SICOM

FINANCIAL SERVICES

A member of the SICOM Group

ANNUAL REPORT 2021

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Mission, Shared Values and Objective Statement

Corporate Information

Registered Office

SICOM Building
Sir Célicourt Antelme Street, Port Louis, Mauritius
Telephone: (230) 203 8420
Fax: (230) 208 0874
Email Address: sfsl@sicom.mu
Website: www.sicom.mu

Auditors

Deloitte

Directors

Mahadu O S *(Appointed as Director and Chairperson on 23 December 2020 and 04 February 2021, respectively)*
Sakurdeep S *(Chairman up to 16 November 2020)*
Bhoojedhur-Obeegadoo K G (Mrs)
Bonomaully I
Gopy D K
Ramdewar N (Mrs)
Salemohamed M Y *(up to 17 November 2020)*
Seewoochurn N *(up to 1 August 2021)*
Reedoy S *(as from 23 Dec 2020)*
Seeteejory S *(as from 24 December 2020)*
Ubhee S *(from 23 December 2020 to 25 March 2021)*
Chengabroyan C *(as from 29 September 2021)*
Maharahaje P D *(Mrs) (as from 27 August 2021)*

Company Secretary

DTOS Ltd (as from 01 October 2020)

Senior Executive Officer

Chadien M

Deputy Manager

Kasenally - Boodoo A (Mrs)

Main Banker

SBM Bank (Mauritius) Ltd

Corporate Information (cont'd)
Directorate & Management
Directors' profile

Mr Oomesh Sharma MAHADU **(Appointed as Director and Chairperson on 23 December 2020 and 04 February 2021, respectively)**

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 international and local, 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.

Mrs Karuna G. BHOOJEDHUR-OBEEGADOO **(Reappointed on 30 November 2020)**

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.

Mr Ishwarlall BONOMAULLY **(Reappointed on 30 November 2020)**

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 has served on different boards of state-owned companies including the Development Bank of Mauritius Ltd, State Trading Corporation and Investment Support Programme (ISP) Ltd.

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.

Mr 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

Corporate Information (cont'd)

Directorate & Management (cont'd)

Directors' profile (cont'd)

Mr Dev K GOPY **(Reappointed on 30 November 2020)**

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 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 Limited. 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.

Mrs Nandita RAMDEWAR **(Reappointed on 30 November 2020)**

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 Chief Executive Officer 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 Chief Executive Officer, 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.

Mr Subiraj REEDOY **(Appointed on 23 December 2020)**

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.

Mr Sarvesh SEETEEJORY **(Appointed on 24 December 2020)**
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 Assistance 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.

Corporate Information (cont'd)
Directorate & Management (cont'd)
Directors' profile (cont'd)

Mrs 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.

Company Secretary

DTOS Ltd serves as the Company's Company Secretary since October 2020. Previously, the Company's Secretary was Theresa Lee Shing Po.

Theresa Lee Shing Po was admitted as Attorney–at-Law in 1986. She had her private practice and also worked in an international accounting and auditing firm, as well as at the Attorney General's Office. She joined SICOM in 2000 as Legal Officer and set up in the Legal Department, a recovery unit and a fixed and floating charge unit responsible for the in-house preparation of charges. She is presently the SICOM Group's Chief Support Officer.

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 the State Insurance Company of Mauritius Ltd 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).

Directors' Report

The Directors have the pleasure to submit the twenty first Annual Report of SICOM Financial Services Ltd (the "Company") which includes the audited financial statements for the financial year ended 30 June 2021. 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.

OVERVIEW AND FUTURE OUTLOOK

The Covid-19 pandemic is posing significant challenges for the operations and profitability of SICOM Financial Services Ltd, which include the drop-in interest rates that is having a negative impact on the income generation capacity of the company and the increase in provisioning with clients in certain sectors having difficulties in repaying their leases. The local economic downturn coupled with the depreciation of the Mauritian Rupee could most probably slow the sales of vehicles and equipment which will dampen sales in our leasing business.

In line with its strategy to diversify its sources of revenue and provide a range of products to its clients, the Company launched a Personal Loan scheme in October 2020, the Speedy Loan. This product, which is geared towards employees of the public sector and parastatal bodies was, successfully launched and results for this new line of business have been very positive.

Going forward, the strategy of the Company will be focused on boosting the sales of lease and personal loan businesses, continue to digitalise its operations, develop new innovative products and services and further consolidate the arrears management system.

FINANCIAL RESULTS

Leasing

Net investments in finance leases increased from Rs 661.4 million for the financial year ended 30 June 2020 to reach Rs 705.7 million for the financial year ended 30 June 2021, that is a growth of 6.7 %. The growth in the leasing business is attributable to the different sales and marketing initiatives deployed during the year. The amount of new leases approved amounted to Rs 308.5 million as compared to Rs 289.2 million last year.

Personal Loan

The personal loan business (Speedy Loan) was launched in October 2020. During the year under review, the investment in personal loan stood at Rs 238.7 million while the amount approved and disbursed was Rs 247.1 million.

Deposits

The total deposits of the Company stood at Rs 1.7 billion for the financial year ended 30 June 2021, similar to last year.

Net Interest Income

Net interest income fell from Rs 48.4 million for the financial year ended 30 June 2020 to Rs 45.7 million for the year under review. This fall in net interest income is explained by the continued drop in interest rates, especially following the Covid-19 pandemic.

Profit before tax

In spite of the challenging business conditions, profit before tax stood at Rs 20.4 million instead of Rs 20.8 million for the year ended 30 June 2020, due to an increase in provisioning.

Auditor

Deloitte has been appointed as external auditor of the Company for the year ended 30 June 2021, following a competitive tender exercise held in July 2021. The previous auditor of the Company was Ernst & Young. The remuneration of the auditor for the financial year amounts to Rs **610,000. (**2020: Rs 551,250).

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 62,438 for the financial year ended 30 June 2021 (2020: Rs 191,150).

The Company has in place policies and procedures in place 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 2021 and the names of those who ceased to hold office as directors of the Company during the year ended 30 June 2021 are disclosed on page 3.

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

During the year, Directors' fees were paid as follows : Mr O S Mahadu - Rs 201,929, Mrs K G Bhoojedhur Obeegadoo - Rs 205,600, Mr I Bonomaully - Rs 310,200, Mr S Reedoy - 145,661, Mr S Sakurdeep - Rs164,950, Mr M S Salemohamed- Rs 72,860, Mr S Seeteejory - Rs 144,932, Mr N Seewoochurn- Rs 310,200 and Mr S Ubhee - Rs 77,861 respectively.

The two Executive Directors did not receive any emoluments from the Company.

Donations

The amount of donations, none of which were of a political nature, amounted to Rs 24,752 for the year ended 30 June 2021 (2020: 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 present fairly the financial position, financial performance and cash flows 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.

The external auditor is responsible for reporting on whether the financial statements are fairly presented.

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 would like to thank Mr S Sakurdeep, Mr M Y Salemohamed, Mr N Seewoochurn and Mr S Ubhee for their contribution to the Board and welcome Mr O S Mahadu, Mr S Reedoy, Mr S Seeteejory, Mrs P D Maharahaje and Mr C Chengabroyan who have been appointed as new members.

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 staff members for their dedicated effort and commitment to the Company.

Chairperson   Director   Director

29 October 2021

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 2021.

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

According to Statistics Mauritius, the domestic economy contracted at a rate of 14.9% in 2020 compared to a growth rate of 3.0% in prior year. Both the saving and investment rates are expected to have decreased in 2020 to reach 8.2% and 17.9% respectively. Private sector investment is estimated to have fallen by 23.2% in 2020 against the 2.0% growth experienced in 2019, while public sector investment contracted by 34.1% after posting a growth of 19.5% in 2019.The headline inflation rate was 2.2% for the twelve months ended 30 June 2021 compared to 1.8% for the corresponding period last year. The rupee exchange rate moved in tandem with developments on the global foreign exchange market as well as domestic demand and supply conditions. During the year ended 30 June 2021, there was an appreciation of the GBP, EUR, AUD, YEN and USD against the local currency. After dipping quite significantly during the first half of 2020, the local equity market started to stabilise during the second half of 2020. Moreover, over the first half of 2021, as the vaccination program accelerated, the domestic bourse started its recovery posting positive returns over the 6-month period ended 30 June 2021 amidst positive sentiments following the presentation of the national budget. Over the financial year ended 30 June 2021, the SEMDEX, SEM-10 and DEMEX rose by 12.1%, 10.5% and 37.5% respectively. Statistics Mauritius is forecasting real GDP to grow by around 5.4% in 2021 on the basis of information gathered on key sectors of the economy and taking into account policy measures announced in the budget 2021/2022. While the virus continues to spread inland, the accelerated vaccine rollout coupled with the sanitary measures are expected to reduce the severity of illness and hospitalization for those infected with the coronavirus, thereby encouraging the resumption of business activities in many sectors.

Financial performance and outlook

Refer to page 6 for a short description of the Company's performance for the financial year ended 30 June 2021 and management's outlook for the foreseeable future.

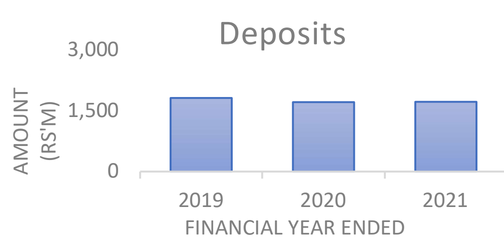
Performance against objectives

Performance Area	Current year's objective	Current year's performance	Next year's objective
Revenue growth	-8.29%	3.84%	10.26%
Interest expense growth	-9.45%	-8.57%	-13.61%
Operating profit growth	-23.30%	-1.88%	5.08%
Productivity	70.89%	67.42%	75.64%
Return on equity	3.48%	4.37%	4.59%
Return on average assets	0.71%	0.92%	0.96%

Financial review

Deposits

The total deposits of the Company stood at Rs 1.7 billion for the financial year ended 30 June 2021, similar to last year.



Management Discussion & Analysis (cont'd)

Financial review (cont'd)

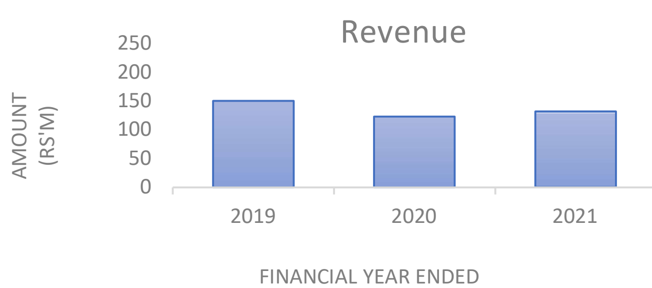
Leases

The amount of lease approved stood at Rs 308.5 million for the financial year ended 30 June 2021 while for last year the amount of lease approved stood at Rs 289.2 million. This improved performance can be attributed to the different sales and marketing initiatives undertaken during the year which had a positive impact on business growth.

Revenue

Revenue from leasing activities stabilized at Rs 49.9 million for the year under review while investment income decreased to Rs 56.6 million from Rs 70.2 million last year due the persisting low interest rate environment.

Revenue from our Unit Trust activities increased to Rs 15.3 million this year as compared to Rs 4.9 million last year due to the gain on revaluation. The new personal loan business also brought in a revenue of Rs 6.3 million for the financial year ended 30 June 2021.



Revenue (Rs)	30-Jun-19	30-Jun-20	30- Jun-21
Investment Income	105,643,645	70,231,811	56,647,515
Net Leasing activities	40,263,454	49,687,003	49,924,482
Unit Trust	3,429,616	4,875,021	15,267,058
Personal Loan	-	-	6,278,986
Total	**149,336,715**	**124,793,835**	**128,118,041**

Net Revenue

Net revenue increased from Rs 60.6 million for the financial year ended 30 June 2020 to Rs 62.6 million for the year under review, mainly due the good performance of the Unit Trust business.

Management Discussion & Analysis (cont'd)

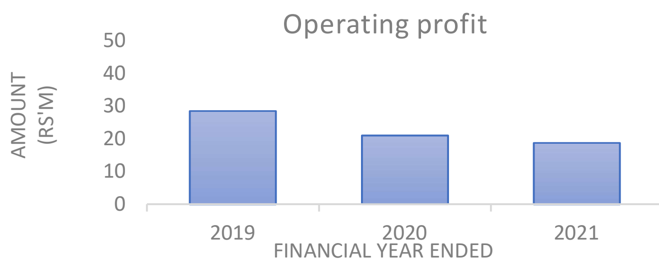
Financial review (cont'd)

Net Revenue (cont'd)

Net Revenue (Rs)	30-Jun-19	30-Jun-20	30- Jun -21
Deposit takings, leasing and personal Loan	69,150,191	53,707,210	47,313,353
Unit Trust	3,429,013	6,259,931	15,267,058
Total	**72,579,204**	**59,967,141**	**62,580,411**

Operating profit

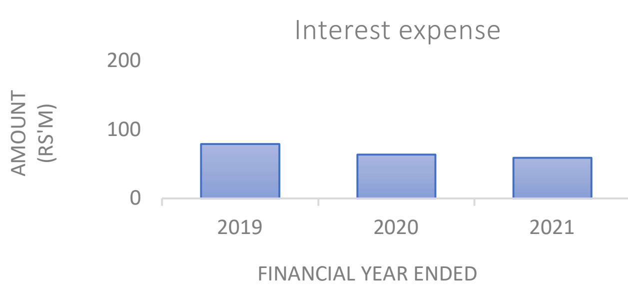
The operating profit reached Rs 20.4 million for the year ended 30 June 2021 which is lower than last year's operating profit of Rs 20.8 million, mainly due to an increase in provision for credit loss.



Operating profit (Rs)	30-Jun-19	30-Jun-20	30-Jun-21
Deposit takings, leasing and personal Loan	32,285,470	18,000,589	7,890,062
Unit Trust	740,200	2,775,853	12,496,202
Total	**33,025,670**	**20,776,442**	**20,386,264**

Interest expense

Interest expense fell from Rs 65.1million for the financial year ended 30 June 2020 to Rs 59.5 million for the financial year ended 30 June 2021 due to the lower interest rates provided on deposits mobilized from clients.

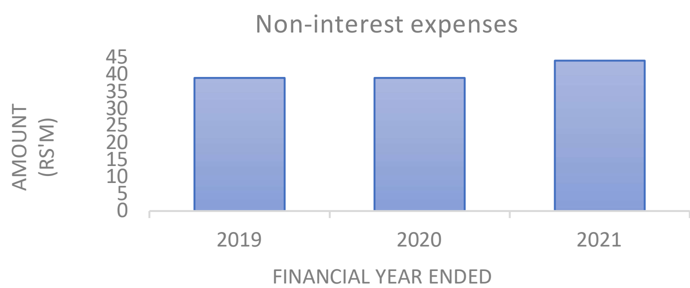


Management Discussion & Analysis (cont'd)

Financial review (cont'd)

Cost Control

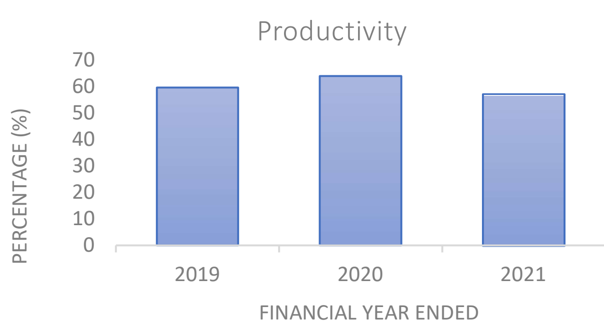
Non-interest expenses increased to Rs 42.2 million for the financial year ended 30 June 2021.



Non- interest expenses (Rs)	30-Jun-19	30-Jun-20	30-Jun-21
Deposit takings, leasing and personal loans	38,913,888	35,904,325	39,423,291
Unit Trust	640,196	3,284,387	2,770,856
Total	**39,554,084**	**39,188,712**	**42,194,147**

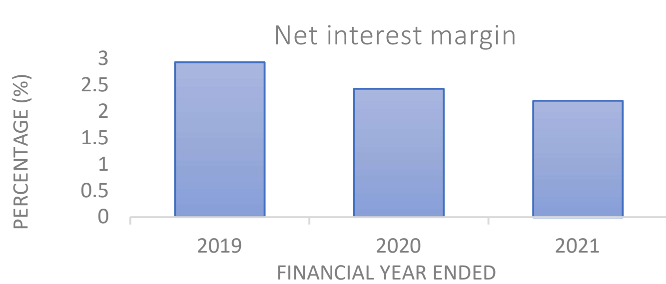
Productivity ratio

The productivity ratio stood at 67.42% for the year under review as compared to 70.89% last year.



Net interest margin

Net interest margin reached 2.48% as compared to 2.71% last year.

