,411**	22,993	61,012
Total	**4,267,453**	10,167,833	4,934,386

The above allowance for expected credit losses includes impaired finance leases, which are past due at the end of the reporting date.

12. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(e) Allowances for expected credit losses

(ii) Analysis by industry sector

	2022					2021	2020
	Gross leases	In default leases	ECL on performing leases	ECL on non-performing leases	Total allowance for expected credit losses	Total allowance for expected credit losses	Total allowance for expected credit losses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Manufacturing	3,250,944	-	38,530	-	38,530	11,779	7,068
Transport	23,974,899	3,345,585	14,200	624,924	639,124	1,203,778	707,129
Construction	9,050,358	951,418	24,549	74,214	98,763	59,234	54,897
Personal	609,750,631	15,619,180	323,834	3,156,503	3,480,337	8,308,460	3,905,426
Financial and business services	13,941,311	-	6,236	-	6,236	57,614	22
Education	5,001,473	-	820	-	820	2,352	2,119
Tourism*	5,268,241	-	-	-	-	473,529	-
Information, Communication and Technology*	4,451,426	883,982	1,232	-	1,232	28,094	196,713
Others*	26,681,175	1,434,693	2,411	-	2,411	22,993	62,012
	701,370,458	**22,234,858**	**411,812**	**3,855,641**	**4,267,453**	**10,167,833**	**4,935,386**

** The allowances for expected credit losses for these sectors are nil as a result of collaterisation of the exposures which fully cover the outstanding amounts.*

12. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(f) Ageing of past due debt which is impaired

	2022	2021	2020
	Rs.	Rs.	Rs.
1-90 days	**398,867**	1,135,113	1,414,784
91-180 days	**3,170,058**	6,072,731	7,433,006
181-360 days	**8,678,626**	28,258,466	4,133,995
More than 360 days	**9,987,307**	5,677,757	7,936,594
	22,234,858	41,144,067	20,918,379

Leases are classified as "past-due and impaired", when contractual payments are in arrears for more than 90 days. Leases which are with arrears of 1-90 days are classified as past due but not impaired.

(g) Interest rate profile

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is **6.44 %** (2021: 6.72% and 2020: 6.97%) per annum with interest rates ranging from **4.95%** to **12.5%** (2021: 5.00% to 12.5% and 2020: ranging from 5.75% to 12.5%).

Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at **Rs.17,482,207** (2021: Rs.16,713,166 and 2020: Rs.16,209,414).

(h) Ageing analysis (Provision matrix)

For purpose of the Company's disclosure regarding credit quality, its finance leases have been analysed as follows:

	Net investment in finance lease					
		Days past due				
30 June 2022	**Current**	**1-90 days**	**91 -180 days**	**181- 360 days**	**>360 days**	**Total**
Expected credit loss rate	**0.06%**	**0.08%**	**0.00%**	**3.29%**	**36.67%**	**0.61%**
Estimated total gross carrying amount at default	**537,920,929**	**141,214,671**	**3,170,058**	**9,392,537**	**9,672,263**	**701,370,458**
Expected credit losses (Rs)	**298,667**	**113,145**	**-**	**309,286**	**3,546,355**	**4,267,453**

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Net Investment in finance lease before impairment**	**Allowance for expected credit losses**	**Net Investment in finance lease**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Leases	**537,920,929**	**141,214,671**	**22,234,858**	**701,370,458**	**(4,267,453)**	**697,103,005**

12. NET INVESTMENT IN FINANCE LEASES (CONT'D)

(h) Ageing analysis (Provision matrix) (Cont'd)

	Net investment in finance lease					
		Days past due				
30 June 2021	Current	1-90 days	91 -180 days	181- 360 days	>360 days	Total
Expected credit loss rate	0.13%	0.10%	7.09%	23.51%	40.36%	1.42%
Estimated total gross carrying amount at default	444,693,298	231,139,885	6,072,731	28,258,466	5,677,753	715,842,133
Expected credit losses (Rs)	562,677	239,536	430,713	6,643,178	2,291,729	10,167,833

	Neither past due nor impaired	Past due but not impaired	Impaired	Net Investment in finance lease before impairment	Allowance for expected credit losses	Net Investment in finance lease
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Leases	444,693,298	230,004,772	41,144,067	715,842,137	(10,167,833)	705,674,304

	Net investment in finance lease					
		Days past due				
30 June 2020	Current	1-90 days	91 -180 days	181- 360 days	>360 days	Total
Expected credit loss rate	0.07%	0.18%	11.54%	8.20%	37.94%	0.74%
Estimated total gross carrying amount at default (Rs)	415,115,491	231,727,528	7,433,006	4,133,995	7,936,594	666,346,614
Expected credit losses (Rs)	310,579	417,092	857,480	339,060	3,011,175	4,935,386

	Neither past due nor impaired	Past due but not impaired	Impaired	Net Investment in finance lease before impairment	Allowance for expected credit losses	Net Investment in finance lease
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Leases	415,115,491	230,312,744	20,918,379	666,346,614	(4,935,386)	661,411,228

** Time buckets with nil allowances for credit losses are a result of collaterisation of the exposures which fully cover the outstanding amounts.*

13(a). OTHER ASSETS

	2022	2021	2020
	Rs.	Rs.	Rs.
Receivables from Group Companies			
Dividend receivable	2,433,730	1,461,883	1,045,817
Management fees receivable from SICOM Unit Trusts	816,421	1,526,670	1,263,786
Amount due from subsidiaries of holding company	856,741	648,080	411,412
Amount due from Holding Company	215,340	-	251,473
	4,322,232	3,636,633	2,972,488
Non-financial assets			
Prepayments	3,225,209	3,601,088	4,406,817
VAT receivable	74,075	-	242,686
	3,299,284	3,601,088	4,649,503
Other financial assets			
Operating lease rental due	509,156	311,831	305,294
Others	1,732,834	889,088	677,058
Less allowance for expected credit losses (stage 1)	(5,241)	(20,923)	(20,449)
	2,236,749	1,179,996	961,903
	9,858,265	8,417,717	8,583,894
Current	7,621,516	7,237,721	7,621,991
Non-Current	2,236,749	1,179,996	961,903
	9,858,265	8,417,717	8,583,894

(a) The receivables from group companies are unsecured and non-interest bearing and are usually settled within 30- 90 days. Management has assessed the impact of expected credit losses on those receivables as immaterial given the absence of default in the past and that these are subsequently settled after year end.

(b) Others include fees owed by leasing clients which are usually settled at the time of maturity of the lease.

