Cim finance


# INTEGRATED REPORT **2021**

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of CIM Financial Services Ltd for the year ended 30 September 2021.

This report was approved by the Board on 13 December 2021.

**Aisha Timol**
Independent Director and
Chairperson

**Mark van Beuningen**
Executive Director and
Group Chief Executive Officer

# About this report

## Reporting period, scope and boundary

This third Integrated Report communicates financial and non-financial information about CIM Financial Services Ltd's ('CFSL') strategy, business model, operating context, material risks and opportunities, governance and operational performance for the period 1 October 2020 to 30 September 2021.

This report covers CFSL and its subsidiaries (collectively referred to as 'Cim Finance' or 'the Group') and provides a comprehensive overview of all matters that materially affect the Group. Significant events after 30 September 2021 up to the date of approval of this report are also disclosed herein.

# Theme of this report

The central theme for this year's report, *Rebuilding Together*, reflects our determination to support our customers, who are integral to our existence and the sustainability of our business, in the challenging context of COVID-19. In this report, we demonstrate how this strategic imperative has guided our decisions and initiatives during the year, resulting in the development of innovative solutions intended to improve the quality of life of our customers. More than ever, we are committed to playing our part in helping our stakeholders and country move towards a future that is resilient and inclusive.

## Report Principles

Our Integrated Report complies with the International Financial Reporting Standards, the National Code of Corporate Governance 2016 and the Companies Act 2001. In preparing this report, we have also been guided by the principles and requirements contained in the IIRC's International <IR> Framework. Our discussions about value creation are centred on the six <IR> capitals that are relevant to our Group, namely:

1. Financial
2. Human
3. Intellectual
4. Social & Natural (combined for the purpose of this report)
5. Manufactured
6. Relationship Capital

We recognise that integrated reporting is a continuous journey of improvement. We are committed to improving, each year, our reporting practices, as well as the quality of information we provide to our stakeholders. The process of preparing this Integrated Report allows us to better understand the connectivity and interrelatedness between our organisation's different activities and functions, create a culture of collaboration and offer a holistic view of how Cim Finance creates value. Our aim is to continue embedding integrated thinking into our business in a way that enhances decision-making and our resilience.

## Our approach to materiality

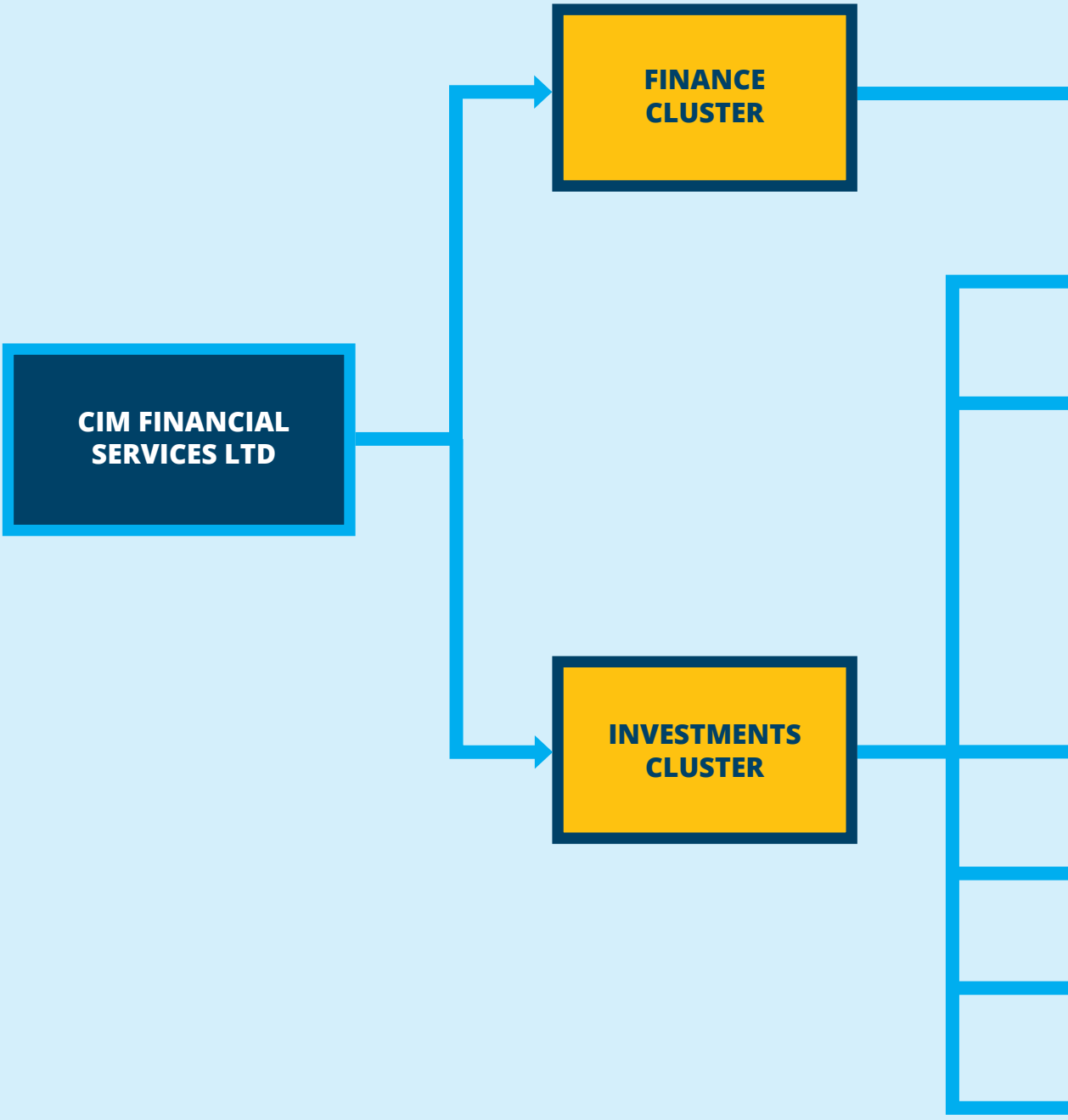
This report provides information that we believe is of a material nature to the ability of the Group to generate value over the short, medium and long term. In determining our materiality, we have considered our business models, our interactions with our relevant capitals, our operating context, the relevance to our key stakeholders and our business strategies.