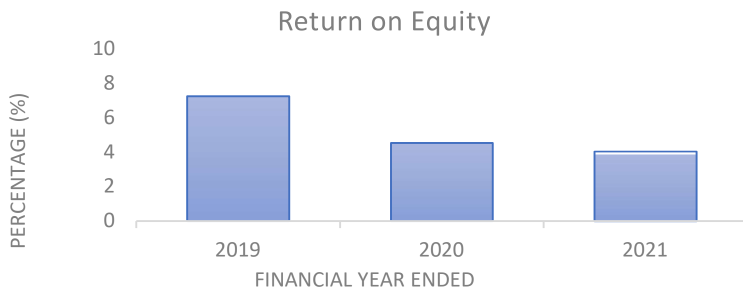


Management Discussion & Analysis (cont'd)

Financial review (cont'd)

Return on equity

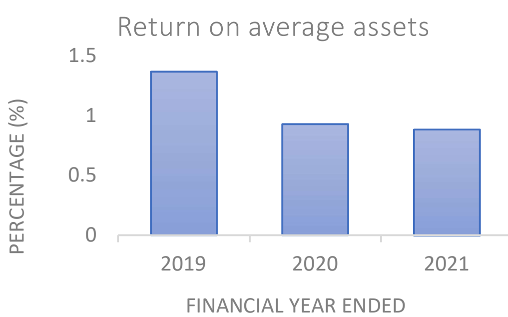
The return on equity for the financial year ended 30 June 2021 stood at 4.37% as compared to 4.54% in 2020.



Year	Return on Equity
30-Jun-19	7.25%
30-Jun-20	4.54%
30-Jun-21	4.37%

Return on average assets

The return on average assets progressed from 0.93% last year to 0.92% for the financial year ended 30 June 2021.



Credit quality

The Company's total non-performing book increased from Rs 20.9 million to Rs 41.1 million at 30 June 2021 as a result of the difficult credit environment associated with the Covid-19 pandemic. At the same time, the ECL coverage on the non-performing book increased from 20.1% to 22.8%.

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)

The Company granted moratoriums to eligible customers amounting to Rs 22.8 million for the year ended 30 June 2021 (2020: Rs 14.4 million).

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 and Risk Management/ Conduct Review Committee oversee 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 under Principle 5 of the Corporate Governance Report which provides a description of the wider risk management framework of the Company. The major risks faced by the Company and how these are mitigated have been detailed below:

Risks	How risk is mitigated?
Credit	• Security perfection • Establishing credit concentration limits and credit mandates • Periodic reviews of lease and loan exposures • Regular reviews of credit policy and other related policies
Liquidity risk	• Limits such as liquidity ratio, capital adequacy ratio, depositors' concentration, lease to deposits ratio • Matching of tenors of leases and deposits/liquidity gap
Interest rate risk	• Proper mix in fixed and floating rate borrowings and use of natural hedging
Operational risk	• Regular internal and compliance inspections • Business Continuity Plan in place • Regular training provided to staff members to mitigate operational risk

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 concentration cases at 30 June 2021 is provided below:

Customer	Category	Net exposure	% of Tier 1 capital
1	**Single**	**Rs 69,977,309**	**0.17**
2	**Single**	**Rs 6,037,150**	**0.01**
3	**Single**	**Rs 5,852,283**	**0.01**
4	**Single**	**Rs 4,569,649**	**0.01**
5	**Single**	**Rs 4,513,469**	**0.01**
6	**Single**	**Rs 4,272,135**	**0.01**

Management Discussion & Analysis (cont'd)

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 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.

The Company's top two related parties for the financial year ended 30 June 2021 were Rs 70.0 million and Rs 1.1 million. These balances represented 17.1% and 0.28% respectively of Tier 1 Capital.

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

Capital Structure

Shareholding Profile

The ownership of stated capital of the Company at 30 June 2021 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 43.1 % at 30 June 2021, 54.0 % at 30 June 2020 and 50.4 % at 30 June 2019.
- maintain liquid assets equivalent to not less than 10% of deposit liabilities. At 30 June 2021, this ratio stood at 58.1% (2020:73.3%, 2019: 79.7%).

The capital adequacy of the Company is as follows:

	30 June 2021	30 June 2020	30 June 2019
	Rsm	Rsm	Rsm
Total capital made up of:			
Tier 1 capital	409.7	416.2	417.4
Tier 2 capital	6.5	6.5	5.7
Risk Weighted Assets	964.8	782.8	840.1
Capital adequacy ratio	**43.1%**	**54.0%**	**50.4%**

The Company has complied with all externally imposed requirements during the year ended 30 June 2021.

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
29 October 2021

Director

Director

Annual Compliance Statement in respect of the Bank of Mauritius requirements

Name of Institution: SICOM FINANCIAL SERVICES LTD

Reporting Period: 30 JUNE 2021

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

29 October 2021

Corporate Governance Report 2021

SICOM Financial Services Ltd (the 'Company') operates within a clearly defined governance framework which provides a solid basis for transparent decision making and which reflects the importance that it places on honesty, integrity, quality and trust. The Board of Directors of the Company (the 'Board') is collectively accountable for the performance, long-term success, reputation and governance of the Company, which is a public interest entity by law. The Board also assumes the accountability for the Company meeting all its statutory and regulatory requirements. The Board acknowledges its responsibility for applying and implementing the eight principles set out in the National Code of Corporate Governance for Mauritius (2016) (the 'Code') as explained in appropriate sections of the Report.

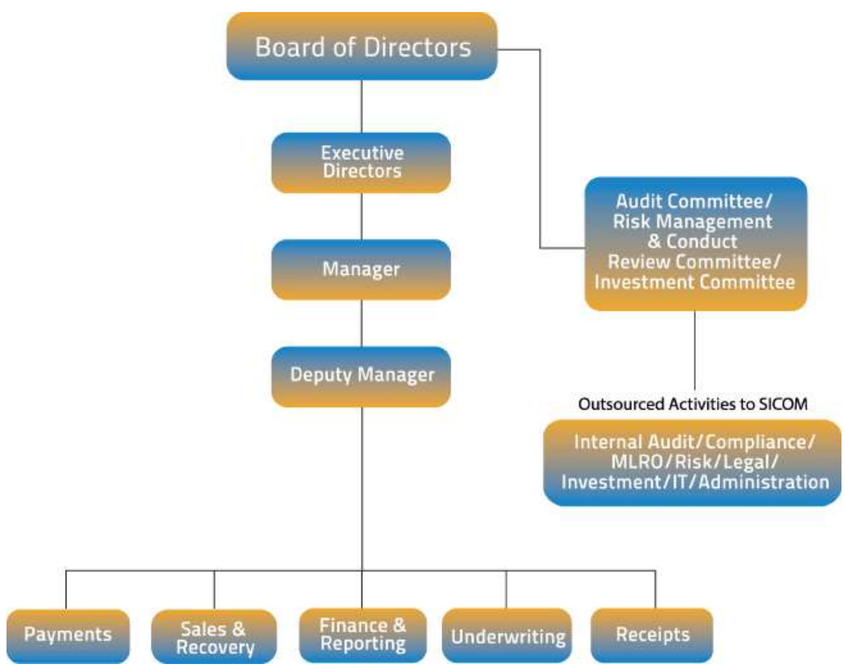
Principle 1: Governance Structure

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. The Company operates within a clearly defined governance framework, which provides for delegation of authority and clear lines of responsibility while enabling the Board to retain effective control.

The Board provides effective leadership and strategic guidance towards the achievement of the Company's strategy within a framework of robust risk management and sound internal controls, alongside ensuring adherence of the Company to relevant legal and regulatory requirements. The Board regularly monitors compliance with the established Code of Ethics. The Chairperson of the Board is an Independent Non-Executive Director and is seconded in this pivotal role by Executive, Non-Executive and Independent Non-Executive Directors.

Board Committees facilitate the discharge of the Board's responsibilities and provides in-depth focus on specific areas. In fulfilling his role of providing oversight and guidance, the Chairpersons of Board Committees escalate all significant matters affecting the affairs and reputation of the Company to the Board. Board Committees established under the Board of the Holding Company, the State Insurance Company of Mauritius Ltd ("SICOM"/ "Group"), also look at matters pertaining to the Company. The day-to-day operations are entrusted to management under the responsibility of the Group Chief Executive Officer.

A high-level organisation chart is provided below:



Corporate Governance Report 2021 (cont'd)

Principle 1: Governance Structure (Cont'd)

The Board has approved the following job descriptions for key governance positions at Group level:

Chairperson of the Board

The roles of the Chairperson and the Group Chief Executive Officer ('Group CEO') are distinct. The Chairperson is primarily responsible for the activities of the Board and its Committees. He is the spokesperson for the Board and is the principal contact for the Group CEO. The Group CEO and the Chairperson of the Board regularly interact. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary and facilitates the effective contribution of Non-Executive Directors and encourages active participation during Board meetings. He ensures that Board members, upon appointment, participate in an induction programme and that the development needs of Directors are catered for through appropriate training.

Group CEO

The Group CEO is at the helm of the SICOM Group (the '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 is entrusted with the Senior Executive Officer of the Company, who is assisted by the Deputy Manager.

Company Secretary

The Company Secretary is appointed by the Board in accordance with the Companies Act 2001. DTOS Ltd is currently the Company's secretary and assists and advises the Board. The main responsibilities of the Company Secretary include, among others, to prepare and circulate agendas of Board, Board Committees and Shareholders' meetings and any supporting papers; take minutes of meetings and circulate same to members; ensure that the procedure for the appointment of Directors is properly carried out; and ensure that the Company complies with all relevant statutory and regulatory requirements and any procedures set by the Board. Up to 30 September 2020, Theresa M. Lee Shing Po, whose profile is on page 5, was the Company Secretary, and as from 01 October 2020, DTOS Ltd has been appointed as the new Company Secretary.

Members of senior management have clearly defined job descriptions and accountabilities and report to the Group CEO. The profiles of the senior management team/management team is on page 5 and on the Company's website.

To apply the above principle, the Company has in the place the following documents:

- Constitution, in line with the Mauritius Companies Act 2001;
- Board's Charter;
- Board Committees' Charters;
- Code of Ethics for Directors;
- Code of Ethics for Employees;
- Position Statements of the Chairperson of the Board and Board Committees, Group CEO and Company Secretary;
- Corporate Governance Policy for the Group;
- Director's Orientation and Induction Process;
- Remuneration Policy for Directors and Senior Executives;
- Policy on Related Party Transactions;
- Anti-Harassment and Non-Discriminatory Policy; and
- Whistleblowing Policy.

Corporate Governance Report 2021 (cont'd)

Principle 2: The Structure of the Board and its Committees

Board size and composition

The Company is headed by a unitary Board with nine (9) Directors – six (6) male gender and three (3) female gender. The Board consists of two (2) Executive Directors, three (3) Non-Executive Directors and four (4) Independent Directors, who are all residents of Mauritius. The Board has the right balance of skills, experience and diversity. The Company 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.

The functions and responsibilities of the Chairperson and Group CEO are separate. The Chairperson is an Independent Director and leads the Board, ensuring 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 have diverse business backgrounds and bring a wide range of experience and skills to the Board. They do not have any involvement in the operations of the Company, which could materially affect their ability to exercise independent judgement. Moreover, none of the appointed Independent Directors were employed by the Company during the past three (3) years.

After taking into consideration the varied director profiles that the Company needs, as per the Board Charter, coupled with the number of sub-committees including those established by the Board of the Holding Company, as detailed out below, that are presently assisting the Board in the discharge of its responsibilities and the current number of directors with their mix of knowledge, skills and experience, the Board is of opinion that these are sufficient to effectively meet the requirements of the Company.

Directors of the Company are:

Independent
O S Mahadu (Appointed as Director and Chairperson on 23 December 2020 and 04 February 2021, respectively)
C Chengabroyan (as from 29 September 2021)
S Reedoy (as from 23 December 2020)
S Seeteejory (as from 24 December 2020)
S Sakurdeep (up to 16 November 2020)

Non-Executive
K G Bhoojedhur-Obeegadoo
I Bonomaully
P D Maharahaje (as from 27 August 2021)
M Y Salemohamed (up to 17 November 2020))
N Seewoochurn (up to 1 August 2021)
S Ubhee (from 23 December 2020 to 25 March 2021)

Executive
N Ramdewar (Group CEO)
D K Gopy

The profile of the Directors can be found at pages 3 to 5.

Corporate Governance Report 2021 (cont'd)

Principle 2: The Structure of the Board and its Committees (cont'd)

Other directorships held by Members of the Board

K G Bhoojedhur-Obeegadoo

- MCB Group Limited
- MCB Equity Fund Ltd
- State Insurance Company of Mauritius Ltd
- SICOM General Insurance Ltd
- SICOM Global Fund Limited
- SICOM Management Limited

I Bonomaully

- Investment Support Programme (ISP) Ltd
- Development Bank of Mauritius (DBM) Ltd
- DBM Energy Ltd

D K Gopy

- State Insurance Company of Mauritius Ltd
- SICOM Management Limited
- Cyber Properties Investments Ltd

N Ramdewar

- State Insurance Company of Mauritius Ltd
- SICOM General Insurance Ltd
- SICOM Global Fund Limited
- SICOM Management Limited
- National Housing Development Co. Ltd

S Reedoye

- Hope Foundation Ltd
- RavTech Co Ltd

Board Committees

Several sub-committees have been set up to assist the Board in the effective performance of its duties. Each Committee comprises of members with a wealth of knowledge and experience in fields relevant to the operations of the Company, including Finance, Actuarial Science, Insurance and Investment. 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 Board has established the following sub-committees, namely:

a) Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, compliance, internal controls and business ethics. The Audit Committee consists of one (1) Non-Executive Director currently.It is to be noted that the Audit Committee will be reconstituted. The responsibilities of the Audit Committee are presently handled at the level of the Board of Directors until its reconstitution.

During the financial year 2020/2021, the Committee met four (4) times

The members of the Committee are:

Member	Category
N Seewoochurn (Chairperson up to 01 August 2021)	Non-Executive Director
S Sakurdeep (up to 16 November 2020)	Independent Director
I Bonomaully	Non-Executive Director

Corporate Governance Report 2021 (cont'd)

Principle 2: The Structure of the Board and its Committees (cont'd)

Board Committees (cont'd)

b) Risk Management/Conduct Review Committee

The Risk Management/Conduct Review Committee assists the Board in fulfilling its oversight responsibilities related to Risk Management and Conduct Review. The Committee monitors all related party transaction issues of the Company. Related party transactions are disclosed in note 28 of the financial statements for the financial year ended 30 June 2021. 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 Management/Conduct Review Committee consists of two (2) Non-Executive Directors and one (1) Executive Director. During the financial year 2020/2021, the Committee met four (4) times. The members of the Committee are:

Members	Category
I Bonomaully (Chairperson)	Non-Executive Director
S Sakurdeep (up to 16 November 2020)	Independent Director
K G Bhoojedhur-Obeegadoo	Non-Executive Director
Mr N Seewoochurn (up to 1 August 2020)	Non-Executive Director
N Ramdewar	Executive Director

It is to be noted that the Risk Management/Conduct Review Committee will be reconstituted.

c) 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 four (4) Independent Directors, two (2) Executive Directors and three (3) Non-Executive Directors. During the financial year 2020/2021, the Committee met two (2) times.

The members of the Committee are:

Members	Category
S Sakurdeep (Chairperson up to 16 November 2020)	Independent Director
C Chengabroyan (as from 29 September 2021)	Independent Director
O S Mahadu (as from 23 December 2020)	Independent Director
S Reedoy (as from 23 December 2020)	Independent Director
S Seeteejory (as from 24 December 2020)	Independent Director
K G Bhoojedhur-Obeegadoo	Non-Executive Director
I Bonomaully	Non-Executive Director
P D Maharahaje (as from 27 August 2021)	Non-Executive Director
M Y Salemohamed (up to 17 November 2020)	Non-Executive Director
N Seewoochurn (up to 1 August 2021)	Non-Executive Director
S Ubhee (from 23 December 2020 to 25 March 2021)	Non-Executive Director
D K Gopy	Executive Director
N Ramdewar	Executive Director

Corporate Governance Report 2021 (cont'd)

Principle 2: The Structure of the Board and its Committees (cont'd)

Board Committees (cont'd)

Until the end of the financial year 2020/2021, the following Committees established by the Board of the Holding Company, details of which are available in its Annual Report, also look at matters pertaining to the Company:

- Corporate Governance Committee (reconstituted as Corporate Governance, Sustainability and Nomination Committee as from July 2021).
- Staff Committee.

Attendance at Board and Committee meetings

The Directors who served on the Board and on the Board Committees and their attendance at meetings during the financial year 2020/2021 are provided in the following table:

Directors	Classification	Board	Audit Committee	Risk Management/ Conduct Review Committee	Investment Committee
Number of meetings held					
Directors' attendance during their period of directorship					
S Sakurdeep	Independent	1 of 1	1 of 1	1 of 1	1 of 1
O S Mahadu	Independent	2 of 2	-	-	1 of 1
K G Bhoojedhur-Obeegadoo	Non-Executive	4 of 4	-	4 of 4	2 of 2
I Bonomaully	Non-Executive	4 of 4	4 of 4	4 of 4	2 of 2
D K Gopy	Executive	4 of 4	-	-	2 of 2
N Ramdewar	Executive	4 of 4	-	4 of 4	2 of 2
M Y Salemohamed	Non-Executive	1 of 1	-	-	1 of 1
N Seewoochurn	Non-Executive	4 of 4	4 of 4	4 of 4	2 of 2
S Reedoy	Independent	2 of 2	-	-	1 of 1
S Seeteejory	Independent	2 of 2	-	-	1 of 1
S Ubhee	Non-Executive	1 of 1	-	-	1 of 1

Principle 3: Director Appointment Procedures

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 such as gender and age;
d) Independence (where required); and
e) Any conflict of interest.