13(b). ASSET HELD FOR SALE

	2022	2021	2020
	Rs.	Rs.	Rs.
Current			
Transfer from finance leases (Note 12)	12,945,964	2,533,471	613,426
Disposal	(307,277)	(2,533,471)	(613,426)
Fair value loss recognised in profit or loss	(3,888,687)	-	-
Closing balance	8,750,000	-	-

During the year ended 30 June 2022, management has proceeded with the repossession of assets for impaired finance leases. As management has the intent of disposing these unsold repossessed assets within the next twelve months, these have been classified as assets held for sale, in line with the requirements of IFRS 5. The below criteria has been considered by management:

- The repossessed assets are avaible for immediate sale in their current condition.

- Potential bidders have been identified and negotiations are in progress at the reporting date.

- The action to complete the sale was initiated and expected to be completed within one year from the date of initial classification.

14. DEPOSITS FROM CUSTOMERS

	2022	2021	2020
	Rs.	Rs.	Rs.
Deposits from customers	**1,889,340,011**	1,687,863,257	1,674,148,379
Accrued interest	**23,484,770**	32,437,886	32,455,721
	1,912,824,781	1,720,301,143	1,706,604,100

Time deposits with remaining term to maturity	**2022**	2021	2020
	Rs.	Rs.	Rs.
Retail customers			
Current			
Up to 3 months	**89,849,668**	47,058,407	29,685,809
Over 3 months and up to 6 months	**75,480,301**	80,753,408	34,443,802
Over 6 months and up to 12 months	**94,348,086**	178,075,935	78,705,281
Non-Current			
Over 1 year and up to 7 years	**857,531,890**	830,418,372	826,594,174
	1,117,209,945	1,136,306,122	969,429,066
Corporate customers			
Current			
Up to 3 months	**6,610,326**	52,153,847	510,010
Over 3 months and up to 6 months	**44,054,077**	226,186,819	2,771,001
Over 6 months and up to 12 months	**148,524,978**	17,011,524	202,047,197
Non-Current			
Over 1 year and up to 5 years	**596,425,455**	288,642,831	531,846,826
	795,614,836	583,995,021	737,175,034
TOTAL	**1,912,824,781**	1,720,301,143	1,706,604,100

The time deposits bear interests at rates ranging from 0.3 % to 4.50% (2021: 0.5 % to 4.5 % and 2020: 1.00% to 4.50%) per annum.

15. TAXATION

Income Tax

Income tax is calculated at the rate of 17% (2021: 17% and 2020: 17%) on the profit for the year as adjusted for income tax purposes.

(a) Current tax assets

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**(395,220)**	(2,910,641)	(223,717)
Income tax charge for the year	**1,516,987**	2,798,254	507,982
CSR	**203,206**	373,102	67,732
Tax paid	**(4,614,114)**	(655,935)	(3,262,638)
At 30 June	**(3,289,141)**	(395,220)	(2,910,641)

(b) Tax expense

	2022	2021	2020
	Rs.	Rs.	Rs.
Current tax expense	**1,516,987**	2,798,254	507,982
CSR	**203,206**	373,102	67,732
Underprovision in deferred tax assets in previous year	**(4,592,362)**	-	-
Deferred tax expense	**1,094,533**	562,771	201,081
(Credit)/Charge for the year	**(1,777,636)**	3,734,127	776,795

15. TAXATION (Cont'd)

(c) The tax on the Company's profit before tax differs from the theoretical amount that would arise from using the basic tax rate of the Company as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Profit before tax	**8,175,617**	20,386,264	20,776,442
Tax at the rate of 17% (2021 and 2020: 17%)	**1,389,855**	3,465,665	3,531,995
Tax effect of:			
- Exempt income	**400,682**	(2,366,102)	(15,995,996)
- Expenses not deductible for tax purposes	**2,247,921**	2,634,564	13,240,796
- Underprovision of deferred tax assets in previous year	**(4,592,362)**	-	-
- Other temporary differences	**(1,223,732)**	-	-
(Credit)/Charge for the year	**(1,777,636)**	3,734,127	776,795

The Company applied a partial exemption on interest income in accordance with the provision of the Income Tax Act (Item 7 of Sub-Part B of Part II of the Second Schedule) for the year ended 30 June 2020. No such exemption was applied for the income tax computation for the years ended 30 June 2021 and 30 June 2022.

(d) Deferred tax assets/(liabilities)

		2022	2021	2020
		Rs.	Rs.	Rs.
(i)	Deferred tax assets	**4,976,126**	722,814	2,048,204
	Deferred tax liabilities	**(494,521)**	(920,708)	(1,294,706)
		4,481,605	(197,894)	753,498

(ii) The movement on the deferred income tax account is as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**(197,894)**	753,498	869,817
Underprovision in deferred tax in previous year	**4,592,362**	-	-
Charged to profit or loss (note 15(b))	**(1,094,533)**	(562,772)	(201,081)
Charged to other comprehensive income	**1,181,670**	(388,620)	84,762
At 30 June	**4,481,605**	(197,894)	753,498

15. TAXATION (Cont'd)

(d) Deferred tax assets/(liabilities) (Cont'd)

(iii) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

Deferred tax liabilities	Accelerated tax depreciation
	Rs.
At 1 July 2019	1,052,791
Debited to profit or loss	241,915
At 30 June 2020	1,294,706
Credited to profit or loss	(373,998)
At 30 June 2021	**920,708**
Credited to profit or loss	**(426,187)**
At 30 June 2022	**494,521**

Deferred tax assets

	Allowance for expected credit losses	Retirement benefit obligations	Total
	Rs.	Rs.	Rs.
At 30 June 2019	539,195	1,383,413	1,922,608
Credited to profit or loss	10,132	30,702	40,834
Credited to other comprehensive income	-	84,762	84,762
At 30 June 2020	549,327	1,498,877	2,048,204
Charged to profit or loss	(1,018,370)	81,600	(936,770)
Charged to other comprehensive income	-	(388,620)	(388,620)
At 30 June 2021	**(469,043)**	**1,191,857**	**722,814**
Underprovision in previous year	**3,006,079**	**1,586,283**	**4,592,362**
Charged to profit or loss	**(1,631,730)**	**111,010**	**(1,520,720)**
Credited to other comprehensive income	**-**	**1,181,670**	**1,181,670**
At 30 June 2022	**905,306**	**4,070,820**	**4,976,126**

16. OTHER LIABILITIES

	2022	2021	2020
	Rs.	Rs.	Rs.
Current			
Staff costs including pension costs and PAYE	**181,756**	159,954	98,799
Audit fee	**640,500**	610,000	551,250
Professional fee	**65,555**	62,438	66,150
Other creditors	**-**	2,544,482	302,581
Amount due to Holding Company	**-**	440,677	-
Others (including registration and survey fee payable, refunds to clients)	**5,020,251**	3,447,597	2,205,152
Allowance for expected credit losses on undrawn commitments	**39,978**	37,323	9,528
	5,948,040	7,302,471	3,233,460

The above payables are unsecured, non-interest bearing and are usually settled within 30-90 days.

17. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the statement of financial position are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Funded Defined Benefit Obligation	**21,847,000**	15,508,000	15,105,000
Unfunded Defined Benefit Obligation	**2,099,000**	1,685,000	4,745,000
Liability recognised in the statement of financial position	**23,946,000**	17,193,000	19,850,000

(a) Funded Pension benefits

(i) The amounts recognised in the statement of financial position are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Present value of funded obligations	**40,511,000**	34,565,000	28,622,000
Fair value of plan assets	**(18,664,000)**	(19,057,000)	(13,517,000)
Liability recognised in the statement of financial position	**21,847,000**	15,508,000	15,105,000

(ii) The movements in the statement of financial position are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**15,508,000**	15,105,000	12,277,000
Profit or loss charge	**1,665,000**	1,296,000	1,263,000
Other comprehensive income charge	**6,705,000**	899,000	2,312,000
Contributions paid	**(2,031,000)**	(1,792,000)	(747,000)
At 30 June	**21,847,000**	15,508,000	15,105,000

(iii) The movement in the defined benefit obligations over the year is as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**34,565,000**	28,622,000	24,121,000
Current service cost	**834,000**	708,000	521,000
Administrative expenses and risk premiums	**(74,000)**	(105,000)	(52,000)
Interest expense	**1,904,000**	1,193,000	1,460,000
Employee contributions	**472,000**	418,000	374,000
Benefits paid	**(434,000)**	(420,000)	(413,000)
Transfer-in Due	-	2,319,000	-
Loss on demographic assumptions	-	4,417,000	
Liability experience loss/(gain)	**1,972,000**	(1,077,000)	1,503,000
Liability loss/(gain) due to change in financial assumption	**1,272,000**	(1,510,000)	1,108,000
At 30 June	**40,511,000**	34,565,000	28,622,000

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Funded Pension benefits (Cont'd)

(iv) The movement in the fair value of plan assets over the year is as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**19,057,000**	13,517,000	11,844,000
Interest income	**1,073,000**	605,000	718,000
Contributions to plan assets	**2,503,000**	2,210,000	1,121,000
Administrative expenses and risk premiums	**(74,000)**	(105,000)	(52,000)
Benefits paid	**(434,000)**	(420,000)	(413,000)
Transfer-in Due	**-**	2,319,000	-
Return on planned assets excluding interest income	**(3,461,000)**	931,000	299,000
At 30 June	**18,664,000**	19,057,000	13,517,000

(v) The amounts recognised in profit or loss are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Current service cost	**834,000**	708,000	521,000
Net interest on net defined benefit liabilities	**831,000**	588,000	(5,000)
Total included in "personnel expenses" (note 24)	**1,665,000**	1,296,000	516,000

(vi) The amounts recognised in other comprehensive income are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Return on plan assets excluding interest income	**3,461,000**	(931,000)	(299,000)
Loss on demographic assumptions	**-**	4,417,000	
Liability experience loss/(gain)	**1,972,000**	(1,077,000)	1,503,000
Liability loss/(gain) due to change in financial assumptions	**1,272,000**	(1,510,000)	1,108,000
Total actuarial losses	**6,705,000**	899,000	2,312,000

(vii) The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
<u>Distribution of plan assets at end of year</u>			
Loans, Government securities and cash	**16,237,680**	16,579,590	11,759,790
Local equities	**2,239,680**	2,286,840	1,622,040
Property	**186,640**	190,570	135,170
Total	**18,664,000**	19,057,000	13,517,000

(viii) Principal actuarial assumptions at end of period:

	2022	2021	2020
	%	%	%
Discount rate	**5.45**	5.35	3.90
Future long term salary increases	**3.75**	3.50	2.40
Future pension increases	**2.75**	2.50	1.40

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

(ix) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	2022	2021	2020
	Rs.	Rs.	Rs.
Increase due to 1% decrease in discount rate	**32,485,000**	27,514,000	23,220,000
Decrease due to 1 % increase in discount rate	**50,627,000**	43,519,000	35,566,000
Increase due to 1% increase in salary	**46,520,000**	39,410,000	32,761,000
Decrease due to 1% decrease in salary	**35,391,000**	30,438,000	25,141,000
Increase due to 1% increase in pension	**44,391,000**	38,481,000	31,139,000
Decrease due to 1% decrease in pension	**37,108,000**	31,182,000	26,287,000

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(x) The defined benefit pension plan exposes the Company to normal risks such as inflation risk, longevity rsk, administrative risk, exclusion risk, investment risk, default risk:

Inflation risk: if salary increases are significantly higher than assumed;

Longevity risk: if actual post-retirement mortality is lower than assumed;

Administrative risk: if the data provided in respect of the employees or benefits is incomplete or incorrect;

Exclusion risk: the risk of discontent of employees who are ineligible for these benefits;

Investment risk: the risk that the return earned by plan assets is lower than expected; and

Default risk: The risk of default on the instruments underpinning the plan assets.

(xi) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The most recent actuarial valuations of plan assets and the present value of defined benefit obligations were carried out at 30 June 2022 by QED Employee Benefits Consulting (Pty) Ltd.

(xii) The Company expects to pay **Rs.2,075,000** (2021: Rs1,825,000) in contributions to its post-employment benefit plans for the year ending 30 June 2023.

(xiii) The weighted average duration of the defined benefit obligation is **17** (2021:18) years at the end of the reporting period.

(b) State plan

	2022	2021	2020
	Rs.	Rs.	Rs.
Contributions expensed	**95,085**	83,908	61,492

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(c) Unfunded defined benefit plan

(i) The amounts recognised in the statement of financial position are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Present value of unfunded obligations	**2,099,000**	1,685,000	4,745,000
Liability recognised in the statement of financial position	**2,099,000**	1,685,000	4,745,000

(ii) The movements in the statement of financial position are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**1,685,000**	4,745,000	4,177,000
Profit or loss charge (Note 24)	**168,000**	125,000	387,000
Expense/(income) recognised in other comprehensive income	**246,000**	(3,185,000)	181,000
At 30 June	**2,099,000**	1,685,000	4,745,000

(iii) The movement in the unfunded benefit obligations over the year is as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**1,685,000**	4,745,000	4,177,000
Current service cost	**74,000**	66,000	216,000
Interest expense	**94,000**	59,000	171,000
Liability loss/(gain) due to change in financial assumption	**246,000**	(3,185,000)	181,000
At 30 June	**2,099,000**	1,685,000	4,745,000

(iv) The amounts recognised in other comprehensive income are as follows:

	2022	2021	2020
	Rs.	Rs.	Rs.
Liability experience loss/(gain)	**173,000**	(42,000)	-
Liability loss/(gain) due to change in financial assumptions	**73,000**	(3,143,000)	181,000
Total actuarial loss/(gain)	**246,000**	(3,185,000)	181,000

(v) Principal actuarial assumptions at end of period:

	2022	2021	2020
	%	%	%
Discount rate	**5.45**	5.35	3.90
Future long term salary increases	**3.75**	3.50	2.40
Future pension increases	**2.75**	2.50	1.40

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

18. DIVIDEND PAYABLE

	2022	2021	2020
Current	**Rs.**	Rs.	Rs.
Dividend payable	**8,460,265**	14,154,317	17,317,466

A dividend of Rs.0.43 per share (2021: Rs. 0.71 and 2020: Rs. 0.87) representing 85% of the profit after tax in respect of the year ended 30 June 2022 was declared by the directors on 30 June 2022.