## Forward-looking Statements

This report contains certain statements relating to the Group's performance, financial standing, future prospects and objectives. These statements are based on the beliefs and assumptions of the Group's management, as well as on information currently available to us. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and are not a guarantee of future performance or developments. Actual results and events may differ materially from information contained in the forward-looking statements. COVID-19 continues to be an unpredictable variable, and readers and investors are advised to take this context into account and not place undue reliance on these statements.

# Contents

# CIM Financial Services Ltd
## Group Structure




Notes:

1 Group Structure as at 30 September 2021.
2 Excluding companies under liquidation and dormant companies.
3 In November 2021, CFSL has disposed of its shares in the iVeri entities.


100%
CIM FOREX LTD
100%
CIM INTERNATIONAL HOLDINGS LTD
49%
IVERI PAYMENT TECHNOLOGIES (PTY) LTD
85%
TOUCHPOINT PAYMENTS PROPRIETARY LTD
100%
CIM CSR FUND LTD
100%
CIM KENYA LTD
100%
CIM ADMINISTRATORS LTD
100%
CIM CREDIT KENYA LTD
100%
CIM INSURANCE AGENCY LTD
40%
LI & FUNG (MAURITIUS) LTD
40%
DODWELL (MAURITIUS) LTD
100%
CIM LEARNING CENTRE LTD
100%
KEY FINANCIAL SERVICES LTD
100%
THE OCEANIC TRUST LTD

# This is Cim

Over
**750**
EMPLOYEES

**22%**
MALE

**78%**
FEMALE

AVERAGE AGE
**34**
FEMALE

AVERAGE AGE
**38**
MALE

**97**
COUNTERS

**278,000**
CLIENTS

**+700**
MERCHANTS

MO FINANS

**+51,000**
users

**+30,000**
monthly logins

ENVIRONMENTALLY FRIENDLY ACTIONS

**+330,000**
agreements repaid digitally through Mo Finans

**22%**
printed credit card statements

## Our purpose-driven approach

We firmly believe that all Mauritians deserve a level playing field and the freedom to build better futures for themselves. Driven by this purpose, Cim Finance develops innovative products and flexible financing solutions designed to meet the various needs of individual and corporate consumers—and enhance their financial wellbeing.

Through our agile and customer-centred approach, we help households finance the everyday purchases that improve their quality of life; we empower entrepreneurs to start, grow and sustain their businesses; we partner with SMEs so they can fulfil their role as powerful engines of growth and employment; and we strive to help underserved communities break free of their financial constraints. In rising to achieve our mission, we have established ourselves as a reliable alternative to traditional lenders and the leading non-banking financial institution in the country.

## Our Brand Pillars

Our brand pillars guide us in all that we do and help us build authentic and trusting relationships with our employees, customers, partners and community members.

### LEADING EDGE

We remain at the forefront of a fast-changing world by harnessing digital technologies and nurturing a growth mindset that values continuous learning and improvement above all.

### CONNECTED

We operate as one team, one Cim, as we strive to help you meet your financial obligations. We break down the silos and bring together our various teams, areas of expertise and ideas so we can focus on offering you the best solution and the best experience.

### CARING

We care about building a world in which everyone has access to the things they need. We vow to be warm, transparent and supportive as we guide you on your path to financial freedom.

### AGILE

We understand that your financial needs are constantly changing. As your trusted financial partner, we adapt our solutions to your unique circumstances and grant you greater flexibility and freedom over your spending.