The Corporate Governance, Sustainability and Nomination Committee of the Holding Company reviews the profile of prospective Directors and makes recommendations to the Board for approval. Once a prospective Director has been selected, his/her appointment is put forward to the Shareholders at the Annual Meeting or by way of resolution for appointment, which is subject to the approval of the Financial Services Commission and the Bank of Mauritius. It is to be noted that, in accordance with the Constitution of the Company, Directors may appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Directors. The total number of Directors shall not at any time be less than seven (7) nor more than nine (9).

Corporate Governance Report 2021 (cont'd)

Principle 3: Director Appointment Procedures (cont'd)

Non-Executive Directors are given a letter of appointment, and all Directors receive appropriate induction and orientation programme. New Directors are given a copy of the Company's Constitution, the Banking Act 2004, relevant Bank of Mauritius Guidelines, copy of the National Code of Corporate Governance, copy of the Board Charter and charter of the Sub Committees, the Financial Services Act 2007 and relevant extracts of the Companies Act 2001 as regards their statutory duties and responsibilities. The Group CEO and the Company Secretary are always available to provide any additional information that may be required by newly appointed Directors. Directors are encouraged to keep themselves updated with industry practices, trends and standards, and to request for any specific training of interest to them in fulfilment of their duties as directors. During the financial year 2020/2021, the Directors received training on Anti-Money Laundering and Combating the Financing of Terrorism ('AML/CFT') and on global economic and investment outlook.

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 the 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. As such, directors have recently been appointed to replace outgoing ones and Officers at senior management level have been appointed. There has also been a recent promotion exercise within the Company with a view to consolidate its structure and functioning, and it is expected that the consolidation exercise will continue.

Principle 4: Directors' Duties, Remuneration and Performance

Legal duties

All Directors, including any alternate Director, 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.

Related Parties and Conflicts of Interest

The Company adheres to the requirements as set out by the Guideline on Related Party Transactions issued by the Bank of Mauritius and to its Policy on Related Party Transactions which has been established under the said guideline. All related party transactions require the approval of the Risk Management/ Conduct Review Committee. In the event of a conflict of interest, any director in a situation of conflict, will abstain from discussions at the Board or Committee meetings.

Corporate Governance Report 2021 (cont'd)

Principle 4: Directors' Duties, Remuneration and Performance

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 and with Covid-19 new challenges, 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's Information Security Policy is a key component of its overall Information Security Management Framework and reflects the commitments of Management to information security. This policy aims to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Group.

Other policies under information security governance include password-protection and monitoring access to computer systems. Security solutions, such as anti-virus software, are regularly updated and encryption is used to protect sensitive information. These policies apply to all information, information systems, networks, applications, locations and users of the Group. An internal Cyber Security Committee has been set up to oversee the Group's risk assessment and management processes with regards to cyber risks. Any significant item of expenditure on information technology is also taken at the relevant Committee meeting and discussed at the Board, where required.

Assessment and evaluation of Board Members

An evaluation of the effectiveness of the Board and its Committees was conducted internally and the method employed to secure relevant information was done through questionnaires. Overall, Directors were satisfied with the performance of the Board and its Committee.

In view of the recent appointment of new Directors, the assessment of individual Directors will be carried out during the ensuing financial year.

Remuneration

The Company has a Board-approved Remuneration Policy, which has not changed since its implementation. The Board's remuneration policy aims to attract, retain and motivate the most talented individuals in order that they can contribute to the long-term objectives of the organisation. Matters of remuneration are taken at the level of the Corporate Governance, Sustainability and Nomination Committee at the Group Level.

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.

The remuneration and benefits paid to the Directors have been disclosed on an individual basis on Page 7.

Corporate Governance Report 2021 (cont'd)

Principle 5: Risk Governance and Internal Control (cont'd)

Risk management

Taking risks is inherent to the leasing business, but such risk-taking needs to be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance. Enterprise Risk Management ('ERM') is a structured framework aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the Company faces as it creates value. The objective of the ERM Framework is to support the Board of Directors' efforts to prudently run the Company by consistently and effectively identifying, assessing, managing, monitoring and reporting all material risks facing the Company. A fully integrated ERM framework enables an enhanced understanding of the Company's risk profile by providing a platform for analysing the interrelationship between risks.

Risk management magnifies value creation by embedding disciplined risk taking in the Company culture and contributes to an optimal risk-return profile where risk reward trade-offs are transparent, understood, and risks are appropriately rewarded.

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 formalized 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 organisation with reference to the Company's Risk Taxonomy. The inherent risks that are identified are then assessed in terms of their probability of occurrence, their financial impact 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 registers.

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.

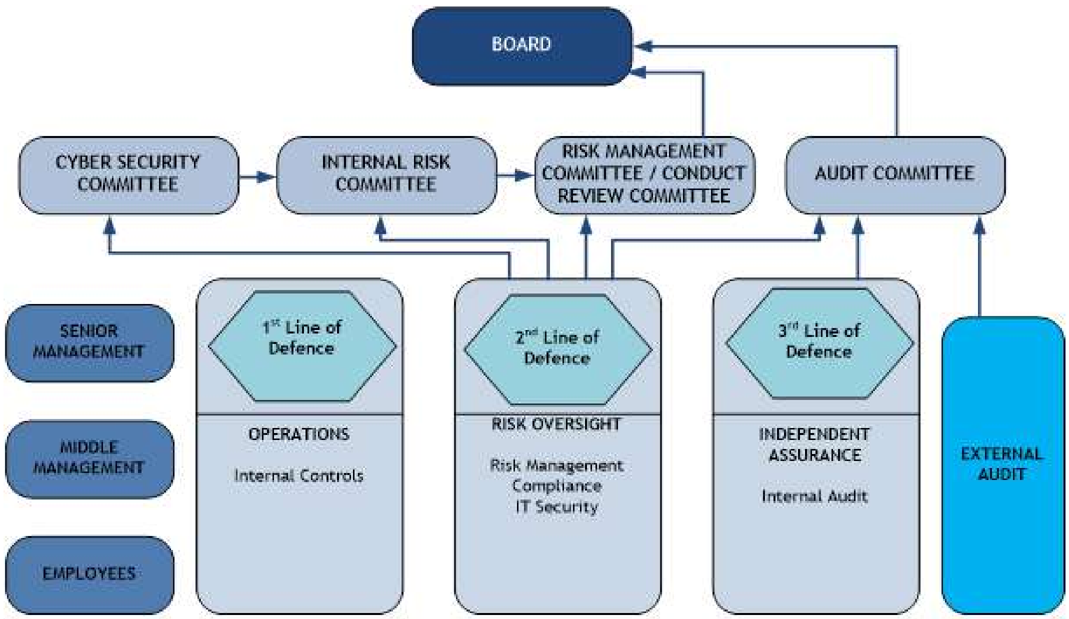
Risk governance

For Risk Governance, the Company adopts the Three Lines of Defence Model. In this model, key functions and operations are grouped into three categories or lines of defence depending on their specific roles and responsibilities. For each line of defence, the corresponding functions' roles and responsibilities are defined so that they align with that particular line of defence.

Corporate Governance Report 2021 (cont'd)

Principle 5: Risk Governance and Internal Control (cont'd)

Risk governance (cont'd)



Risk Management Function

The Risk Management Function coordinates and oversees risk management activities, processes, and controls and their implementation across the Company. The function's core responsibility consists in ensuring that the Company has an effective best practice risk governance system, enabling the identification and management of all key risks, current or emerging. This requires the Risk Management Function to monitor the risk management framework and the internal control framework in order to identify any material shortcomings and provide possible solutions.

In addition, the function continually reviews the most effective risk management tools, techniques, concepts, and approaches to make sure that the Company has a robust and effective risk governance system. The ultimate responsibility for the governance of risk and determining the nature and extent the principal risks affect the Company's strategic objectives of the Company lies with the Board.

SICOM has further established the below 2 committees at group level which oversee the management of risks for the Group:

Internal Risk Committee

An Internal Risk Committee (IRC) is in place which includes membership from all key business units and subsidiary companies. The primary function of the IRC is to perform centralised oversight of the risks to which the Group is exposed and oversee the Group's risk assessment and management processes. The IRC reports directly to the Risk Committee of the Board. The IRC meets as frequently as necessary to review the management of current and emerging risks and provide guidance for areas of focus.

Cybersecurity Committee

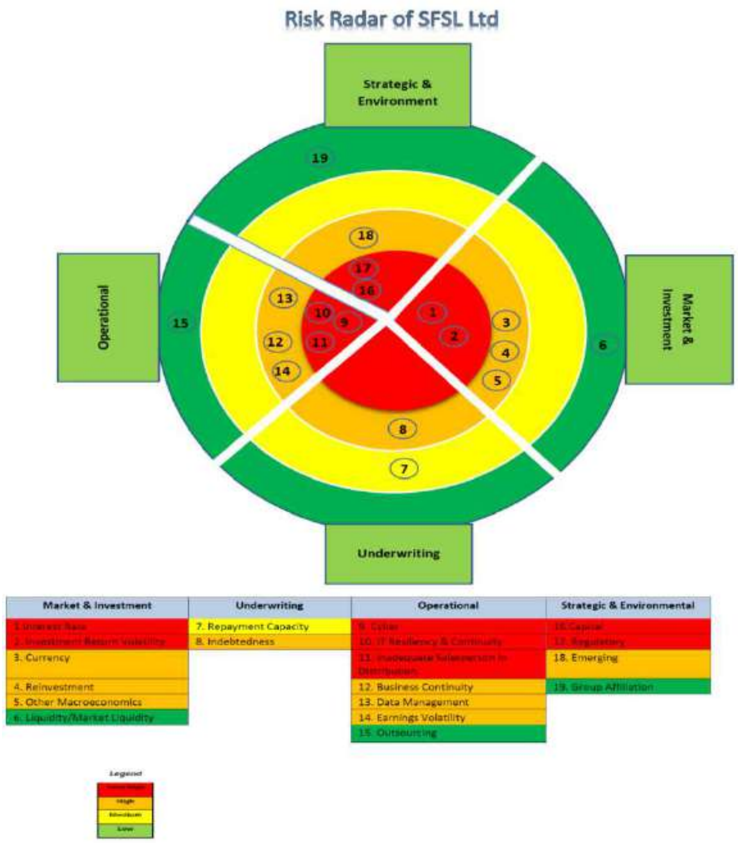
Technology is becoming increasingly vital in both our professional and personal lives. Work-from-Home is a required way of working to ensure business continuity but comes with its own risks. Indeed, accessing office servers and infrastructure remotely through secure technological means nevertheless exposes the IT infrastructure and internal processes to cyber risk. To manage those risks, the Cyber Security Committee (CSC) has been established, with the primary function of overseeing the Group's risk assessment and management processes with regards to Cyber Risks. The CSC is a sub-committee of the IRC.

Corporate Governance Report 2021 (cont'd)

Principle 5: Risk Governance and Internal Control (cont'd)

Risk Radar

The Risk Radar gives a visual representation of our risk profile and main risks. The Risk Radar, illustrated below, is divided in four risk categories: (i) Market and Investment (ii) Underwriting (iii) Operational, (iv) Strategic and Environmental. Risks closer to the centre of the radar are the highest ranked risks which could jeopardise attainment of the business objectives while risks which gradually move towards the outer end are those which should not prevent the Company from attaining its objectives but need to be monitored. All the risks situated on the Risk Radar are monitored by Management and the IRC and any emerging risks identified are also assessed.



Management of Key Risks

Below is a summary of the main risks faced by the Company, which might threaten is business model, future performance, solvency and liquidity:

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 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.

Corporate Governance Report 2021 (cont'd)

Principle 5: Risk Governance and Internal Control (cont'd)

Management of Key Risks (cont'd)

Interest rate risk
It is the risk arising from changes in interest rates impacting the Company's net interest margin. The Company regular 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.

Business Continuity Plan (BCP) and Covid-19

The Company had anticipated the risks associated with pandemics since a few years and the preparedness was again tested during the second national lockdown. This potential new normal warrants the adoption of new models of operations to adapt to the ever-changing environment whilst meeting stakeholders' requirements. To ensure that the Company maintains business continuity if other emerging risks materialise, the existing Business Continuity Plan will be fully reviewed over the course of the next financial year to integrate lessons learnt and proactively integrate potential measures to manage future risks.

The two national lockdowns imposed after the surge of the Covid-19 required the Company to operationalise its existing Business Continuity Plan where most of our employees shifted to working from home to ensure seamless operations and reduce risks of contamination. The lessons from 2020 lockdown improved the agility of the team response and the lockdown thus resulted in minimal disruption to operations.

Challenges of Covid-19 for the financial services industry

SHIFT TO REMOTE WORKING

Shifting from a physical location to an online operating system is one of the many challenges that stands out for the financial services industry following the onset of the Covid-19. Essential services which require face to face contact with customers are requiring companies to devise alternate ways of working or to impose strict sanitary precautions to continue operations safely. Agility in finding solutions to challenges which crop up on an almost daily basis is key to maintaining operations and business continuity. The old ways of working have been overhauled and we now need leaders who communicate clearly, frequently and effectively with their teams to ensure that they are informed of developments and understand priorities. Face-to-face interactions have been replaced to a large extent with remote connectivity, extensive use of video conferencing facilities or 'virtual coffee' with teams to catch up, maintain team spirit and address any concerns. Monitoring of staff performance remotely also requires a totally new mindset which needs to focus on deliverables rather than physical presence, especially for team members with young families. We had a larger number of laptops made available to facilitate employees who did not have adequate equipment to ensure continuity of services. Staff in essential business lines, requiring face-to-face contact with customers have switched to an alternating teams' patterns to eliminate risks of contamination. Furthermore, regular communications to all our stakeholders were done to ensure business continuity.

DIGITALISATION OF SERVICES

With lockdowns, restrictions to movement and a general fear of contamination, the Company was forced to re-think its operations' models or do a reconfiguration of our internal resources available to process heavy load of information and making the most of digital solutions. These implied additional budget allocation, specific application developments or some areas of the business might even find themselves in a need to redesign their approaches and processes to support the digitalisation of services.

The Company had already stepped into the digitalisation era with the launching of an online application for its Personal Loan business. Digitalisation of other services within the Company are also well under way with many upcoming projects in the pipeline.

Corporate Governance Report 2021 (cont'd)

Principle 5: Risk Governance and Internal Control (cont'd)

Challenges of Covid-19 for the financial services industry (cont'd)

ECONOMIC IMPACT

The COVID-19 Pandemic has led to the worsening of the economy, where there exist financial pressures created from job losses or income reduction which altered the spending patterns of customers to more to basic needs. With this change in spending patterns, the Company could face the risk of a reduction in sales and an increase in defaults.

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 Management/Conduct Review 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. The Risk Officer has a duty to report to the Board. Independent reviews are also conducted by the External Auditor on compliance and effectiveness of the risk management framework. The Company has an obligation to report to the Regulator.

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 clear organisation structure;
- The recommendations of the Risk Management and Conduct Review Committee, reports of the Manager - Internal Audit and the External Auditor are considered when assessing the effectiveness of internal controls;
- A comprehensive management information and accounting system is in place to provide reliable financial and operational performance data;
- 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
- 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 and Conduct Review Committee 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 deficiencies. Both the Internal and the External Auditors have access to the Risk Management and Conduct Review Committee.

Board Opinion

The Board is of the opinion that the Company's risk management processes and systems of internal control are effective and that there are no significant areas which are not covered by internal controls.

Corporate Governance Report 2021 (cont'd)

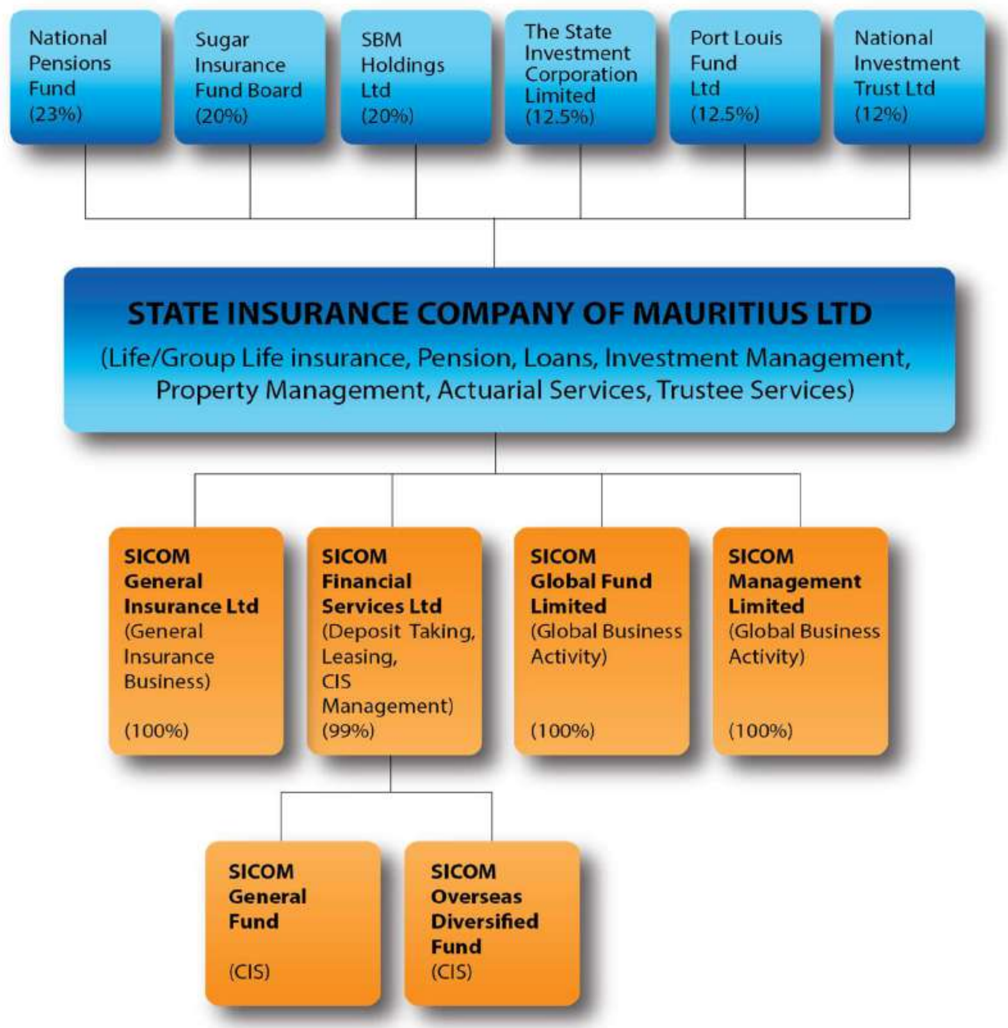
Principle 6: Reporting with Integrity

In preparing this year's report, the Company is improving further its disclosures on non-financial aspects of the business which is in line with its objective to prepare an integrated report.