19. STATED CAPITAL

The stated capital comprises 20,000,000 ordinary shares at Rs 10 each. The Company has one class of ordinary shares which carries a right to vote.

20. OTHER RESERVES

	2022	2021	2020
	Rs.	Rs.	Rs.
Statutory reserve (note (a) below)	**61,085,220**	59,592,232	57,094,411
Investment revaluation reserve (note (b) below)	**(168,000)**	(360,000)	(375,000)
Actuarial losses reserve (note (c) below)	**(16,477,619)**	(10,708,289)	(12,605,669)
General banking reserve (note (d) below)	**6,572,649**	5,743,649	5,743,649
At 30 June	**51,012,250**	54,267,592	49,857,391

(a) Statutory reserve

Under Section 21 of the Banking Act 2004, any financial institution shall maintain a reserve account and shall, each year, transfer therein a sum equal to not less than 15% of the profit of the year after due provision for income tax until the balance in the Reserve Account is equal to the amount paid as stated capital. An amount of **Rs.1,492,988** was transferred in 2022 (2021: Rs.2,497,821 and 2020: Rs.2,999,947).

(b) Investment revaluation reserve

Investment revaluation reserve comprises the cumulative net change in the fair value of investment securities that have been recognised in other comprehensive income until the investments are derecognised or impaired.

(c) Actuarial losses reserve

Actuarial losses reserve represents the cumulative remeasurement of the defined benefit obligation recognised.

(d) General banking reserve

General banking reserve relates to amount set aside in respect of impairment in the lease and loan portfolio, in addition to impairment allowances computed under IFRS 9. The Company has been transferring the shortfall between the impairment provisioning computed under IFRS 9 and the minimum provisioning required by the Bank of Mauritius *Guideline on Credit Impairment Measurement and Income Recognition* to the General Banking Reserve, which has been put on hold since March 2020 by the Bank of Mauritius in the context of Covid-19 relief measures.

However, with the gradual easing out of the Covid-19 measures, and the anticipated enforcement of the Guideline in the foreseeable future, management has performed an assessment of the Company's compliance to the provisioning requirements of the Guideline, and has determined it prudent to make an appropriation of **Rs. 829,000** from retained earnings to the General Banking Reseve to cater for the expected shortfall at 30 June 2022.

21. NET INTEREST INCOME

	2022	2021	2020
	Rs.	Rs.	Rs.
Interest income			
Cash and cash equivalents	**549,650**	1,173,000	2,793,300
Investment securities	**14,174,831**	14,408,122	14,416,237
Deposits with financial institutions	**22,604,748**	31,495,664	37,994,976
Loans and advances to holding company	**3,458,119**	9,459,502	14,946,196
Loans and advances to customers	**25,767,575**	3,807,677	-
Others	**122,386**	111,227	49,013
Total interest income calculated under EIR method	**66,677,309**	60,455,192	70,199,722
Others			
Interest income on lease receivables	**44,429,092**	44,820,613	43,356,781
Total interest income	**111,106,401**	105,275,805	113,556,503
Interest expense			
Deposits from customers	**53,263,662**	58,945,816	64,471,385
Interest expense on lease liabilities	**614,713**	601,400	655,309
Total interest expense	**53,878,375**	59,547,216	65,126,694
Net interest income	**57,228,026**	45,728,589	48,429,809

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and liabilities:

	2022	2020	2019
	Rs.	Rs.	Rs.
Financial assets measured at amortised cost	**66,677,309**	60,455,192	70,199,722
Financial liabilities measured at amortised cost	**53,878,375**	59,547,216	65,126,694

22. DIVIDEND INCOME

	2022	2021	2020
	Rs.	Rs.	Rs.
Financial assets at FVOCI	**45,300**	-	-
Financial assets at FVTPL	**2,417,830**	1,461,883	931,992
	2,463,130	1,461,883	931,992

23. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS (INCLUDING REVERSALS OF IMPAIRMENT LOSSES)

	2022	2021	2020
	Rs.	Rs.	Rs.
Investment in finance leases (note 12 (e))	**(5,900,380)**	5,232,447	96,203
Investment securities (note 6)	**(226,006)**	(510)	(496)
Loans and advances to holding company (note 8.1)	**(6,998)**	(6,397)	(5,849)
Other loans (note 8.2)	**(24,439)**	24,206	(2,435)
Loans and advances to customers (note 8.3)	**(1,790,415)**	1,876,154	-
Deposits with financial institutions (note 7)	**(1,637,146)**	(1,163,756)	(45,478)
Other financial assets (note 13(a))	**(15,682)**	474	(328,644)
Allowance on undrawn commitments (note 16)	**2,655**	27,795	(11,314)
(Credit)/Charge for the year	**(9,598,411)**	5,990,413	(298,013)

24. PERSONNEL EXPENSES

	2022	2021	2020
	Rs.	Rs.	Rs.
Wages and salaries	**11,396,020**	10,071,670	8,844,516
Other payroll costs	**8,058,347**	5,858,035	5,340,336
Pension costs - funded defined benefit plans (note 17(a)(v))	**1,665,000**	1,296,253	516,000
Pension costs - unfunded defined benefit plans (note 17 (c)(ii))	**168,000**	125,000	387,000
Other post retirement benefit (note 17(b))	**95,085**	83,908	61,492
	21,382,452	17,434,866	15,149,344

25. OTHER EXPENSES

	2022	2021	2020
	Rs.	Rs.	Rs.
Management fees payable to holding company	**24,954,186**	9,718,000	8,600,000
Directors and secretary fees	**2,118,552**	1,808,344	1,513,995
Licence fees	**2,310,500**	2,310,500	2,308,000
Professional charges	**86,659**	62,438	191,150
Audit fees	**640,500**	610,000	551,250
IT expenses	**981,900**	1,247,142	1,492,187
Others (including commissions to agent, advertising and insurance)	**2,761,998**	3,016,804	3,456,800
	33,854,295	18,773,228	18,113,382

26. OTHER OPERATING INCOME

	2022	2021	2020
	Rs.	Rs.	Rs.
Management fee income from SICOM Unit Trusts	**3,340,562**	2,929,612	2,572,866
Gain on termination of rental agreement for office space with Holding Company (Note 11)	**579,151**	-	-
Other miscellaneous income	**154,333**	16,297	24,715
	4,074,046	2,945,909	2,597,581

27. HOLDING COMPANY

The Directors regard the State Insurance Company of Mauritius Ltd, a Company incorporated in Mauritius, as the holding Company.