Company Overview

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

ULTIMATE HOLDING COMPANY



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 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.

Corporate Governance Report 2021 (cont'd)

Principle 6: Reporting with Integrity (cont'd)

Our stakeholders' needs and expectations

Value for SICOM Financial Services Ltd means delivering on our purpose which is translated into tangible value to our stakeholders. The quality of our relationships with stakeholders impacts our ability to fulfil our purpose. We therefore ensure to maintain great relationships with them through various ways both traditional and digital so that we understand their needs and expectations according to the fast-evolving situation. Amongst others, the main areas touching our stakeholders are financial resilience, business resilience, operational stability while providing ongoing support to the economy, risk management, safety and wellbeing of our customers, health, wellness and safety of our employees, the protecting of the lives and livelihoods of the communities we serve and the environment.

Who are our key Stakeholders

Corporate Governance Report 2021 (cont'd)

Principle 6: Reporting with Integrity (cont'd)

Who are our key Stakeholders (cont'd)

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Customers	- Excellent service - Seamless experience across channels - Instant support - Competitive prices - Simplification of buying processes - Partnership and relationship - Customised solutions - Value- Added services	- Soft skills and general skills training to staff - Digitalisation of our services - Call centre services for greater availability - Regular campaigns and reminder campaigns for products - Timely communication to our customers - Offer innovative products to better meet customers' needs -Tailor made packages	- Customer service through frontliners - Distribution channels such as Hubs, Customer shop - Events such as Open day - Email, Phone call, SMS, Letters, Customer Portal - Website - Media Campaigns	Financial Intellectual Relationship
Shareholders	- Strong governance, ethics and transparency - Higher returns on investment and long term business value - Clear and consistent business strategy	- Policy of dividend distribution of 85 % profit after tax - Risk Management and compliance functions to oversee soundness of financial, operation, compliance and strategic risk management - Timely reporting of financial performance to the authorities and the shareholders - Strategy consulting to take the Company to the next level	- Annual General Meeting - Annual Report - Website	Financial Intellectual

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Employees	- Stimulating and rewarding package - Training and career development opportunities - Work-Life balance - Regular communication - Enabling culture	- Competitive remuneration and employment conditions - Learning culture and continued professional development are encouraged by way of various schemes that motivate employees to pursue their self-development. - Workshops, training and development programmes are organised - Communication with employees on different platforms - Women and men are given equal opportunities at work and during recruitment. - Sponsorship of sports events	- Staff Club - Communication via Employee Hub - At staff events such as End of year party, family day… - Trainings - Involve them in Project committees	Human Intellectual Relationship
Intermediaries	- Commissions - Quality of service - Relationship	- We listen to the needs of our intermediaries regularly - Key Performance Indicators to ensure alignment to mutual objectives - Trainings organised on new products - Timely processing of commissions - Develop sustainable relationships	- Interview with Intermediary to understand their concerns - Face-to-face meetings - Agent Awards Ceremony - Email, Phone call, SMS, Letters - Trainings	Financial Human Relationship
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	- Face-to-face meetings - Email, Phone call, Letters - Regular Visits	Financial Relationship Manufactured

Corporate Governance Report 2021 (cont'd)

Principle 6: Reporting with Integrity (cont'd)

Who are our key Stakeholders (cont'd)

Stakeholders	Expectations	Response to Expectations	Channels of Communication	Capital Impacted
Government and Regulators	- Good governance - Statutory and legal Compliance - Proactively engage with regulators	- Engage constructively on new policies and regulations - Compliance with existing rules - Timely filing of returns and reports - Good governance practices - Abide to capital adequacy ratio and minimum capital requirement - Comply with new laws and create organisation wide awareness	- Annual Report - Corporate Governance Report - Returns - Workshops - Meetings - Email, Phone call, Letters - Presentations	Financial Intellectual Relationship Manufactured
Community (At Group level)	- Social Welfare activities - Job creation - Poverty alleviation	- Supporting the National Social Inclusion Foundation for CSR projects - Sponsorships and donations to Non-Governmental Organisations and charitable funds - Trainees periodically onboarded for short-term training within the organisation	- Sponsorships	Social Relationship
Environment (At Group level)	- Care for the environment - Energy saving initiatives	- Installation of LED bulbs in the buildings - Used paper sent for recycling - Use of rain water harvesting for maintenance purposes - Encourage use of natural ventilation - Introduce indoor plants in new set-ups - Keep premises clean and use of environmental friendly products - 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	Natural Relationship

Value Creation Model

As a financial services company, we play a key role in the economic activity of individuals, businesses and the country. We help to create, grow and protect wealth through partnerships which also impact economic development. Through these activities, we consider our stakeholders as we pursue our ambition to have a positive impact on society and deliver shareholder value. We measure the impact and outcomes of our business and report about them through main Key Performance Indicators on the six capitals (Financial, Human, Manufactured, Intellectual, Social and Natural) that support value creation. Our ability to create value is impacted by a variety of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy. We constantly strive to find creative ways to deliver our core services innovatively and invest in technologies and projects that will help shape a world that values progress and economic activity to serve the common good. We believe in growth that is sustainable, which serves to benefit generations of our customers, our employees, and our communities.

Corporate Governance Report 2021 (cont'd)

Principle 6: Reporting with Integrity (cont'd)

Value Creation Model (cont'd)

Human Capital
The pandemic urged the Human Resource (HR) Department at Group Level to rethink its role as it became a pivotal player in the COVID-19 response at an organizational level by being among the driving forces in keeping the workforce engaged, productive and resilient. Employees had to adjust to social distancing practices and a new work environment. Remote working became the norm and face-to-face collaboration was replaced by videoconferencing. Business operations were being stress-tested in real-time, as well as the Group's Business Continuity Plan (BCP). While previous tactics and HR strategies continue to be part of Leadership's toolkit to efficiently manage employees, there has been a shift in the wake of the coronavirus that fundamentally changed its role including the manner that it conducts activities such a hiring, L&D or Performance Management.

Learning & Development
The Group prides itself as a committed and engaged employer to the sustainable learning, development and growth of its people that is continuously promoting the development of a resilient and high performing workforce that can cope with the constantly changing and highly competitive business environment. The aftermath of Covid-19 has not only impacted on the Company's business operations but also on its talent development initiatives. It delayed face-to-face development initiatives such as business-specific technical trainings, leadership development programmes and soft skills trainings that were in the pipeline. The Company has nevertheless ensured that the pandemic does not hinder and weaken its employees' professional development; online training programmes/ webinars and customised training sessions for small group(s) have been considered as alternate learning platforms and mediums to ensure the continuous development of its workforce in a safe environment.

Staff Welfare
In spite of the challenges related to the new working ecosystem imposed by Covid-19 (lockdown, social distancing and extensive 'work from home'), the Group succeeded to maintain most of its staff welfare initiatives and to nurture the sentiment of 'a great workplace'. Fun activities such as on-line trivia or the group singing of the national anthem to celebrate the independence of the island and the celebration of the national festivities namely Christmas, Divali and Chinese New Year not only created a joyful sentiment but fostered a spirit of camaraderie and team spirit among employees. Other on-line ad-hoc games such as tributes on Mother's/Father's Day, Music Day or the Euro 2021 football games were highly appreciated and maintained a feeling of 'fun place of work'.

Performance Culture
An on-line Performance Management System was implemented as part of the Group's on-going effort and commitment towards further instilling a culture of high-performance. This year's questionnaire focussed on behavioural competencies/ attributes as a transition to next year's system which will have a mix of both soft and hard deliverables (individual objectives related to the departmental Key Result Areas). Based on the premises that 'Attitude drives Performance', employees have received and given feedback to their Heads of Departments in respect of areas of improvement.

Safety and Health
Notwithstanding the statutory requirements for a safe working environment, the Group has further ramped up its endeavour in maintaining and promoting a culture of Health & Safety especially in the context of the pandemic. Employees received PCR tests and arrangements were constantly made to facilitate their vaccinations. No efforts were spared in making sure that employees have the safest conditions to work. Work From Home, Social Distancing, Roster were implemented and transport arrangements made to make sure that no stone is left unturned to protect employees.

Intellectual Capital
At SICOM Group, intellectual assets are put to contribution to ensure the best possible performance and operational efficiency. The Group continuously invests in technology, to facilitate knowledge acquisition and sharing, improve upon delivery of services to customers and safeguard customer and corporate data. An application was developed to manage Unit Linked Business for the Company. The process for buying and selling of units have been ironed out. Furthermore a loan application was designed, developed and implemented in 3 months to manage speedy loans. Other tools and solutions include Risk Management software.

These investments provide the Group and the Company with a competitive advantage and value over time since they greatly enhance the ease of doing business, and further add to the customer experience that is presently being levelled up.

Corporate Governance Report 2021 (cont'd)

Principle 6: Reporting with Integrity (cont'd)

Value Creation Model (cont'd)

Manufactured Capital
During the past years, diversifying our value creation initiatives has enabled the Company to unlock value. This manufactured capital is part of the initiative to diversify the business, to create poles for resilience and also to help sustain the core business especially following the continued drop-in interest rates. For instance, the Company successfully launched the speedy loans product during the current financial year.

Additionally, the Group will continue to invest in digital infrastructure especially new channels of distribution which will underpin our visibility on the market and enable customers to connect better through an online business model.

Social and Relationship Capital (Corporate Citizenship)
Amidst an alarming rise in new coronavirus cases, we have suddenly been forced to adapt to a 'new normal', encouraging us to seek out new preventative measures to shield ourselves from the pandemic. Given the uncertainties over the duration and severity of the pandemic, the Government has been stressing the importance of the COVID-19 vaccine for a return to normalcy. As a socially responsible institution, the Group has joined the fight against the pandemic by contributing Rs 2.2 million to the National COVID-19 Vaccination Programme Fund, which aims to ensure access to free vaccines for every Mauritian.

The shipwreck of the Japanese cargo ship, MV Wakashio, back in August 2020, led to one of the worst ecological disasters ever to hit our island. The oil spill affected the livelihoods of local fishermen and the local community, who had already been struggling to stay afloat due to the impact of the COVID-19 pandemic. To join in the national effort to help minimise the socio-economic and environmental impact of the spill, 150 food packs with basic necessities were distributed to the local community who was affected by this ecological and economic disaster.

Natural Capital (Pathway to Sustainability)
Natural capital relates to the natural resources on which we depend to create value. It encompasses all renewable and non-renewable environmental resources and processes that are essential to conduct our business activities. During past years, SICOM Group has become increasingly engaged in its commitment towards sustainability issues. The Group's success does not solely rely on its financial achievement but also on its ability to protect natural resources while reducing its carbon footprint.

Steps to Saving Energy

Buildings consume significant amount of energy which contribute to the greenhouse effect. In its endeavour to reduce carbon emissions, several Green building principles have been adopted by the organisation. Energy efficiency remains the backbone to decrease carbon emission.

Our Paperless Mission

As an ongoing part of the GoGreen initiative, paper usage is monitored on a monthly basis.

A Document Management System will also be implemented to eliminate physical files and payments through Internet Banking with a view to reduce printing of cheques, is being encouraged.

Eco-conscious Buying

With a view to reducing our carbon footprint, office equipment having ECO-label are procured as far as possible. Moreover, staff have been encouraged to reduce their use of disposable plastic and opt for reusable products that can also be recycled. Plastic cups for coffee machines have been replaced by paper cups which are more eco-friendly.

Code of Conduct

The Company is committed to ethical practices in the conduct of its business and its Code of Conduct sets out standards of business behaviour for its employees.

Corporate Governance Report 2021 (cont'd)

Principle 6: Reporting with Integrity (cont'd)

Share Price Information

As the Company is not listed, share price information is not available.

Employee Price Information

The Company does not have any share option plan for its employees.

Annual Report

The Annual Report is available in full on the Company's website.

Principle 7: Audit

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 headed by the Manager - Internal Audit who reports 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.

The Manager - Internal Audit's profile 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 2020/2021, the Internal Audit function conducted the following reviews, as per its annual Internal Audit plan:

- Deposit Taking Process under the new IT System;
- Lease Arrears Monitoring and Recovery Procedures;
- Effectiveness of AML/CFT Procedures under SICOM Unit Trusts' Activities; and
- Monitoring of Risk Appetite Metrics, Tolerance Levels and Related Party Credit Exposures.

There were no restrictions placed over the right of access by internal audit to the records of the Company or to management and the employees. The Manager -Internal Audit is independent of management and reports directly to the Audit Committee.

Corporate Governance Report 2021 (cont'd)

Principle 7: Audit (cont'd)

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 competitive tender exercise. This appointment is subject to the approval on an annual basis from the Bank of Mauritius and the Financial Services Commission (FSC).

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. The Company may engage the firm responsible for its external audit to provide non-audit services. This is done with prior approval of the Audit Committee which ensures that the non-audit work does not entail any conflict with the audit work.

The external auditor's fees and fees for other services are as follows:

	2021	2020*
	Rs'000	Rs'000
Statutory audit	610	551
Review of tax computation	62	66

* *Figures for 2020 relate to fees paid to Ernst & Young (outgoing external auditor)*

During the year, the Audit Committee met to consider reports from the internal auditor, the regulator, and consider internal audit plan, compliance plan and other policies tabled for its approval. The Audit Committee also met with the external auditor to receive their report on the annual audit, their management letter and discussed key technical matters relating to the financial statements (e.g. impairment provisioning, Covid-19 impact, etc).

The Audit Committee reviews the effectiveness and efficiency of the external auditor and assesses the external audit firm annually. The Audit Committee receives feedback from management and assesses the performance of the external auditor, based on its credentials, commitment to timelines, technical competence, continuity of core audit team, adhesion to audit plan and overall quality of the audit delivered.

Principle 8: Relations with Shareholders and Other Key Stakeholders

Key Stakeholders of the Group and the principal ways in which we engage with them are found on pages 31 to 35.

Shareholders' diary

Details	Date
Financial year-end	30 June 2021
Audited Financial Statements (year ended 30 June 2021)	October 2021
Annual Meeting	November 2021
Dividend Payment	November 2021

Corporate Governance Report 2021 (cont'd)

Principle 8: Relations with Shareholders and Other Key Stakeholders (cont'd)

Shareholders' communication

The Company holds an Annual Meeting of Shareholders with prior notice given to them and the latters 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. Dividends are proposed and paid after taking into consideration the profit after taxation, projects, technical provisions and appropriations to statutory and other reserves for ongoing operational activities. Dividends are only authorised and paid out if the Company shall, upon the distribution being made, satisfy the Solvency Test. The current policy of dividend distribution is a minimum of 25% of the profit after tax of the Company. During the year under review, the Board has declared and approved a dividend of 85% of the profit after tax. During the financial year ended 30 June 2021, the Company declared a dividend of Rs 0.71 per share.

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 2021

On behalf of the Board of Directors of SICOM Financial Services Ltd, we confirm that, to the best of our knowledge, the Company has complied with all the obligations and requirements of the National Code of Corporate Governance for Mauritius (2016) (the 'Code') in all material respects, except for the assessment of individual directors, for reasons explained under Principle 4 of the Report.

Chairperson	Director	Director

29 October 2021

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 are comprised of Independent Directors who are not officers or employees of the Company, 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 coordination with the Company's external auditors. 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 Auditors, Deloitte, have 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

29 October 2021

Secretary's Certificate

I certify to the best of my knowledge and belief that for the year ended 30 June 2021, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

DTOS Ltd
Company Secretary
SICOM Financial Services Ltd

29 October 2021

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 45 to 111, which comprise the statement of financial position as at 30 June 2021, 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 2021, 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 judgment, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Provision for expected credit losses</td></tr>
<tr><td>The Company has computed the expected credit losses ("ECLs") on its lease receivables and speedy loans 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 a new product offering for 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 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.</td><td>Our procedures included the following amongst others:
• Involved a team of specialists to validate the ECLs model for both the lease and the loan books which included 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.
• Assessed the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models;
• Independently assessed probability of default, loss given default and exposure at default assumptions;
• Assessed the independence and competence of the appraisers used by management to value the underlying collaterals on a sample basis;
• Inspected 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;
• Challenged the methodologies applied by using our industry knowledge and experience;
• Obtained audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and
• Performed 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.</td></tr>
</table>

Deloitte.

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Ebène 72201
Mauritius

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

Emphasis of matter relating to comparative information

We draw attention to Note 34 to the financial statements which describes the retrospective adjustments to the comparative information presented in the accompanying financial statements. Consequently, the comparative information in the accompanying financial statements has been restated as at 30 June 2020 and 1 July 2019 and for the year ended 30 June 2019. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The financial statements of the Company as at and for the year ended 30 June 2020 and 30 June 2019 (from which the statement of financial position as at 1 July 2019 has been derived), excluding the adjustments described in Note 34 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 September 2020 and 23 September 2019 respectively. As part of our audit of the financial statements as at and for the year then ended 30 June 2021, we also audited the adjustments described in Note 34 that were applied to restate the comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 30 June 2020 or 30 June 2019 of the Company, other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 30 June 2020 and 30 June 2019 financial statements taken as a whole.

Other information

The directors are responsible for the other information. The other information comprises the mission, shared values and objectives statement, the corporate information, the directors' report, the management discussion and analysis, the annual statement of compliance in respect of the Bank of Mauritius requirements, the corporate governance report, the statement of compliance, the statement of management's responsibilities for financial reporting 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.

Corporate Governance Report

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.

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.

Deloitte.

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

Auditor's responsibilities for the audit of the financial statements (Cont'd)

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.

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.

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

29 October 2021

Pradeep Malik, FCA

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	Notes	2021	2020 (Restated)	2019 (Restated)
ASSETS		Rs.	Rs.	Rs.
Cash and cash equivalents	5	221,250,887	151,774,445	215,792,470
Investment securities	6	299,186,672	287,680,734	285,926,251
Deposits with financial institutions	7	670,014,300	947,034,785	1,044,237,573
Loans and advances	8	312,375,869	135,082,062	193,827,687
Net investment in finance leases	12	705,674,304	661,411,228	576,480,171
Property and equipment	9	6,759,612	11,404,722	14,818,486
Intangible assets	10	1,979,818	2,633,902	3,748,549
Right-of-use assets	11	9,679,103	10,888,991	-
Other assets	13	8,417,716	8,583,894	13,039,342
Current tax assets	15(a)	395,220	2,910,641	223,716
Deferred tax assets	15(d)	-	753,498	869,817
TOTAL ASSETS		2,235,733,501	2,220,158,902	2,348,964,062
EQUITY AND LIABILITIES				
LIABILITIES				
Deposits from customers	14	1,720,301,143	1,706,604,100	1,842,752,457
Retirement benefit obligations	17	17,193,000	19,850,000	16,454,000
Dividend payable	18	14,154,317	17,317,466	24,115,160
Deferred tax liabilities	15(d)	197,894	-	-
Lease liabilities	11	10,193,990	11,173,389	-
Other liabilities	16	7,302,470	3,233,460	3,461,901
TOTAL LIABILITIES		1,769,342,814	1,758,178,415	1,886,783,518
SHAREHOLDERS' EQUITY				
Stated capital	19	200,000,000	200,000,000	200,000,000
Retained earnings		212,123,095	212,123,096	213,034,521
Other reserves	20	54,267,592	49,857,391	49,146,023
TOTAL EQUITY		466,390,687	461,980,487	462,180,544
TOTAL EQUITY AND LIABILITIES		2,235,733,501	2,220,158,902	2,348,964,062

These financial statements have been approved for issue by the Board of Directors on 29 October 2021 and signed on its behalf by:

Signature	Signature	Signature
Chairperson	Director	Director

The notes on pages 51 to 111 form an integral part of these financial statements.
The independent auditor's report is on pages 42 to 44.

	Notes	2021	2020 (Restated)	2019 (Restated)
		Rs.	Rs.	Rs.
Interest income calculated using the effective interest method	21	**60,455,192**	70,199,722	104,914,125
Interest income on lease receivables	21	**44,820,613**	43,356,781	33,368,993
Interest expense	21	**(59,547,216)**	(65,126,694)	(78,815,465)
Net interest income	21	**45,728,589**	48,429,809	59,467,653
Operating lease rental income		**2,587,104**	3,887,218	3,339,423
Fee and commission income		**4,956,187**	2,406,584	3,116,050
Dividend income	22	**1,461,883**	931,992	1,457,279
Other operating income	26	**2,945,909**	2,597,581	2,471,369
Gain on disposal of property and equipment		**31,887**	29,045	1,264,447
Net gain/(loss) arising on financial assets measured at FVTPL*		**10,859,265**	1,384,912	(594,971)
		22,842,235	11,237,332	11,053,597
Operating income		**68,570,824**	59,667,141	70,521,250
Net impairment (charge)/reversal on financial assets	23	**(5,990,413)**	298,013	2,057,954
Personnel expenses	24	**(17,434,866)**	(15,149,344)	(13,299,096)
Other expenses	25	**(18,773,228)**	(18,113,382)	(21,262,219)
Depreciation and amortisation	9,10,11	**(4,856,082)**	(5,723,560)	(4,110,942)
Loss on disposal of repossessed assets		**(1,129,971)**	(202,426)	(881,277)
Profit before tax		**20,386,264**	20,776,442	33,025,670
Income tax expense	15(b)	**(3,734,127)**	(776,795)	(5,299,512)
Profit for the year		**16,652,137**	19,999,647	27,726,158

** FVTPL = Fair value through profit or loss*

The notes on pages 51 to 111 form an integral part of these financial statements.
The independent auditor's report is on pages 42 to 44.

	Notes	2021	2020 (Restated)	2019 (Restated)
		Rs.	Rs.	Rs.
Profit for the year		**16,652,137**	19,999,647	27,726,158
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post employment benefit obligations	17(a)(vii), 17 (c)(iv)	**2,286,000**	(2,493,000)	(3,535,000)
Income tax relating to components of other comprehensive income	15(d)(ii)	**(388,620)**	84,762	202,689
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI	6	**15,000**	(474,000)	99,000
Other comprehensive income for the year, net of tax		**1,912,380**	(2,882,238)	(3,233,311)
Total comprehensive income for the year		**18,564,517**	17,117,409	24,492,847

** FVTOCI = Fair value through other comprehensive income*

The notes on pages 51 to 111 form an integral part of these financial statements.
The independent auditor's report is on pages 42 to 44.

	Notes	Stated capital	Retained earnings	Other reserves: Statutory reserve	Investment revaluation reserve	Actuarial losses reserve	General Banking reserve	Total equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at 1 July 2018								
- As previously stated		200,000,000	218,992,562	49,935,540	-	(6,865,120)	2,600,885	464,663,867
- Effect of prior year adjustment	34	-	(2,861,010)	-	-	-	-	(2,861,010)
Balance at 1 July 2018 - as restated		200,000,000	216,131,552	49,935,540	-	(6,865,120)	2,600,885	461,802,857
Profit for the year (Restated)		-	27,726,158	-	-	-	-	27,726,158
Other comprehensive income for the year		-	-	-	99,000	(3,332,311)	-	(3,233,311)
Total comprehensive income for the year		-	27,726,158	-	99,000	(3,332,311)	-	24,492,847
Dividend to ordinary shareholders	18	-	(24,115,160)	-	-	-	-	(24,115,160)
Transfer to statutory reserve (Restated)	20	-	(4,158,924)	4,158,924	-	-	-	-
Transfer to general banking reserve	20	-	(2,549,105)	-	-	-	2,549,105	-
At 30 June 2019		**200,000,000**	**213,034,521**	**54,094,464**	**99,000**	**(10,197,431)**	**5,149,990**	**462,180,544**
At 1 July 2019 (Restated)		200,000,000	213,034,521	54,094,464	99,000	(10,197,431)	5,149,990	462,180,544
Profit for the year (Restated)		-	19,999,647	-	-	-	-	19,999,647
Other comprehensive income for the year (Restated)		-	-	-	(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 (Restated)	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**

The notes on pages 51 to 111 form an integral part of these financial statements.
The independent auditor's report is on pages 42 to 44.

				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 2020		200,000,000	212,123,096	57,094,411	(375,000)	(12,605,669)	5,743,649	461,980,486
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 51 to 111 form an integral part of these financial statements.
The independent auditor's report is on pages 42 to 44.

SICOM FINANCIAL SERVICES LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020 (Restated)	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	Rs.	Rs.	Rs.
Profit before tax	20,386,624	20,776,442	3 3,025,670
Adjustments for:			
Net impairment loss on financial assets	5,990,413	(298,013)	(2,057,954)
Interest income	(104,102,547)	(110,763,202)	(138,283,118)
Interest expense	59,547,216	65,126,694	78,815,465
Dividend income	(1,461,883)	(931,992)	(1,457,279)
Movement in retirement benefit obligations	480,000	903,000	1,093,000
Depreciation on property and equipment	2,268,095	3,128,915	2,702,762
Amortisation of intangible assets	1,378,099	1,384,757	1,408,180
Depreciation on right-of-use assets	1,209,888	1,209,888	-
Profit on disposal of property and equipment	(31,887)	(29,045)	(1,264,447)
Fair value movement on financial assets at FVTPL	(10,859,265)	(1,384,912)	594,971
Loss on disposal of repossessed assets	1,129,971	202,426	881,277
Changes in operating assets and liabilities	(24,065,636)	(20,675,042)	(24,541,473)
Decrease in deposits with financial institutions	299,169,100	42,547,460	459,837,130
Increase/(decrease) in other liabilities	4,041,216	(217,134)	(619,365)
Decrease/(increase) in other assets	581,773	1,189,641	(3,797,054)
Interest received	82,311,128	166,189,769	162,602,793
Dividend received	1,045,817	1,332,660	1,471,738
Interest paid	(58,963,651)	(64,331,561)	(95,091,903)
Retirement benefits paid	(851,000)	-	-
Increase in net investment in finance leases	(51,563,134)	(82,880,895)	(122,603,271)
Proceeds from sale of assets held under operating lease	2,883,781	493,306	350,000
Loans and advances disbursed	(250,808,900)	(280,000)	(200,000)
Proceeds from loans and advances	72,261,706	59,033,909	53,956,019
Deposits from customers-net	13,714,878	(136,288,182)	(309,808,303)
Income tax paid	(655,935)	(3,262,638)	(3,722,476)
Net cash generated from/(used in) operating activities	89,101,143	(37,148,707)	117,833,835
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(931,042)	(1,134,838)	(1,244,987)
Purchase of property and equipment	(474,879)	(179,412)	(5,619,574)
Purchase of intangible assets	(724,015)	(270,110)	(101,745)
Proceeds from sale of property and equipment	-	-	2,347,794
Proceeds from sale and maturity of investment securities	-	-	91,598,900
Proceeds on disposal of repossessed assets	1,403,500	411,000	1,243,588
Net cash (used in)/generated from investing activities	(726,436)	(1,173,360)	88,223,976
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	(17,317,466)	(24,115,160)	(17,898,597)
Repayment of lease liabilities	(1,580,799)	(1,580,799)	-
Net cash used in financing activities	(18,898,265)	(25,695,959)	(17,898,597)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	69,476,442	(64,018,026)	188,159,214
CASH AND CASH EQUIVALENTS AT 1 JULY	151,774,445	215,792,471	27,633,256
CASH AND CASH EQUIVALENTS AT 30 JUNE	221,250,887	151,774,445	215,792,470

The notes on pages 51 to 111 form an integral part of these financial statements.
The independent auditor's report is on pages 42 to 44.

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 28 October 2021 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

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied all of the new and revised Standards 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 2020. The following relevant revised standards have been applied in these financial statements, their application has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material	The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of measurement (cont'd)

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)
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)

None of the above Standards and Interpretations are expected to have an impact on the Company's financial statements.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

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");

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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;
- 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 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.

Certain other debt securities are held by the Company in separate portfolios to meet everyday liquidity needs. Management seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The Company considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and therefore has classified these investment securities at FVTOCI.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.10 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Modification of financial assets (cont'd)

- 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(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%.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(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").

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").

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

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
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 0.4% and a LGD of 45% based on Basel III recommendations for unsecured exposures.
Loans and advances	The Company has three types of loans, namely staff loans, loans to its holding company and a new product which it launched during the current financial year: 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. Management has used a proxy approach to determine the probability of default on the exposures under the speedy loan scheme, given that this is a newly launched product, which is largely secured, and targeted to low-risk clients.
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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(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.

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 (excosses 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 asseluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'L

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The Company as a lessee

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Leasing (cont'd)

The Company as a lessee (cont'd)

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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Leasing (cont'd)

The Company as a lessor (cont'd)

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 are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

2.17 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Property and equipment ("PPE") (cont'd)

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.

2.20 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Retirement benefit obligations (cont'd)

Unfunded benefits (cont'd)

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.

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 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 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.

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)).

2.29 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.

2.30 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.

<u>Classification as finance or operating leases</u>

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.

<u>Establishing groups of assets with similar credit risk characteristics:</u>

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.

Key estimation uncertainty

<u>Discount rate used to determine the carrying amount of the Company's defined benefit obligation</u>

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.

<u>Calculation of loss allowance</u>

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.

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

Key estimation uncertainty (cont'd)

Calculation of loss allowance (cont'd)

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 0 and 90 days past due had been higher/(lower) by 5 per cent as of 30 June 2021, the loss allowance on lease receivables would have been higher/(lower) by Rs 0.01 million (2020: Rs 0.02 million).

If the ECL rates on lease receivables between 90 and 180 days past due had been 5 per cent higher (lower) as of 30 June 2021, the loss allowance on trade receivables would have been Rs 0.02million (2020: Rs 0.04 million) higher(lower).

If the ECL rates on lease receivables between 180 and 360 days past due had been 5 per cent higher (lower) as of 30 June 2021, the loss allowance on trade receivables would have been Rs 0.3million (2020: Rs 0.02 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 0.1million higher. (2020: Rs 0.001 million)

4. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments:

30 June 2021

	At amortised cost	**FVTOCI**	**FVTPL**	**Total**
Financial assets	**Rs**	**Rs**	**Rs**	**Rs**
Cash and cash equivalents	221,250,887	**-**	**-**	**221,250,887**
Investment securities	250,405,343	660,000	48,121,329	**299,186,672**
Deposits with financial institutions	670,014,300	-	-	**670,014,300**
Loans and advances	312,375,869	-	-	**312,375,869**
Other assets	4,816,628	-	-	**4,816,628**
Financial liabilities				
Deposits from customers	1,720,301,143	-	-	**1,720,301,143**
Lease liabilities	10,193,990	-	-	**10,193,990**
Other liabilities	7,302,470	-	-	**7,302,470**
Dividend payable	14,154,317	-	-	**14,154,317**

30 June 2020

	At amortised cost	FVTOCI	FVTPL	Total
Financial assets	Rs	Rs	Rs	Rs
Cash and cash equivalents	151,774,445	-	-	151,774,445
Investment securities	250,704,712	645,000	36,331,022	287,680,734
Deposits with financial institutions	947,034,785	-	-	947,034,785
Loans and advances	135,082,062	-	-	135,082,062
Other assets	4,177,077	-	-	4,177,077
Financial liabilities				
Deposits from customers	1,706,604,100	-	-	1,706,604,100
Lease liabilities	11,173,389	-	-	11,173,389
Other liabilities	3,233,460	-	-	3,233,460
Dividend payable	17,317,466	-	-	17,317,466

4. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

30 June 2019

	At amortised cost	FVTOCI	FVTPL	Total
Financial assets	Rs	Rs	Rs	Rs
Cash and cash equivalents	215,792,470	-	-	215,792,470
Investment securities	250,995,979	1,119,000	33,811,272	285,926,251
Deposits with financial institutions	1,044,237,573	-	-	1,044,237,573
Loans and advances	193,827,687	-	-	193,827,687
Other assets	7,765,738	-	-	7,765,738
Financial liabilities				
Deposits from customers	1,842,752,457	-	-	1,842,752,457
Other liabilities	3,461,901	-	-	3,461,901
Dividend payable	24,115,160	-	-	24,115,160

5. CASH AND CASH EQUIVALENTS

	2021	2020	2019
	Rs.	Rs.	Rs.
Cash at bank	221,250,887	151,774,445	215,792,470
Cash and cash equivalents	221,250,887	151,774,445	215,792,470

Cash at bank bears interests in the range of 0.00% to 0.20% (2020 and 2019: 0.00% to 1.80%) per annum. The Company has assessed the ECLs on cash and cash equivalents as not being material at 30 June 2021, 30 June 2020 and 30 June 2019.