28. RELATED PARTY DISCLOSURES

This note covers the required disclosures as per IAS 24 and the regulatory requirements set out by the Bank of Mauritius.

(i) Loans and advances to Holding Company

(a) Capital element

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**69,977,307**	133,953,235	192,442,467
Repayments	**(69,977,307)**	(63,975,928)	(58,489,232)
At 30 June	**-**	69,977,307	133,953,235

The terms of the loans are set out in note 8.

28. RELATED PARTY DISCLOSURES (CONT'D)

(b) Interest received/receivable

	2022	2021	2020
	Rs.	Rs.	Rs.
Receivable and received for the year	**3,458,119**	9,459,502	14,946,196

(ii) Directors and key management personnel

(a) Capital element - Deposits from customers

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**45,780,628**	45,780,628	55,890,340
Additions	**13,356,778**	-	700,000
	59,137,406	45,780,628	56,590,340
Encashments	**(14,317,719)**	-	(10,809,712)
At 30 June	**44,819,687**	45,780,628	45,780,628

The terms of the deposits from customers are set out in note 14.

(b) Interest payable

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**134,746**	134,746	184,627
Payable for the year	**1,360,541**	1,639,414	1,662,563
	1,495,287	1,774,160	1,847,190
Paid during the year	**(1,376,609)**	(1,639,414)	(1,712,444)
At 30 June	**118,678**	134,746	134,746

(iii) Finance lease to key management personnel

(a) Capital element

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**1,126,904**	1,767,716	2,571,727
Repayments	**(867,592)**	(640,812)	(804,011)
At 30 June	**259,312**	1,126,904	1,767,716

(b) Interest receivable

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**-**	-	3,967
Receivable during the year	**60,560**	81,171	146,591
Received during the year	**(60,560)**	(81,171)	(150,558)
At 30 June	**-**	-	-

The terms of the finance lease are set out in note 12(g).

None of the finance leases to key management personnel was impaired for the current and prior years. These leases carried an immaterial allowance for expected credit losses for both the current and prior years.

Granting of finance leases to key management personnel is subject to the governance process in line with the requirements of the Bank of Mauritius Guideline on Related Party Transactions.

28. RELATED PARTY DISCLOSURES (CONT'D)

(iv) Loans and advances to Director and key Management Personnel

Capital element	**2022**	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**1,790,074**	410,656	595,255
Additions	**1,500,000**	1,900,000	50,000
Repayments	**(206,364)**	(520,582)	(234,599)
At 30 June	**3,083,710**	1,790,074	410,656

Interest receivable	**2022**	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**-**	-	-
Receivable during the year	**71,092**	49,370	18,195
Received during the year	**(66,223)**	(49,370)	(18,195)
At 30 June	**4,869**	-	-

The terms of the loans are set out in note 8.1.

None of the loans to key management personnel was impaired for the current year. These leases carried an immaterial allowance for expected credit losses for both the current year.

Granting of loans to director and key management personnel is subject to the governance process as required by the Bank of Mauritius through its Guideline on Related Party Transactions.

(v) Rent payable to Holding Company (Recognised under IFRS16)

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**-**	-	-
Payable during the year	**1,742,882**	1,580,799	1,580,799
	1,742,882	1,580,799	1,580,799
Paid during the year	**(1,580,799)**	(1,580,799)	(1,580,799)
At 30 June	**162,083**	-	-

The terms of the above expenses are set out in a service level agreement between SICOM Ltd and the Company. The lease liabilities balance at 30 June 2022 is Rs13,931,571 (Note 11).

(vi) Amount due to Holding Company for capital expenditure and other expenses

	2022	2021	2020
	Rs.	Rs.	Rs.
Payable during the year	**-**	440,677	-
At 30 June	**-**	440,677	-

28. RELATED PARTY DISCLOSURES (CONT'D)

(vii) Management fees from Sicom Unit Trust - Sicom General Fund

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	942,302	843,677	946,117
Receivable for the year	2,105,534	1,813,122	1,713,871
	3,047,836	2,656,799	2,659,988
Received during the year	(2,700,936)	(1,714,497)	(1,816,311)
At 30 June	346,900	942,302	843,677

The terms of the above management fees are set out in a Trust deed between SICOM General Fund and the Company.

(viii) Management fees from Sicom Unit Trust - Sicom Overseas Diversified Fund

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	584,368	420,109	448,114
Receivable for the year	1,235,028	1,116,490	858,995
	1,819,396	1,536,599	1,307,109
Received during the year	(1,349,774)	(952,231)	(887,000)
At 30 June	469,622	584,368	420,109

The terms of the above management fees are set out in a Trust deed between SICOM Overseas Diversified Fund and the Company.

(ix) Management fees to Holding Company

	2022	2021	2020
	Rs.	Rs.	Rs.
Payable for the year	24,954,186	9,718,000	8,600,000
	24,954,186	9,718,000	8,600,000
Paid during the year	(24,954,186)	(9,718,000)	(8,600,000)
At 30 June	-	-	-

The terms of the above expenses are set out in a service level agreement between SICOM Ltd and the Company.

(x) Dividend payable to Holding Company (99% holding)

	2022	2021	2020
	Rs.	Rs.	Rs.
Payable during the year	8,375,662	14,012,774	17,144,291

(xi) Dividend income from Sicom Unit Trust - Sicom General Fund

	2022	2021	2020
	Rs.	Rs.	Rs.
Receivable during the year	1,659,924	836,847	608,989

28. RELATED PARTY DISCLOSURES (CONT'D)

(xi) Dividend income from Sicom Unit Trust - Sicom Overseas Diversified Fund

	2022	2021	2020
	Rs.	Rs.	Rs.
Receivable during the year	**757,906**	625,036	436,828

(xii) Other transactions with Holding Company

	2022	2021	2020
	Rs.	Rs.	Rs.
Charge for the year	**562,429**	524,366	460,680

(xiii) Investment in Sicom Unit Trust - Sicom General Fund

(a) Number of units

	2022	2021	2020
At 1 July	**1,481,147**	1,444,127	1,394,925
Additions	**40,323**	37,020	49,202
At 30 June	**1,521,470**	1,481,147	1,444,127

(b) Value of units (at cost)

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**17,107,365**	16,613,151	15,925,800
Additions	**683,072**	494,214	687,351
At 30 June	**17,790,437**	17,107,365	16,613,151