6. INVESTMENT SECURITIES

	FVOCI Quoted	FVTPL Unquoted	Debt instruments at Amortised Cost	2021 Total	2020 Total	2019 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July	645,000	36,331,022	251,131,635	288,107,657	286,353,671	374,677,548
Additions	-	931,042	-	931,042	1,134,838	1,244,987
Matured/disposals	-	-	-	-	-	(91,598,900)
Increase/(decrease) in fair value	15,000	10,859,265	-	10,874,265	910,912	(495,971)
Interest and amortisation of premium /discount	-	-	(299,878)	(299,878)	(291,763)	2,526,007
At 30 June	660,000	48,121,329	250,831,757	299,613,086	288,107,658	286,353,671
Impairment allowances	-	-	(426,414)	(426,414)	(426,924)	(427,420)
	660,000	48,121,329	250,405,343	299,186,672	287,680,734	285,926,251
Remaining term to maturity:						
- More than 5 years *(Non-Current)*	-	-	250,405,343	250,405,343	250,704,712	250,995,979
- no fixed term	660,000	48,121,329	-	48,781,329	36,976,022	34,930,272
	660,000	48,121,329	250,405,343	299,186,672	287,680,734	285,926,251

6. INVESTMENT SECURITIES (CONT'D)

	2021	2020	2019
	Rs.	Rs.	Rs.
Impairment allowances - Stage 1			
At 1 July	**426,924**	427,420	-
On adoption of IFRS 9	**-**	-	442,645
Release of impairment allowances for the year	**(510)**	(496)	(15,225)
At 30 June	**426,414**	426,924	427,420

Impairment allowances on term deposits are classified under stage 1 and there was no movement between stages during the years 2021, 2020 and 2019.

(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% (2020 and 2019: 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 3.40% to 10.50% (2020: 2.85% to 10.50%, 2019: 4.00% to 10.50%) per annum.

	2021	2020	2019
	Rs	Rs	Rs
Term deposits	**563,954,703**	863,123,763	905,671,222
Accrued interest receivable	**108,412,883**	87,428,064	142,128,871
	672,367,586	950,551,827	1,047,800,093
Less: impairment allowances	**(2,353,286)**	(3,517,042)	(3,562,520)
	670,014,300	947,034,785	1,044,237,573
Remaining term to maturity			
Current			
Within 3 months	-	-	109,522,873
Over 3 months and up to 6 months	22,033,439	102,152,698	168,458,219
Over 6 months and up to 12 months	585,954,722	201,292,473	69,247,115
Non-Current			
Over 1 year and up to 5 years	64,379,425	647,106,656	116,109,399
Over 5 years	**-**	-	584,462,487
	672,367,586	950,551,827	1,047,800,093
Impairment allowances - Stage 1			
At 1 July	**3,517,042**	3,562,520	-
On adoption of IFRS9	**-**	-	4,143,780
Reversal of impairment allowances	**(1,163,756)**	(45,478)	(581,260)
At 30 June	**2,353,286**	3,517,042	3,562,520

Impairment allowances on term deposits are classified under stage 1 and there was no movement between stages during the years 2021, 2020 and 2019.

8. LOANS AND ADVANCES

	Note	2021	2020	2019
		Rs.	Rs.	Rs.
Loans and advances to holding company	**8.1**	**69,970,309**	133,939,840	192,423,223
Other loans *(staff loans)*	**8.2**	**3,749,117**	1,142,222	1,404,464
Loans and advances to customers *(speedy loans)*	**8.3**	**238,656,443**	-	-
		312,375,869	135,082,062	193,827,687

8.1 Loans and advances to holding company

	2021	2020	2019
	Rs	Rs	Rs
Loans and advances to holding company	**69,977,307**	133,953,235	192,442,467
Less: impairment allowances	**(6,998)**	(13,395)	(19,244)
	69,970,309	133,939,840	192,423,223
Remaining term to maturity			
Current			
Up to 3 months	**16,910,563**	15,460,284	14,134,381
Over 3 months and up to 6 months	**17,293,914**	15,810,756	14,454,796
Over 6 months and up to 12 months	**35,772,830**	32,704,886	29,900,055
Non-current			
Over 1 year and up to 5 years	**-**	69,977,309	133,953,235
	69,977,307	133,953,235	192,442,467

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

	2021	2020	2019
	Rs	Rs	Rs
Impairment allowances - Stage 1			
At 1 July	**13,395**	19,244	1,000,000
On adoption of IFRS9	**-**	-	(975,408)
Release of impairment allowances for the year	**(6,397)**	(5,849)	(5,348)
At 30 June	**6,998**	13,395	19,244

Impairment allowances on loans and advances to holding company are classified under stage 1 and there was no movement between stages during the years 2021, 2020 and 2019.

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

8.2 Other loans

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**1,152,828**	1,417,505	1,700,437
Disbursements	**3,678,000**	280,000	200,000
Repayments	**(1,046,899)**	(544,677)	(482,932)
	3,783,929	1,152,828	1,417,505
Less: impairment allowances	**(34,812)**	(10,606)	(13,041)
At 30 June	**3,749,117**	1,142,222	1,404,464

8. LOANS AND ADVANCES (CONT'D)

8.2 Other loans (Cont'd)

	2021	2020	2019
Impairment allowances - Stage 1	**Rs.**	Rs.	Rs.
At 1 July	**10,606**	13,041	-
On adoption of IFRS9	**-**	-	169
Charge/(credit) for the year	**24,206**	(2,435)	12,872
At 30 June	**34,812**	10,606	13,041

Impairment allowances on other loans are classified under stage 1 and there was no movement between stages during the years 2021, 2020 and 2019.

	2021	2020	2019
	Rs.	Rs.	Rs.
Remaining term of maturity			
Current			
Upto 3 months	**142,109**	117,921	120,182
Over 3 months and up to 6 months	**143,269**	119,034	114,374
Over 6 months and upto 1 year	**290,058**	302,744	225,467
Non-Current			
Over 1 year and up to 5 years	**1,775,332**	484,541	840,452
Over 5 years	**1,433,161**	128,588	117,030
	3,783,929	1,152,828	1,417,505

Other loans bear interest at 2.00% to 4.00% (2020 and 2019: 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

	2021
	Rs
At 1 July	**-**
Disbursements	**247,130,900**
Repayments	**(7,238,697)**
	239,892,203
Interest receivable	**640,394**
	240,532,597
Less Stage 1 impairment allowances	**(1,876,154)**
At 30 June	**238,656,443**
Remaining term to maturity	
Current	
Up to 3 months	**9,321,070**
Over 3 months and up to 6 months	**8,067,816**
Over 6 months and up to 12 months	**16,407,441**
Non-current	
Over 1 year and up to 5 years	**141,571,499**
Over 5 years	**65,164,771**
	240,532,597

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

	Improvement to leasehold building	Computer Equipment	Furniture and Fittings	Motor Vehicle	Motor Vehicles under operating lease	Total
(a) COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2018	3,611,987	3,593,746	397,160	512,648	18,374,118	26,489,659
Disposal	(3,611,987)	-	-	-	(1,440,000)	(5,051,987)
Additions	-	68,004	45,800	-	5,505,770	5,619,574
At 30 June 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**
DEPRECIATION						
At 1 July 2018	2,437,599	3,028,480	223,763	512,648	6,952,150	13,154,640
Disposal	(2,528,642)	-	-	-	(1,090,000)	(3,618,642)
Charge for the year	91,043	145,047	49,727	-	2,416,945	2,702,762
At 30 June 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**
NET BOOK VALUE						
At 30 June 2019	-	488,223	169,470	-	14,160,793	14,818,486
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**

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 of 7.5% to 8.0% on an ongoing basis. The motor vehicles held have committed lessees up to three years.

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

	Motor Vehicles
	Rs.
Within one year	1,896,033
In the first to the second year	1,195,260
In the second to the third year	1,053,261
	4,144,554

10. INTANGIBLE ASSETS

	Computer Software
COST	Rs.
At 1 July 2018	13,578,090
Additions	101,745
At 30 June 2019	13,679,835
Additions	270,110
At 30 June 2020	13,949,945
Additions	724,015
At 30 June 2021	**14,673,960**
AMORTISATION	
At 1 July 2018	8,523,106
Charge for the year	1,408,180
At 30 June 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**
NET BOOK VALUE	
At 30 June 2019	3,748,549
At 30 June 2020	2,633,902
At 30 June 2021	**1,979,818**

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:

	2021	2020
	Rs	Rs
At 1 July	**10,888,991**	-
On initial adoption of IFRS 16	**-**	12,098,879
Depreciation	**(1,209,888)**	(1,209,888)
At 30 June	**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:

	2021	2020
	Rs	Rs
At 1 July	**11,173,389**	-
On initial adoption of IFRS 16	**-**	12,098,879
Interest expense	**601,400**	655,309
Payments	**(1,580,799)**	(1,580,799)
At 30 June	**10,193,990**	11,173,389

	2021	2020
	Rs	Rs
Analysed as:		
Current	**1,039,449**	979,399
Non-current	**9,154,541**	10,193,990
	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:	2021	2020
	Rs	Rs
Depreciation expense of right-of-use assets	**1,209,888**	1,209,888
Interest expense on lease liabilities	**601,400**	655,309
Total amount recognised in profit or loss	**1,811,288**	1,865,197

The total cash outflow in respect of lease liabilities in 2021 and 2020 was Rs 1,580,799.

12 NET INVESTMENT IN FINANCE LEASES

		2021	2020	2019
(a)	Movement during the year:-	**Rs.**	Rs.	Rs.
	At 1 July	**663,594,004**	581,319,354	460,840,946
	Leases granted during the year	**261,667,437**	271,934,458	263,671,874
	Capital repayment during the year	**(212,637,774)**	(189,659,808)	(143,193,466)
	At 30 June	**712,623,667**	663,594,004	581,319,354
	Interest receivable	**3,218,470**	2,752,610	-
	Investment in finance leases before ECLs	**715,842,137**	666,346,614	581,319,354
	Allowance for credit impairment	**(10,167,833)**	(4,935,386)	(4,839,183)
	Net investment in finance leases	**705,674,304**	661,411,228	576,480,171

		2021	2020	2019
(b)	Gross and net investment in finance leases			
	Gross investment in finance leases:-	**Rs.**	Rs.	Rs.
	- within one year	**210,841,595**	198,100,062	186,721,127
	- in the second to fifth years inclusive	**552,321,340**	503,755,954	438,553,448
	- more than five years	**51,995,370**	59,166,065	49,559,636
		815,158,305	761,022,081	674,834,211
	Less: Unearned finance income	**(117,291,223)**	(110,073,098)	(93,514,857)
		697,867,082	650,948,983	581,319,354
	Installments due	**17,975,055**	15,397,631	-
	Allowance for credit impairment	**(10,167,833)**	(4,935,386)	(4,839,183)
	Present value of minimum lease payments receivable	**705,674,304**	661,411,228	576,480,171
	Analysed as:-			
	- Current	**164,398,430**	159,206,583	152,063,772
	- Non-current	**533,468,652**	491,742,400	429,255,582
		697,867,082	650,948,983	581,319,354
	Instalments due	**17,975,055**	15,397,631	-
	Less: Allowance for credit impairment	**(10,167,833)**	(4,935,386)	(4,839,183)
		705,674,304	661,411,228	576,480,171

12 NET INVESTMENT IN FINANCE LEASES (CONT'D)

(c) **Remaining term to maturity**

Corporate customers	**2021** **Rs.**	2020 Rs.	2019 Rs.
Current			
Up to 3 months	**9,433,920**	11,390,550	13,631,063
Over 3 months and up to 6 months	**15,267,162**	10,827,840	9,071,501
Over 6 months and up to 12 months	**27,372,869**	20,908,803	18,262,632
Non-Current			
Over 1 year and up to 5 years	**128,840,450**	104,693,895	88,443,955
Over 5 years	**11,391,394**	13,448,371	6,565,649
	192,305,795	161,269,459	135,974,800
Other customers			
Current			
Up to 3 months	**13,360,895**	30,458,617	36,347,620
Over 3 months and up to 6 months	**37,186,752**	28,836,948	25,173,877
Over 6 months and up to 12 months	**61,776,832**	56,783,825	49,577,080
Non-Current			
Over 1 year and up to 5 years	**335,657,108**	330,360,599	293,685,313
Over 5 years	**57,579,700**	43,239,535	40,560,664
	505,561,287	489,679,524	445,344,554
Instalment due	**17,975,055**	15,397,631	-
Gross lease receivables before impairment	**715,842,137**	666,346,614	581,319,354
Allowance for credit impairment	**(10,167,833)**	(4,935,386)	(4,839,183)
TOTAL	**705,674,304**	661,411,228	576,480,171

(d) Credit concentration of risk by industry sectors

	2021 **Rs.**	2020 Rs.	2019 Rs.
Manufacturing	**7,713,326**	7,547,433	7,986,885
Transport	**33,326,992**	40,437,386	43,218,990
Construction	**13,484,104**	15,177,491	15,936,428
Personal	**567,661,669**	516,312,653	441,887,622
Financial and business services	**10,550,969**	6,407,291	5,580,316
Global Business Licence Holders	**16,032,810**	9,614,804	7,243,038
Education	**6,772,230**	1,392,163	691,754
Tourism	**12,016,663**	9,956,577	2,769,515
Information, Communication and Technology	**3,815,252**	3,665,983	5,384,338
Others	**34,300,289**	50,899,447	45,781,285
	705,674,304	661,411,228	576,480,171

12 NET INVESTMENT IN FINANCE LEASES (CONT'D)

(e) Allowance for credit impairment

	ECL on non-performing leases	ECL on performing leases	Total
	Rs	Rs	Rs
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 for the year	(100,489)	196,692	96,203
At 30 June 2020	4,210,605	724,781	4,935,386
At 1 July 2018	4,461,738	4,494,559	8,956,297
On adoption of IFRS 9	-	(2,599,581)	(2,599,581)
	4,461,738	1,894,978	6,356,716
Provision released during the year	(150,644)	(1,366,889)	(1,517,533)
At 30 June 2019	4,311,094	528,089	4,839,183

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Manufacturing	**11,779**	7,068	3,811
Transport	**1,203,778**	707,129	815,288
Construction	**59,234**	54,897	8,816
Personal	**8,308,460**	3,905,426	3,456,932
Financial and business services	**57,614**	22	-
Global Business Licence Holders	**8,768**	38,370	-
Education	**2,352**	2,119	-
Tourism	**473,529**	-	-
Information, Communication and Technology	**28,094**	196,713	547,400
Others	**14,225**	23,642	6,936
Total	**10,167,833**	4,935,386	4,839,183

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

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

(e) Allowance for credit impairment (cont'd)

(ii) Allowance for impairment losses by industry sector

	2021					2020	2019
	Gross leases	In default leases	ECL on performing leases	ECL on non-performing leases	Total impairment allowances	Total impairment allowances	Total impairment allowances
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Manufacturing	7,725,105	-	11,779	-	11,779	7,068	3,811
Transport	34,530,770	4,724,840	33,949	1,169,829	1,203,778	707,129	815,288
Construction	13,543,338	265,885	59,234	-	59,234	54,897	8,816
Personal	575,970,129	29,499,242	591,229	7,717,231	8,308,460	3,905,426	3,456,932
Financial and business services	10,608,583	1,766,980	57,614	-	57,614	22	-
Global Business Licence Holders	16,041,578	1,022,491	8,768	-	8,768	38,370	-
Education	6,774,582	279,725	2,352	-	2,352	2,119	-
Tourism	12,490,192	2,355,344	1,706	471,823	473,529	-	-
Information, Communication and Technology	3,843,346	945,678	28,094	-	28,094	196,713	547,400
Others	34,314,514	283,879	7,488	6,737	14,225	23,642	6,936
	715,842,137	**41,144,064**	**802,213**	**9,365,620**	**10,167,833**	**4,935,386**	**4,839,183**

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

(f) Ageing of past due debt which is impaired

	2021	2020	2019
	Rs.	Rs.	Rs.
1-89 days	**1,135,113**	1,414,784	581,854
90-180 days	**6,072,731**	7,433,006	6,648,383
181-360 days	**28,258,466**	4,133,995	2,955,330
More than 360 days	**5,677,757**	7,936,594	3,914,552
	41,144,067	20,918,379	14,100,119

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 1-89 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 **6.72%** (2020: 6.97% and 2019: 7.24%) per annum with interest rates ranging from **5.00% to 12.5%** (2020 and 2019: ranging from 5.75% to 12.5%) per annum.

Unguaranteed residual values of assets leased under finance leases at end of reporting date are estimated at Rs.16,713,166 (2020: Rs.16,209,414 and 2019: Rs.14,050,910).

(h) Credit quality

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

	Net investment in finance leases					
		Days past due				
30 June 2021	**Current**	**1-89 days**	**90 -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 (Rs)	**444,693,298**	**231,139,885**	**6,072,731**	**28,258,466**	**5,677,753**	**715,842,137**
Expected credit loss (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 credit impairment**	**Net Investment in finance leases**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
30 June 2021						
Leases	**444,693,298**	**230,004,772**	**41,144,067**	**715,842,137**	**(10,167,833)**	**705,674,304**

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

(h) Credit quality (cont'd)

	Net investment in finance leases					
		Days past due				
30 June 2020	Current	1-89 days	90 -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 loss (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 credit impairment	Net Investment in finance leases
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
30 June 2020						
Leases	415,115,491	230,312,744	20,918,379	666,346,614	(4,935,386)	661,411,228

	Net investment in finance leases					
		Days past due				
30 June 2019	Current	1-89 days	90 -180 days	181- 360 days	>360 days	Total
Expected credit loss rate	0.05%	0.16%	7.43%	22.85%	58.23%	0.74%
Estimated total gross carrying amount at default (Rs)	196,968,749	362,386,365	14,652,766	3,396,922	3,914,552	581,319,354
Expected credit loss (Rs)	98,648	595,507	1,089,278	776,280	2,279,470	4,839,183

	Neither past due nor impaired	Past due but not impaired	Impaired	Net Investment in finance lease before impairment	Allowance for credit impairment	Net Investment in finance leases
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
30 June 2019						
Leases	558,773,260	8,445,975	14,100,119	581,319,354	(4,839,183)	576,480,171

13. OTHER ASSETS

	2021	2020	2019
	Rs.	Rs.	Rs.
Dividend receivable	1,461,883	1,045,817	1,446,479
Prepayments	3,601,088	4,406,817	5,273,604
VAT receivable	-	242,686	684,765
Management fees from SICOM Unit Trusts	1,526,670	1,263,786	1,394,231
Operating lease rental due	311,831	305,294	737,750
Amount due from subsidiaries of holding company	648,080	411,412	-
Amount due from Holding Company	-	251,473	-
Others	889,087	677,058	3,527,815
Less Stage 1 Impairment allowances	(20,923)	(20,449)	(25,302)
	8,417,716	8,583,894	13,039,342

The above receivables are usually repayable within 30 - 90 days and there has been no history of default in the past.

14. DEPOSITS FROM CUSTOMERS

	2021	2020	2019
	Rs.	Rs.	Rs.
Deposits from customers	1,687,863,257	1,674,148,379	1,810,436,560
Accrued interest	32,437,886	32,455,721	32,315,897
	1,720,301,143	1,706,604,100	1,842,752,457

Time deposits with remaining term to maturity	2021	2020	2019
	Rs.	Rs.	Rs.
Retail customers			
Current			
Up to 3 months	47,058,407	29,685,809	54,157,037
Over 3 months and up to 6 months	80,753,408	34,443,802	35,497,860
Over 6 months and up to 12 months	178,075,935	78,705,281	148,646,435
Non-Current			
Over 1 year and up to 5 years	830,418,372	826,594,174	818,942,469
	1,136,306,122	969,429,066	1,057,243,801
Corporate customers			
Current			
Up to 3 months	52,153,847	510,010	53,275,813
Over 3 months and up to 6 months	226,186,819	2,771,001	6,253,266
Over 6 months and up to 12 months	17,011,524	202,047,197	61,418,035
Non-Current			
Over 1 year and up to 5 years	288,642,831	531,846,826	664,561,542
	583,995,021	737,175,034	785,508,656
TOTAL	1,720,301,143	1,706,604,100	1,842,752,457

The time deposits bear interests at rates ranging from 0.5 % to 4.50% (2020: 1.00% to 4.50% and 2019: 2.00% to 6.50%) per annum.

15. TAXATION

Income Tax

Income tax is calculated at the rate of 17% (2020: 17% and 2019: 17%) on the profit for the year as adjusted for income tax purposes.

(a) Current tax assets

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**(2,910,641)**	(223,716)	(73,700)
Overprovision in previous years	**-**	-	(6,338)
Income tax charge for the year	**2,798,254**	507,982	3,157,710
CSR	**373,102**	67,731	421,088
Tax paid	**(655,935)**	(3,262,638)	(3,722,476)
At 30 June	**(395,220)**	(2,910,641)	(223,716)

(b) Tax expense

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
Current tax expense	**2,798,254**	507,982	3,157,710
CSR	**373,102**	67,732	421,088
Overprovision in previous years	**-**	-	(6,338)
Effect of change in effective tax rate	**-**	-	1,617,401
Deferred tax	**562,771**	201,081	109,651
Charge for the year	**3,734,127**	776,795	5,299,512

(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:

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
Profit before tax	**20,386,264**	20,776,442	33,025,670
Tax at the rate of 17% (2020: 17% and 2019: 17%)	**3,465,665**	3,531,995	5,614,364
Tax effect of:			
- Exempt income	**(2,366,102)**	(15,995,996)	(9,234,259)
- Other deductible item	**-**	-	(194,614)
- Effect of change in effective tax rate	**-**	-	1,617,401
- Expenses not deductible for tax purposes	**2,634,564**	13,240,796	7,502,958
- Over provision in previous years	**-**	-	(6,338)
Charge for the year	**3,734,127**	776,795	5,299,512

The Company applied a partial exempton 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 years ended 30 June 2019 and 30 June 2020. No such exemption was applied for the income tax computation for the years ended 30 June 2021.

15. TAXATION (CONT'D)

(d) Deferred tax (liabilities)/ assets

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
Deferred tax assets	**722,814**	2,048,204	1,922,608
Deferred tax liabilities	**(920,708)**	(1,294,706)	(1,052,791)
	(197,894)	753,498	869,817

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

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
At 1 July	**753,498**	869,817	1,808,190
Prior year adjustment	**-**	-	585,990
Charged to profit or loss (note 15(b))	**(562,772)**	(201,081)	(109,651)
Effect of change in effective tax rate	**-**	-	(1,617,401)
Charged to other comprehensive income	**(388,620)**	84,762	202,689
At 30 June	**(197,894)**	753,498	869,817

(ii) 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 2018	1,354,178
Credited to profit or loss	(460,365)
Effect of change in effective tax rate	158,978
At 30 June 2019	1,052,791
Credited 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**

Deferred tax assets

	Allowance for credit impairment	**Retirement benefit plan**	**Total**
	Rs.	**Rs.**	**Rs.**
At 30 June 2018	1,737,938	1,424,430	3,162,368
Prior year adjustment	-	585,990	585,990
Effect of change in effective tax rate	(1,141,875)	(935,891)	(2,077,766)
Credited to profit or loss	(56,868)	106,195	49,327
Credited to other comprehensive income	-	202,689	202,689
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**

16. OTHER LIABILITIES

	2021	2020	2019
	Rs.	Rs.	Rs.
Staff cost	**159,954**	98,799	679,350
Audit fee	**610,000**	551,250	525,000
Professional fee	**62,438**	66,150	63,000
Other creditors	**2,544,482**	302,581	10,780
Amount due to Holding Company	**440,677**	-	277,577
Others	**3,447,596**	2,205,152	1,885,352
Impairment allowance on undrawn commitments	**37,323**	9,528	20,842
	7,302,470	3,233,460	3,461,901

17. RETIREMENT BENEFIT OBLIGATIONS

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

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
Funded Defined Benefit Obligation	**15,508,000**	15,105,000	12,277,000
Unfunded Defined Benefit Obligation	**1,685,000**	4,745,000	4,177,000
Liability recognised in the statement of financial position	**17,193,000**	19,850,000	16,454,000

(a) Defined benefit plan

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Present value of funded obligations	**34,565,000**	28,622,000	24,121,000
Fair value of plan assets	**(19,057,000)**	(13,517,000)	(11,844,000)
Liability recognised in the statement of financial position	**15,508,000**	15,105,000	12,277,000

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**15,105,000**	12,277,000	8,379,000
Profit or loss charge	**1,296,000**	1,263,000	1,003,000
Other comprehensive income charge	**899,000**	2,312,000	3,535,000
Contributions paid	**(1,792,000)**	(747,000)	(640,000)
At 30 June	**15,508,000**	15,105,000	12,277,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**28,622,000**	24,121,000	19,181,000
Current service cost	**708,000**	521,000	442,000
Administrative expenses and risk premiums	**(105,000)**	(52,000)	-
Interest expense	**1,193,000**	1,460,000	1,367,000
Employee contributions	**418,000**	374,000	320,000
Benefits paid	**(420,000)**	(413,000)	(483,000)
Transfer-in Due	**2,319,000**	-	-
Loss on demographic assumptions	**4,417,000**	-	-
Liability experience (gain)/loss	**(1,077,000)**	1,503,000	(12,000)
Liability (gain)/loss due to change in financial assumption	**(1,510,000)**	1,108,000	3,306,000
At 30 June	**34,565,000**	28,622,000	24,121,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**13,517,000**	11,844,000	10,802,000
Interest income	**605,000**	718,000	806,000
Contributions to plan assets	**2,210,000**	1,121,000	960,000
Administrative expenses and risk premiums	**(105,000)**	(52,000)	-
Benefits paid	**(420,000)**	(413,000)	(483,000)
Transfer-in Due	**2,319,000**	-	-
Return on planned assets excluding interest income	**931,000**	299,000	(241,000)
At 30 June	**19,057,000**	13,517,000	11,844,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Current service cost	**708,000**	521,000	442,000
Net interest on net defined benefit liabilities	**(353,000)**	(5,000)	(79,000)
Total included in "employee benefit expense" (note 24)	**355,000**	516,000	363,000

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Return on plan assets interest income	**(931,000)**	(299,000)	241,000
Loss on demographic assumptions	**4,417,000**		
Liability experience loss/(gain)	**(1,077,000)**	1,503,000	(12,000)
Liability (gain)/ loss due to change in financial assumptions	**(1,510,000)**	1,108,000	3,306,000
Total actuarial gain	**899,000**	2,312,000	3,535,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Distribution of plan assets at end of year			
Loans, Government securities and cash	**16,579,590**	11,759,790	10,304,280
Local equities	**2,286,840**	1,622,040	1,421,280
Property	**190,570**	135,170	118,440
Total	**19,057,000**	13,517,000	11,844,000

(viii) Principal actuarial assumptions at end of period:

	2021	2020	2019
	%	%	%
Discount rate	**5.35**	3.90	5.90
Future long term salary increases	**3.50**	2.40	4.20
Future pension increases	**2.50**	1.40	3.20

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Increase due to 1% decrease in discount rate	**27,514,000**	23,220,000	6,017,000
Decrease due to 1 % increase in discount rate	**43,519,000**	35,566,000	4,556,000
Increase due to 1% increase in salary	**39,410,000**	32,761,000	3,337,000
Decrease due to 1% decrease in salary	**30,438,000**	25,141,000	2,768,000
Increase due to 1% increase pension	**38,481,000**	31,139,000	2,567,000
Decrease due to 1% decrease in pension	**31,182,000**	26,287,000	2,173,000

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 (cont'd)

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 market (investment) risk, interest risk, longevity risk and salary risk.

Market (investment) risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

(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 2021 by QED Employee Benefits Consulting (Pty) Ltd.

(xii) The Company expects to pay Rs.1,825,000 (2020: Rs1,300,000) in contributions to its post-employment benefit plans for the year ending 30 June 2022.

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

(b) State plan

	2021	2020	2019
	Rs.	Rs.	Rs.
Contributions expensed	**83,908**	61,492	54,546

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(c) Unfunded defined benefit plan

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Present value of unfunded obligations	**1,685,000**	4,745,000	4,177,000
Liability recognised in the statement of financial position	**1,685,000**	4,745,000	4,177,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**4,745,000**	4,177,000	3,447,000
Profit or loss charge	**125,000**	387,000	730,000
Other comprehensive income (credit)/ charge	**(3,185,000)**	181,000	-
At 30 June	**1,685,000**	4,745,000	4,177,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**4,745,000**	4,177,000	3,447,000
Current service cost	**66,000**	216,000	730,000
Interest expense	**59,000**	171,000	-
Liability (gain)/ loss due to change in financial assumption	**(3,185,000)**	181,000	-
At 30 June	**1,685,000**	4,745,000	4,177,000

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Liability experience gain	**(42,000)**		-
Liability (gain)/ loss due to change in financial assumptions	**(3,143,000)**	181,000	-
Total actuarial (gain)/loss	**(3,185,000)**	181,000	-

(v) Principal actuarial assumptions at end of period:

	2021	2020	2019
	%	%	%
Discount rate	**5.35**	**3.90**	0.00
Future long term salary increases	**3.50**	**2.40**	0.00
Future pension increases	**2.50**	**1.40**	0.00

18. DIVIDEND PAYABLE

	2021	2020	2019
	Rs.	Rs.	Rs.
Dividend payable	**14,154,317**	**17,317,466**	24,115,160

A dividend of Rs.0.71 per share (2020: Rs. 0.87 and 2019: Rs. 1.20) representing 85% of the profit after tax in respect of the year ended 30 June 2021 was declared by the directors on 30 June 2021.

19. STATED CAPITAL

The stated capital comprise 20,000,000 ordinary shares at Rs 10 each for the three years ended 30 June. The Company has one class of ordinary shares which carries a right to vote.

20. OTHER RESERVES

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
Statutory reserve (note (a) below)	**59,592,232**	57,094,411	54,094,464
Investment revaluation reserve (note (b) below)	**(360,000)**	(375,000)	99,000
Actuarial losses reserve (note (c) below)	**(10,708,289)**	(12,605,669)	(10,197,431)
General banking reserve (note (d) below)	**5,743,649**	5,743,649	5,149,990
At 30 June	**54,267,592**	49,857,391	49,146,023

(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.2,497,821** was transferred in 2021 (2020 restated : Rs.2,999,947 and 2019 restated: Rs.4,158,924).

(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 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 1% provisioning required by the Bank of Mauritius G*uideline on Credit Impairment Measurement and Income Recognition* to the General Banking Reserve. No such transfer was made for the year ended 30 June 2021 given that the Guideline has been put on hold by the Bank of Mauritius.

21. NET INTEREST INCOME

	2021	2020	2019
	Rs.	Rs.	Rs.
Interest income			
Cash and cash equivalents	**1,173,000**	2,793,300	886,817
Investment securities	**14,408,122**	14,416,237	17,456,505
Term deposits	**31,495,664**	37,994,976	66,549,433
Loans and advances to holding company	**9,459,502**	14,946,196	19,962,340
Loans and advances to customers	**3,807,677**	-	-
Others	**111,227**	49,013	59,030
Total interest income calculated under EIR method	**60,455,192**	70,199,722	104,914,125
Others			
Interest income on lease receivables	**44,820,613**	43,356,781	33,368,993
Total interest income	**105,275,805**	113,556,503	138,283,118
Interest expense			
Deposits from customers	**58,945,816**	64,471,385	78,815,465
Interest expense on lease liabilities	**601,400**	655,309	-
Total interest expense	**59,547,216**	65,126,694	78,815,465
Net interest income	**45,728,589**	48,429,809	59,467,653

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Financial assets measured at amortised cost	**60,455,192**	70,199,722	104,914,125
Financial liabilities measured at amortised cost	**59,547,216**	65,126,694	78,815,465

22. DIVIDEND INCOME

	2021	2020	2019
	Rs.	Rs.	Rs.
Financial assets at FVTPL	**1,461,883**	931,992	1,457,279

23. NET IMPAIRMENT CHRAGE/ (REVERSAL) ON FINANCIAL ASSETS

	2021	2020	2019
	Rs.	Rs.	Rs.
Investment securities (note 6)	**(510)**	(496)	(15,225)
Deposits with financial institutions (note 7)	**(1,163,756)**	(45,478)	(581,260)
Loans and advances to holding company (note 8.1)	**(6,397)**	(5,849)	(5,348)
Other loans (note 8.2)	**24,206**	(2,435)	12,872
Loans and advances to customers (note 8.3)	**1,876,154**	-	-
Investment in finance leases (note 12 (e))	**5,232,447**	96,203	(1,517,533)
Other assets (note 13)	**474**	(328,644)	81,964
Other liabilities (note 16)	**27,795**	(11,314)	(33,424)
Charge/(credit) for the year	**5,990,413**	(298,013)	(2,057,954)

24. PERSONNEL EXPENSES

	2021	2020 (Restated)	2019 (Restated)
	Rs.	Rs.	Rs.
Wages and salaries	**16,870,958**	14,184,852	12,151,550
Pension costs - funded defined benefit plans (note 17(a)(vi))	**355,000**	516,000	363,000
Pension costs - unfunded defined benefit plans	**125,000**	387,000	730,000
Other post retirement benefit (note 17(b))	**83,908**	61,492	54,546
	17,434,866	15,149,344	13,299,096

25. OTHER EXPENSES

	2021	2020	2019
	Rs.	Rs.	Rs.
Management fees payable to holding company	**9,718,000**	8,600,000	8,600,000
Rent payable to holding company	**-**	-	1,681,287
Directors and secretary fees	**1,808,344**	1,513,995	1,610,300
Licence fees	**2,310,500**	2,308,000	2,268,500
Professional charges	**62,438**	191,150	63,000
Audit fees	**610,000**	551,250	525,000
IT expenses	**1,247,142**	1,492,187	3,050,321
Others	**3,016,804**	3,456,800	3,463,811
	18,773,228	18,113,382	21,262,219

26. OTHER OPERATING INCOME

	2021	2020	2019
	Rs.	Rs.	Rs.
Management fee income from SICOM Unit Trusts	**2,929,612**	2,572,866	2,415,349
Other miscellaneous income	**16,297**	24,715	56,020
	2,945,909	2,597,581	2,471,369

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

(i) Loans and advances to Holding Company

(a) Capital element

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**133,953,235**	192,442,467	245,915,555
Repayments	**(63,975,928)**	(58,489,232)	(53,473,088)
At 30 June	**69,977,307**	133,953,235	192,442,467

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

28. RELATED PARTY DISCLOSURES (CONT'D)

(i) Loans and advances to Holding Company (Cont'd)

(b) Interest received/receivable

	2021	2020	2019
	Rs.	Rs.	Rs.
Receivable and received for the year	**9,459,502**	14,946,196	19,962,340

(ii) Directors and key management personnel

(a) Capital element - Deposits from customers

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**54,855,340**	55,890,340	59,839,706
Additions	**100,000**	2,463,376	11,495,668
	54,955,340	58,353,716	71,335,374
Repayments	**(100,000)**	(3,498,376)	(15,445,034)
At 30 June	**54,855,340**	54,855,340	55,890,340

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

(b) Interest payable

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**181,777**	184,627	230,470
Payable for the year	**1,927,104**	2,005,101	2,251,080
	2,108,881	2,189,728	2,481,550
Paid during the year	**(1,922,578)**	(2,007,951)	(2,296,923)
At 30 June	**186,303**	181,777	184,627

(iii) Finance leases to key management personnel

(a) Capital element

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**1,767,716**	2,571,727	2,690,600
Additions	**-**	-	300,000
Repayments	**(640,812)**	(804,011)	(418,873)
At 30 June	**1,126,904**	1,767,716	2,571,727

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

28. RELATED PARTY DISCLOSURES (CONT'D)

(iii) Finance lease to key management personnel (cont'd)

(b) Interest receivable

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**-**	3,967	4,957
Receivable during the year	**81,171**	146,591	139,846
Received during the year	**(81,171)**	(150,558)	(140,836)
At 30 June	**-**	-	3,967

(iv) Rent payable to Holding Company

(Recognised under IFRS 16)

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**-**	-	-
Payable during the year	**1,580,799**	1,580,799	1,681,287
	1,580,799	1,580,799	1,681,287
Paid during the year	**(1,580,799)**	(1,580,799)	(1,681,287)
At 30 June	**-**	-	-

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 2021 is Rs10,193,990 (Note 11).