(c) Market value of units

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July (ex-div)	**24,157,508**	18,903,626	18,775,695
Additions	**683,072**	494,214	687,351
Fair value adjustment	**(3,098,766)**	4,759,668	(559,420)
At 30 June	**21,741,814**	24,157,508	18,903,626

28. RELATED PARTY TRANSACTIONS (CONT'D)

(xiv) Investment in Sicom Unit Trust - Sicom Overseas Diversified Fund

(a) Number of units

	2022	2021	2020
At 1 July	**1,300,262**	1,270,218	1,234,448
Additions	**33,141**	30,044	35,770
At 30 June	**1,333,403**	1,300,262	1,270,218

(b) Value of units (at cost)

	2022	2021	2020
	Rs.	Rs.	Rs.
At 1 July	**13,447,407**	13,010,579	12,563,092
Additions	**625,036**	436,828	447,487
At 30 June	**14,072,443**	13,447,407	13,010,579

(c) Market value of units

	2022	2021	2020
At 1 July (ex-div)	**23,963,821**	17,427,396	15,035,577
Addition	**625,036**	436,828	447,487
Fair value adjustment	**(5,041,178)**	6,099,597	1,944,332
At 30 June	**19,547,679**	23,963,821	17,427,396

(xv) Compensation of Directors and key management personnel

	2022	2021	2020
	Rs.	Rs.	Rs.
Short term benefits	**8,833,651**	7,453,764	7,003,874
Post employment benefits	6,156,988	5,137,650	4,742,850

There are no other long term benefits, termination benefits or share based payments for both the current and prior years.

(xvi) Contribution to defined benefit pension plan

	2022	2021	2020
	Rs.	**Rs.**	**Rs.**
Contribution	**1,651,986**	1,358,883	1,121,040

(xvii) Amount receivable from sister company

	2022	2021	2020
Receivable for the year	**856,741**	648,080	411,412

The amount outstanding for leases are secured by the undelying leased assets. No guarantees have been given or received.

The ECL for group entities is immaterial for both current and prior years.

29. FINANCIAL RISK MANAGEMENT

29.1 Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Please refer to the relevant disclosures in the Risk Management Report within the Annual report.

29.2 Financial risk factors

The Company manages its exposure to market risk (including interest rate risk and price risk), credit risk and liquidity risk through the Risk Management function.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return on risk.

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company manages its exposure to interest rate risk by use of a proper mix in fixed and floating rate borrowings and use of natural hedging.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

(i) *Interest rate risk*

The Company is exposed to interest rate fluctuations on the domestic markets. The Company monitors closely interest rate trends and related impact on investment income for performance evaluation and better fund management.

The interest rate profile of the Company at 30 June was:

	2022	2021	2020
	% p.a.	% p.a.	% p.a.
Financial assets			
Net investment in finance leases	**4.95 to 12.50**	5.00 to 12.50	5.75 to 12.50
Balances with local banks	**0.00 to 0.75**	0.00 to 0.20	0.00 to 1.80
Loans to holding company	**9.00**	9.00	9.00
Other loans- staff loans	**2.00 to 4.00**	2.00 to 4.00	2.00 to 4.00
Loans and advances to customers - Speedy loans	**5.90**	5.90	-
Deposits with financial institutions	**3.00 to 9.50**	3.40 to 10.50	2.85 to 10.50
Government of Mauritius Bonds	**5.00 to 8.29**	5.00 to 8.29	5.00 to 8.29
Financial liabilities			
Deposit from customers	**0.30 to 4.50**	0.50 to 4.50	1.00 to 4.50

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (cont'd)

(a) Market risk (cont'd)

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

	2022		2021		2020	
Change in interest rate	**Impact on Profit before tax**	**Impact on Equity**	Impact on Profit before tax	Impact on Equity	Impact on Profit before tax	Impact on Equity
	Rs.	**Rs.**	Rs.	Rs.	Rs.	Rs.
+5 basis point	**108,828**	**92,504**	83,405	70,894	61,252	52,064
-5 basis points	**(108,828)**	**(92,504)**	(83,405)	(70,894)	(61,252)	(52,064)

The increase or decrease in the interest rate sensitivity is due to fluctuations in bank balances and deposits with financial institutions with floating rates at 30 June 2022 as compared to 30 June 2021 and 30 June 2020.

The interest rate sensitivity analysis excludes Government Securities and fixed deposits, which have fixed interest rates and will not be affected by fluctuations in the level of interest rates.

(ii) *Other price risks*

The Company is exposed to equity price risks arising from equity investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	2022	2021	2020
	Rs	Rs	Rs
Equity	**42,141,493**	48,781,329	36,976,022

The following table details the Company's sensitivity to a 5% and 10% increase/decrease in the prices of securities investments.

	2022	2021	2020
	Rs	Rs	Rs
Increase/decrease of 5% in prices of securities *Increase/decrease in net assets/income*	**2,107,075**	2,439,066	1,848,801
Increase/decrease of 10% in prices of securities *Increase/decrease in net assets/income*	**4,214,149**	4,878,133	3,967,602

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (cont'd)

(b) Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's main income generating activity is lending to customers through loans and leases and therefore credit risk is a principal risk.

Credit risk mainly arises from loans and advances to customers, deposits with financial institutions, net investment in finance leases, investments in debt securities and other receivables. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

Credit risk management

The Company's risk Management/ Conduct Review Committee is responsible for managing the Company's credit risk by:

a) Ensuring that the Company has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Company's stated policies and procedures, IFRS and relevant supervisory guidance.

b) Identifying, assessing and measuring credit risk across the Company, from an individual instrument to a portfolio level.

c) Creating credit policies to protect the Company against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

d) Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, etc.

e) Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.

f) Developing and maintaining the Company's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

g) Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk on financial instruments in the statement of financial position, before taking into account any collateral held or other credit enhancements, after allowance for impairment where appropriate.

	2022	2021	2020
	Rs.	Rs.	Rs.
Cash and cash equivalents	**249,629,110**	221,250,887	151,774,445
Investment securities	**292,239,673**	299,186,672	287,680,734
Deposits with financial institutions	**571,406,336**	670,014,300	947,034,785
Loans and advances	**569,897,626**	312,375,869	135,082,062
Net investment in finance leases	**697,103,005**	705,674,304	661,411,228
Other assets	**6,558,981**	4,816,629	3,934,391
	2,386,834,731	2,213,318,661	2,186,917,645

Other assets exclude non financial assets such as prepayments and VAT receivable.

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

Credit quality

The table summarises the loss allowance as of the year end by class of asset:

	2022	2021	2020
	Rs.	Rs.	Rs.
Investment securities	**200,408**	426,414	426,924
Deposits with financial institutions	**716,140**	2,353,286	3,517,042
Loans and advances	**96,112**	1,917,964	24,001
Net investment in finance leases	**4,267,453**	10,167,833	4,935,386
Other assets	**5,241**	20,923	20,449
Undrawn commitments	**39,978**	37,323	9,528
	5,325,332	14,923,743	8,933,330

Investment in finance leases

Refer to Note 12(h) for the relevant disclosures on the credit quality of the lease book.