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Payable during the year	**440,677**	-	277,577
At 30 June	**440,677**	-	277,577

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**843,677**	946,117	428,566
Receivable for the year	**1,813,122**	1,713,871	1,639,163
	2,656,799	2,659,988	2,067,729
Received during the year	**(1,714,497)**	(1,816,311)	(1,121,612)
At 30 June	**942,302**	843,677	946,117

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

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

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**420,109**	448,114	198,906
Receivable for the year	**1,116,490**	858,995	776,186
	1,536,599	1,307,109	975,092
Received during the year	**(952,231)**	(887,000)	(526,978)
At 30 June	**584,368**	420,109	448,114

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

28. RELATED PARTY DISCLOSURES (CONT'D)

(viii) Management fees to Holding Company

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	-	-	-
Payable for the year	9,718,000	8,600,000	8,600,000
	9,718,000	8,600,000	8,600,000
Paid during the year	(9,718,000)	(8,600,000)	(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.

(ix) Dividend payable to Holding Company

	2021	2020	2019
	Rs.	Rs.	Rs.
Payable during the year	14,012,773	17,144,291	23,874,008

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Receivable during the year	836,847	608,999	1,000,719

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

	2021	2020	2019
	Rs.	Rs.	Rs.
Receivable during the year	625,036	436,828	445,760

(xii) Other transactions with Holding Company

	2021	2020	2019
	Rs.	Rs.	Rs.
Charge for the year	524,366	460,680	477,568

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

(a) Number of units

	2021	2020	2019
At 1 July	1,444,127	1,394,925	1,340,348
Additions	37,020	49,202	54,577
At 30 June	1,481,147	1,444,127	1,394,925

(b) Value of units (at cost)

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	16,613,151	15,925,800	15,152,439
Additions	494,214	687,351	773,361
At 30 June	17,107,365	16,613,151	15,925,800

28. RELATED PARTY TRANSACTIONS (CONT'D)

(xiii) Investment in Sicom Unit Trust - Sicom General Fund (cont'd)

(c) Market value of units

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July (ex-div)	**18,903,626**	18,775,695	18,898,905
Additions	**494,214**	687,351	773,361
Fair value adjustment	**4,759,668**	(559,420)	(896,571)
At 30 June	**24,157,508**	18,903,626	18,775,695

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

(a) Number of units

	2021	2020	2019
At 1 July	**1,270,218**	1,234,448	1,195,503
Additions	**30,044**	35,770	38,945
At 30 June	**1,300,262**	1,270,218	1,234,448

(b) Value of units (at cost)

	2021	2020	2019
	Rs.	Rs.	Rs.
At 1 July	**13,010,579**	12,563,092	12,091,466
Additions	**436,828**	447,487	471,626
At 30 June	**13,447,407**	13,010,579	12,563,092

(c) Market value of units

	2021	2020	2019
At 1 July (ex-div)	**17,427,396**	15,035,577	14,262,349
Addition	**436,828**	447,487	471,626
Fair value adjustment	**6,099,597**	1,944,332	301,602
At 30 June	**23,963,821**	17,427,396	15,035,577

(xv) Compensation of Directors and key management personnel

	2021	2020	2019
	Rs.	Rs.	Rs.
Short term benefits	**7,453,764**	7,003,874	6,312,322
Post employment benefits	5,137,650	4,742,850	3,756,000

(xvi) Sale of Property and equipment to Holding Company

	2021	2020	2019
	Rs.	Rs.	Rs.
Transfer of Leasehold Building	-	-	2,347,794

(xvii) Amount receivable from Holding Company for Finance lease

	2021	2020	2019
	Rs.	**Rs.**	**Rs.**
Receivable for the year	-	251,473	-

(xviii) Contribution to defined benefit pension plan

Contribution	**1,358,883**	1,121,040	959,472

(xix) Amount receivable from sister company

Receivable for the year	**648,080**	411,412	-

None of the facilities granted to related parties was considered to be non-performing for 2021, 2020 and 2019.

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 on page 14 in the Management Discussion and Analysis and pages 27- 28 on the Company's Risk Management Framework.

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:

	2021	2020	2019
	% p.a.	% p.a.	% p.a.
Financial assets			
Investment in finance leases	**5.00 to 12.50**	5.75 to 12.50	5.75 to 12.50
Balances with local banks	**0.00 to 0.20**	0.00 to 1.80	0.00 to 1.80
Loans to holding company	**9.00**	9.00	9.00
Other loans	**2.00 to 4.00**	2.00 to 4.00	2.00 to 4.00
Loans and advances to customers	**5.90**	-	-
Deposits with financial institutions	**3.40 to 10.50**	2.85 to 10.50	4.00 to 10.50
Investment securities - Government of Mauritius Bonds	**5.00 to 8.29**	5.00 to 8.29	5.00 to 8.29
Financial liabilities			
Deposits from customers	**0.50 to 4.50**	1.00 to 4.50	2.00 to 6.50

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.

	2021		2020		2019	
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	**83,405**	**70,894**	61,252	52,064	75,043	63,787
-5 basis points	**(83,405)**	**(70,894)**	(61,252)	(52,064)	(75,043)	(63,787)

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 2021 as compared to 30 June 2020 and 30 June 2019.

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.

	2021	2020	2019
	Rs	Rs	Rs
Equity	**48,781,329**	**36,976,022**	34,930,272

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

	2021	2020	2019
	Rs	Rs	Rs
Increase/decrease of 5% in prices of securities *Increase/decrease in net assets/income*	**2,439,066**	1,848,801	1,746,514
Increase/decrease of 10% in prices of securities *Increase/decrease in net assets/income*	**4,878,133**	3,697,602	3,493,027

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 Group'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, lease receivables, and investments in debt securities. 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.

	2021	2020	2019
	Rs.	Rs.	Rs.
Cash and cash equivalents	**221,250,887**	151,774,445	215,792,470
Investment securities	**299,186,672**	287,680,734	285,926,251
Deposits with financial institutions	**670,014,300**	947,034,785	1,044,237,573
Loans and advances	**312,375,869**	135,082,062	193,827,687
Net investment in finance leases	**705,674,304**	661,411,228	576,480,171
Other assets*	**4,816,628**	4,177,077	7,765,738
	2,213,318,660	2,187,160,331	2,324,029,890

**Other assets exclude non-financial assets such as prepayments.*

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.2 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

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 in debt 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 policies. The fair value of the collaterals is obtained by independent surveyors and factors into 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.
2021	41,144,067	9,365,620	51,602,450
2020	20,918,379	4,210,605	30,840,000
2019	14,100,119	4,311,094	14,005,000

Repossessed leases

The fair value of assets repossessed during the year is shown below:

	2021	2020	2019
	Rs.	**Rs.**	**Rs.**
Vehicles	**1,815,000**	650,000	1,675,000

These repossessed collaterals are sold to third parties to recover the investments in the leases.

Covid-19 moratoriums

There were 15 new moratoriums granted to eligible customers impacted by Covid-19 during the year ended 30 June 2021. The carrying amount of such exposures under moratoriums granted during the year amounted to Rs 22,810,978 (2020: Rs 14,409,836).

(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 2021	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	On Demand	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
	-	-	-	-	250,405,343	48,781,329	299,186,672
Deposits with financial institutions	-	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	-	-	-	-	-	4,816,628	4,816,628
Total financial assets	84,192,547	105,718,546	763,264,555	800,690,277	372,708,640	274,848,844	2,401,423,409
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	139,312,548	320,857,999	208,572,778	1,147,727,923	6,323,196	21,456,787	1,844,251,231
Net liquidity gap	(55,120,001)	(215,139,453)	554,691,777	(347,037,646)	366,385,444	253,392,057	557,172,178

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

	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	On Demand	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
	-	-	-	-	250,704,712	36,976,026	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	-	-	-	-	-	4,177,077	4,177,077
Total financial assets	74,527,689	171,110,429	339,576,943	1,269,155,608	310,003,077	192,927,548	2,357,301,294
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 liabilities	-	-	-	-	-	3,233,460	3,233,460
Lease liabilities	395,199	395,199	790,398	6,323,184	7,903,996		15,807,976
Dividend	-	-	-	-	-	17,317,466	17,317,466
Total financial liabilities	38,176,338	45,809,612	321,506,645	1,430,097,381	7,903,996	20,550,926	1,864,044,898
Net liquidity gap	36,351,351	125,300,817	18,070,298	(160,941,773)	302,099,081	172,376,622	493,256,396

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 2019

	Within 3 Months	3-6 Months	6-12 Months	1 - 5 Years	Over 5 Years	On Demand	Total
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	-	-	-	-	-	215,792,470	215,792,470
Investment securities							
Investment securities at FVTPL	-	-	-	-	-	33,811,272	33,811,272
Investment securities at FVOCI	-	-	-	-		1,119,000	1,119,000
Debt instruments at amortised cost	-	-	-	-	250,995,979	-	250,995,979
					250,995,979	34,930,272	285,926,251
Deposits with fianncial institutions	109,150,495	167,885,462	69,011,675	115,714,626	582,475,315	-	1,044,237,573
Loans and advances							
Holding company	14,115,137	14,454,796	29,900,055	133,953,235	-	-	192,423,223
Other loans	107,141	114,374	225,467	840,452	117,030	-	1,404,464
	14,222,278	14,569,170	30,125,522	134,793,687	117,030	-	193,827,687
Investments in finance leases	46,783,915	33,967,723	67,285,858	380,277,218	46,710,777	1,454,680	576,480,171
Other assets	-	-	-	-	-	7,765,738	7,765,738
Total financial assets	170,156,688	216,422,355	166,423,055	630,785,531	880,299,101	259,943,160	2,324,029,890
Financial liabilities							
Amortised Cost							
Deposits from customers	139,153,242	56,967,128	235,184,576	1,537,211,222	-	-	1,968,516,168
Other liablities	-	594,735	-	-	-	2,867,166	3,461,901
Dividend	-	-	-	-	-	24,115,160	24,115,160
Total financial liabilities	139,153,242	57,561,863	235,184,576	1,537,211,222	-	26,982,326	1,996,093,229
Net liquidity gap	31,003,446	158,860,492	(68,761,521)	(906,425,691)	880,299,101	232,960,834	327,936,661

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.3 Fair value of financial instruments

The carrying amounts of financial assets at FVTPL and amortised cost, cash and cash equivalents, investment in finance leases, other assets approximate their fair values either because they are measured at fair value or because of the short term nature. Financial assets and liabilities, which are accounted for at amortised cost, are carried at values which may differ materially from their fair values. These are other financial assets and loans receivables that are carried at amortised cost less impairment and whose fair values have been calculated and compared with the carrying amount.

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 2021	**Level 1**	**Level 2**	**Total**
	Rs.	**Rs.**	**Rs.**
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.
Investment securities held at:			
- FVOCI	645,000	-	645,000
- FVTPL	-	36,331,022	36,331,022
	645,000	36,331,022	36,976,022

AT 30 JUNE 2019	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Investment securities held at:			
- FVOCI	1,119,000	-	1,119,000
- FVTPL	-	33,811,272	33,811,272
	1,119,000	33,811,272	34,930,272

29. FINANCIAL RISK MANAGEMENT (CONT'D)

29.3 Fair value of financial instruments (Cont'd)

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		
	2021	2020	2019	**2021**	2020	2019
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	**221,250,887**	151,774,445	215,792,470	**221,250,887**	151,774,445	215,792,470
Deposits with financial institutions	**670,014,300**	947,034,785	1,044,237,573	**670,014,300**	977,111,308	1,047,800,093
Loans and advances						
-Holding company	**69,970,309**	133,939,840	192,423,223	**69,970,309**	137,148,751	192,442,467
-Other loans	**3,749,117**	1,142,222	1,404,464	**3,749,117**	1,120,149	1,417,505
-To customers (speedy loans)	**238,656,443**	-	-	**238,656,443**	-	-
Investment securities						
- Bonds	**250,405,343**	250,704,712	250,995,979	**250,405,343**	306,541,559	251,423,399
Other assets	**4,816,628**	4,177,077	7,765,738	**4,816,628**	4,177,077	7,765,738
Financial Liablities						
Deposit from customers	**1,720,301,143**	1,706,604,100	1,842,752,457	**1,710,143,533**	1,762,174,017	1,842,752,457
Other liablities	**7,302,470**	3,233,460	3,461,901	**7,302,470**	3,233,460	3,461,901
Dividend payable	**14,154,317**	17,317,466	24,115,160	**14,154,317**	17,317,466	24,115,160
Lease liabilities	**10,193,990**	11,173,389	-	**10,193,990**	-	-

(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) Loans and advances and Bonds

The estimated fair value of loans and advances to holding company and investment in 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

The capital structure of the Company consists of stated capital, other reserves and retained earnings. Notes on stated capital and reserves are disclosed in notes 19 and 20 respectively. The Company has to comply with the Banking Act 2004 in respect of both its stated capital and reserves, which is detailed in the notes. As at 30 June 2021, the regulatory requirement has been met for both stated capital and reserves. The Company manages its capital with an aim to maximize return to its shareholders.

The Company further needs to meet its capital adequacy requirements which have been disclosed on page 15 of the Annual Report.

31. COMMITMENTS FOR FUTURE LEASES

At 30 June 2021, the Company had undrawn commitment of Rs. 46,806,316 (2020: Rs. 17,272,000 and 2019: Rs. 21,800,000) in respect of future leases.

32. 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

33. 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 2021.

34. PRIOR YEARS ADJUSTMENTS

The Salary Report commissioned by State Insurance Company of Mauritius Ltd previously introduced a guaranteed pension of 12.5 years in case of death of employees in service or after retirement and additional pensions for employees leaving on Voluntary Retirement Scheme.

As per the requirement of the IAS 19 *Employee Benefits,* the liability in respect of these benefit improvements are being recognised in the Financial Statements. Prior year adjustments have been made to reflect the additional liability in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

	30 JUNE 2019		
Impact as at 30 June	As previously reported	Adjustments	As restated
	Rs	Rs	Rs
Non-Current Assets:			
Deferred Tax assets	198,446	671,371	869,817
Non- Current Liabilities:			
Employee benefit obligations	12,277,000	4,177,000	16,454,000
Shareholder's equity:			
Retained earnings	216,443,457	(3,408,936)	213,034,521
Reserves	49,242,716	(96,693)	49,146,023

	30 JUNE 2020		
Impact as at 30 June	As previously reported	Adjustments	As restated
	Rs	Rs	Rs
Non-Current Assets:			
Deferred Tax assets	62,815	690,683	753,498
Non- Current Liabilities:			
Employee benefit obligations	15,105,000	4,745,000	19,850,000
Shareholder's equity:			
Retained earnings	215,849,798	(3,726,702)	212,123,096
Reserves	50,185,006	(327,615)	49,857,391

	30 JUNE 2019		
Statement of Profit or Loss and other comprehensive income	As previously reported	Adjustments	As restated
	Rs	Rs	Rs
Employee benefit expenses:			
Personnel expenses	12,569,096	730,000	13,299,096
Taxation	5,384,893	(85,381)	5,299,512

	30 JUNE 2020		
Statement of Profit or Loss and other comprehensive income	As previously reported	Adjustments	As restated
	Rs	Rs	Rs
Employee benefit expenses:			
Personnel expenses	14,762,344	387,000	15,149,344
Taxation	789,953	(13,158)	776,795
Remeasurement of defined benefit obligations	2,312,000	181,000	2,493,000
Income tax relating to components of other comprehensive income	78,608	6,154	84,762

SICOM Financial Services Ltd
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