Collateral and other credit enhancments

The Company has a range of policies and practices to mitigate credit risk. Customers to whom leases and loans are granted have to meet the Company's risk appetite criteria and have the right profile to service their credit obligations.

The Company also has banking relationships with only reputed financial institutions with good credit ratings and hence the credit risk on these financial instruments (e.g cash and cash equivalents, deposits with financial institutions) is considered to be negligible. The Company's investment securities are in the bonds issued by the Government of Mauritius, and the sovereign credit risk is considered to be low.

For finance leases, the ownership of leases assets remain with the Company until full settlement of the lease when it is then transferred to the lessee. Collaterals for impaired leases are reviewed by the Company in line with the regulatory provisions and the Company's internal polciies. The fair value of the collaterals are obtained by independent surveyors and factors in the ECL computations for the non-performing book, after taking into account the cost to sell and a haircut based on expected loss on repossession.

As a last resort, the Company would repossess leased assets for impaired exposures, after all other means of remediation and recoveries have been exhausted. Financial assets which are credit impaired and related collaterals held in order to mitigate potential losses are shown below:

	Gross exposure	**Impairment allowance**	**Fair value of collateral held**
Credit impaired leases at 30 June	**Rs.**	**Rs.**	**Rs.**
2022	22,234,858	3,855,641	31,036,530
2021	41,144,067	9,365,620	51,602,450
2020	20,918,379	4,210,605	30,840,000

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled either by delivery of cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and non-derivative financial liabilities. The tables have been drawn up based on the discounted cashflows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

The maturity profile of the financial instruments is summarised as follows:

AT 30 JUNE 2022	On Demand	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	249,629,110	-	-	-	-	-	249,629,110
Investment securities							
Investment securities at FVTPL	41,289,493	-	-	-	-	-	41,289,493
Investment securities at FVOCI	852,000	-	-	-	-	-	852,000
Debt instruments at amortised cost	-	-	-	-	-	250,298,588	250,298,588
	42,141,493	-	-	-	-	250,298,588	292,440,081
Deposits with financial institutions	-	-		24,271,560	547,850,916	-	572,122,476
Loans and advances							
Other loans	-	140,590	140,590	312,737	2,102,291	1,515,263	4,211,471
Customers	-	29,263,410	29,224,574	58,054,622	438,560,481	116,019,391	671,122,478
	-	29,404,000	29,365,164	58,367,359	440,662,772	117,534,654	675,333,949
Investments in finance leases		24,510,522	53,627,078	104,711,181	520,250,733	38,545,290	741,644,803
Assets held for sale	-	8,750,000	-	-	-	-	8,750,000
Other assets	6,558,981	-	-	-	-	-	6,558,981
Total financial assets	298,329,584	62,664,522	82,992,242	187,350,100	1,508,764,421	406,378,532	2,546,479,401
Financial liabilities							
Amortised Cost							
Deposits from customers	-	141,177,768	134,204,122	251,805,933	1,458,949,461	61,166,291	2,047,303,574
Other liabilities	5,948,040	-	-	-	-	-	5,948,040
Lease liabilities	-	455,982	455,982	911,964	7,295,712	7,903,688	17,023,328
Dividend	8,460,265	-	-	-	-	-	8,460,265
Total financial liabilities	14,408,305	141,633,750	134,660,104	252,717,897	1,466,245,173	69,069,979	2,078,735,207
Undrawn commitments	-	23,282,142	13,537,222	-	-	-	36,819,364
Net liquidity gap	283,921,279	(102,251,370)	(65,205,083)	(65,367,797)	42,519,248	337,308,553	430,924,831

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The maturity profile of the financial instruments is summarised as follows:

AT 30 JUNE 2021

	On Demand	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	221,250,887	-	-	-	-	-	221,250,887
Investment securities							
Investment securities at FVTPL	48,121,329	-	-	-	-	-	48,121,329
Investment securities at FVOCI	660,000	-	-	-	-	-	660,000
Debt instruments at amortised cost	-	-	-	-	-	250,405,343	250,405,343
	48,781,329	-	-	-	-	250,405,343	299,186,672
Term deposits	-	-	22,550,000	600,000,000	72,061,593	-	694,611,593
Loans and advances							
Holding company	-	18,358,857	18,358,857	36,717,714	-	-	73,435,428
Other loans	-	170,436	170,436	340,873	2,026,432	1,521,980	4,230,157
Customers		11,438,767	11,438,618	22,789,495	174,280,912	68,785,946	288,733,738
	-	29,968,060	29,967,911	59,848,082	176,307,344	70,307,926	366,399,323
Investments in finance leases	-	54,224,487	53,200,635	103,416,473	552,321,340	51,995,371	815,158,306
Other assets	4,816,629	-	-	-	-	-	4,816,629
Total financial assets	274,848,845	84,192,547	105,718,546	763,264,555	800,690,277	372,708,640	2,401,423,410
Financial liabilities							
Amortised Cost							
Deposits from customers	-	138,917,349	320,462,800	207,782,380	1,141,404,739	-	1,808,567,268
Other liabilities	7,302,470	-	-	-	-	-	7,302,470
Lease liabilities		395,199	395,199	790,398	6,323,184	6,323,196	14,227,176
Dividend	14,154,317	-	-	-	-	-	14,154,317
Total financial liabilities	21,456,787	139,312,548	320,857,999	208,572,778	1,147,727,923	6,323,196	1,844,251,231
Undrawn commitments	-	46,806,316	-	-	-	-	46,806,316
Net liquidity gap	253,392,058	(101,926,317)	(215,139,453)	554,691,777	(347,037,646)	366,385,444	510,365,863

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The maturity profile of the financial instruments is summarised as follows:

AT 30 JUNE 2020

	On Demand	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	151,774,445	-	-	-	-	-	151,774,445
Investment securities							
Investment securities at FVTPL	36,331,026	-	-	-	-	-	36,331,026
Investment securities at FVOCI	645,000						645,000
Debt instruments at amortised cost	-	-	-	-	-	250,704,712	250,704,712
	36,976,026	-	-	-	-	250,704,712	287,680,738
Deposits with financial institutions	-	-	102,999,273	206,710,352	691,355,311	-	1,001,064,936
Loans and advances							
Holding company	-	18,358,857	18,358,857	36,717,714	73,435,428	-	146,870,856
Other loans	-	127,730	127,730	257,907	608,915	132,300	1,254,582
	-	18,486,587	18,486,587	36,975,621	74,044,343	132,300	148,125,438
Investments in finance leases*	-	56,041,102	49,624,569	95,890,970	503,755,954	59,166,065	764,478,660
Other assets	3,934,391	-	-	-	-	-	3,934,391
Total financial assets	192,684,862	74,527,689	171,110,429	339,576,943	1,269,155,608	310,003,077	2,357,058,608
Financial liabilities							
Amortised Cost							
Deposits from customers**	-	37,781,139	45,414,413	320,716,247	1,423,774,197	-	1,827,685,996
Other liablities	3,233,460	-	-	-	-	-	3,233,460
Lease libilities	-	395,199	395,199	790,398	6,323,184	7,903,996	15,807,976
Dividend	14,154,317	-	-	-	-	-	14,154,317
Total financial liabilities	17,387,777	38,176,338	45,809,612	321,506,645	1,430,097,381	7,903,996	1,860,881,749
Undrawn commitments	-	17,272,000	-	-	-	-	17,272,000
Net liquidity gap	175,297,085	19,079,351	125,300,817	18,070,298	(160,941,773)	302,099,081	478,904,859

*An amount of Rs 15,393,175 has been billed and receivable from finance lease customers as at 30 June 2020. It has a current maturity period.

**An amount of Rs 22,125,275 has been accrued from deposits from customers as at 30 June 2020.

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.3 Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets and liabilities measured at fair values on a recurring basis.

AT 30 JUNE 2022	**Level 1**	**Level 2**	**Total**
	Rs.	**Rs.**	**Rs.**
Financial Assets			
Investment securities held at:			
- FVOCI	**852,000**	**-**	**852,000**
- FVTPL	**-**	**41,289,493**	**41,289,493**
	852,000	**41,289,493**	**42,141,493**

AT 30 JUNE 2021	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Financial Assets			
Investment securities held at:			
- FVOCI	660,000	-	660,000
- FVTPL	-	48,121,329	48,121,329
	660,000	48,121,329	48,781,329

AT 30 JUNE 2020	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Financial Assets			
Investment securities held at:			
- FVOCI	645,000	-	645,000
- FVTPL	-	36,331,022	36,331,022
	645,000	36,331,022	36,976,022

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.3 Fair value of financial instruments (Cont'd)

The below table shows the fair value of the Company's financial assets and liablities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

	Carrying value			Fair Value		
	2022	2021	2020	**2022**	2021	2020
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	**249,629,110**	221,250,887	151,774,445	**249,629,110**	221,250,887	151,774,445
Deposits with financial institutions	**571,406,336**	670,014,300	947,034,785	**571,406,336**	670,014,300	947,034,785
Loans and advances						
-Holding company	**-**	69,970,309	133,939,840	**-**	69,970,309	133,939,840
-Other loans	**3,694,307**	3,749,117	1,142,222	**3,694,307**	3,749,117	1,142,222
-To customers (Speedy loans)	**566,203,319**	238,656,443	-	**566,203,319**	238,656,443	-
Investment securities						
- Bonds	**250,098,180**	250,405,343	250,704,712	**250,098,180**	250,405,343	250,704,712
Other assets	**6,558,981**	4,816,629	3,934,391	**6,558,981**	4,816,629	3,934,391
Financial Liablities						
Deposit from customers	**1,912,824,781**	1,720,301,143	1,706,604,100	**1,906,916,461**	1,710,143,533	1,762,174,017
Other liablities	**5,948,040**	7,302,471	3,233,460	**5,948,040**	7,302,471	3,233,460
Dividend payable	**8,460,265**	14,154,317	17,317,466	**8,460,265**	14,154,317	17,317,466
Lease liabilities	**13,931,569**	10,193,990	11,173,389	**13,931,569**	10,193,990	11,173,389

(i) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and call deposit to be received on demand.

(ii) Deposits with financial institutions

The estimated fair value of fixed interest bearing deposits with financial institutions not quoted in active market is based on discounted cash flows using interest rates for new deposits with similar maturity.

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.3 Fair value of financial instruments (Cont'd)

(iii) Investment in government bonds

The estimated fair value of investment in government bonds represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Deposits from customers

The estimated fair value of fixed interest bearing deposits from customers not quoted in active market is based on discounted cash flows using interest rates for new deposits with similar maturity.

(v) Other loans (including speedy loans)

The carrying amount of these loans approximate their fair value.

(vi) Other financial assets and liablities

Other assets and liablities are repayable on demand. Their fair values are therefore considered as being equal to their carrying value.

During the year, the Company has made no transfer from Level 1 to Level 2.

Currency profile

The Company has no financial assets and liabilities in any other currency than Mauritian Rupees.

30. CAPITAL RISK MANAGEMENT

Being an entity regulated by the Bank of Mauritius, the Company is mandated through the Banking Act 2004, to maintain at all times, a minimum share capital of Rs200million with a minimum capital adequacy ratio of 10%. This condition was met for both the current and prior financial years.

The Company's objectives when managing capital are to comply with the regulatory requirements and to safeguard its ability to continue as a going concern so that it can continue providing returns to its shareholders and benefits to other stakeholders. Through efficient capital management, the Company also endeavours to maintain a strong capital base to support the development of its business.

Refer to the Management Discussion and Analysis Document within this Annual Report for more detailed disclosure on the capital structure of the Company.

31. CONTINGENT LIABILITIES

The Company has received a tax assessment from the Mauritius Revenue Authority for an amount of **Rs 2,126,421** in relation to the tax year 2018/2019 with respect to adjustments made in connection with interest income in connection with the adoption of IFRS 9 and the deductibility under section 57 of the Income Tax Act for specific expenses. Based on the advice received from its tax advisor after taking into account all relevant statutory tax pronouncements, the Company has not made any provisions for the liability of Rs2,126,421 in the financial statements of Company, in respect of the above tax assessment, as at 30 June 2022, as it is of the view that no liability will devolve from the tax assessment.

32. COMMITMENTS FOR FUTURE LEASES

At 30 June 2022, the Company had capital commitment of **Rs. 36,819,364** (2021: Rs. 46,806,316 and 2020: Rs. 17,272,000) in respect of future leases.

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Dividend	Lease liabilities
	Rs	Rs
At 1 July 2020	17,317,466	11,173,389
Movement in interest	-	601,400
Dividend declared for the year	14,154,317	-
Repayment of lease liabilities	-	(1,580,799)
Dividend paid	(17,317,466)	-
At 30 June 2021	14,154,317	10,193,990
Movement during the year	-	4,703,666
Movement in interest	-	614,712
Dividend for the year	8,460,265	-
Repayment of lease liabilities	-	(1,580,799)
Dividend paid	(14,154,317)	-
At 30 June 2022	**8,460,265**	**13,931,569**

34. EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of reporting period which the directors consider may materially affect the financial statements for the year ended 30 June 2022.

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