# Value Creation Model

## INPUT

### FINANCIAL CAPITAL

- Shareholders' fund
- Reinvestment
- Debt

### HUMAN CAPITAL

- Diversified, competent and engaged workforce
- Continuous development
- Strong leadership team

### INTELLECTUAL CAPITAL

- Branding
- Innovation
- Values

### RELATIONSHIP CAPITAL

- Wide network of merchants
- Visa and MasterCard Accreditation

### MANUFACTURED CAPITAL

- Proprietary Scorecard
- Network of counters

### SOCIAL & NATURAL CAPITAL

- Corporate Social Responsibility
- Responsible lender
- Partnership with Government for SMEs

## STRATEGIC IMPERATIVES

- Sustainable Growth
- Operational Excellence
- Digitalisation
- Customer Centricity

## OUR ACTIVITIES & OPERATIONS

- **Credit facilities to individuals for the purchase of mobile phones, consumer electronic goods and furniture**
- **Personal unsecured loans to individuals to finance projects or personal requirements**
- **Credit protection plan to protect customers against unforeseen circumstances**

- Credit protection plan to protect customers against unforeseen circumstances
- Cards and Payment Solutions
- Solutions for the acquisition of vehicles and equipment
- Help SMEs meet their cashflow needs through our Factoring services

## RISK MANAGEMENT FRAMEWORK

- Risk Appetite
- Main Risks
- Risk Response

## OUTPUT

### FINANCIAL CAPITAL

- Optimal funding mix
- Achieving targeted ROE

### HUMAN CAPITAL

- Employer of choice
- Empowered employees
- Work/life balance

### INTELLECTUAL CAPITAL

- New products
- Cim Culture
- Strong brand & reputation

### RELATIONSHIP CAPITAL

- Helping our partners grow their business

### MANUFACTURED CAPITAL

- Accessibility
- Sound credit decisions
- Low impairment levels

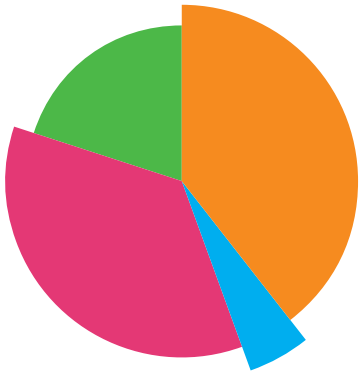
### SOCIAL & NATURAL CAPITAL

- Responsible lender
- Support to the community

# Consolidated Value Added Statement

SEP 2021

SEP 2020



EMPLOYEES GOVERNMENT PROVIDERS OF CAPITAL REINVESTED

| | Sep 2021 | Sep 2020 |
|---|---|---|
| | ***MUR m*** | ***MUR m*** |
| **Value Added Statement** | | |
| Income | 2,259 | 2,082 |
| Bought-in materials & services | (533) | (561) |
| Total value added | 1,726 | 1,521 |
| Applied as follows: | | |
| **EMPLOYEES** | | |
| Wages, salaries, bonuses, pensions & other benefits | 606 | 600 |
| **GOVERNMENT** | | |
| Income Tax | 94 | 77 |
| **PROVIDERS OF CAPITAL** | | |
| Dividends paid to: | | |
| Shareholders of CIM Financial Services Ltd | 68 | 109 |
| Banks & other lenders | 396 | 431 |
| | 464 | 540 |
| **REINVESTED** | | |
| Depreciation | 175 | 189 |
| Amortisation | 38 | 33 |
| Retained Profit | 349 | 82 |
| | 562 | 304 |
| | 1,726 | 1,521 |

# Financial Highlights

**NET OPERATING INCOME**

**+9%**

TO REACH MUR 2,259bn

**GROUP PROFIT AFTER TAX**

**+119%**

TO REACH MUR 417.1m

**DIVIDEND PER SHARE**

**MUR 0.10**

**EARNINGS PER SHARE**

**MUR 0.61**

**DIVIDEND YIELD**

**1.1%**

**TOTAL ASSETS**

**+5%**

TO REACH MUR 16,647.5m

**NET ASSET VALUE PER SHARE**

**MUR 6.74**

**RETURN ON EQUITY**

**9.5%**

**SHARE PRICE**

**MUR 9.22**

AS AT 30 SEPTEMBER 2021

*"Sa lane-la, mo finn resi ed mo garson ranz enn letaz lor mo lakaz. Sa finn permet li pran mwins kas prete avek labank. Kitfwa li enn ti depanaz, me mo ti anvi aport mo kontribisyon tan ki mo ankor kapav.*

**Mr Siddick**
Loan facilities

# A Message from our Chairperson

Dear Shareholders,

It gives me great pleasure to present to you CIM Financial Services Ltd's Annual Report for the financial year 2020-2021.

Though the past year was fraught with persistent challenges triggered by the prolonged pandemic, it also proved to be an eye-opener for Cim Finance. It strengthened our conviction that no country or organisation can thrive, or even exist, in isolation. Without underestimating the dire realities we face, I am struck by how far we have come, and how much further we can go, when we act collectively. Amid all the uncertainties, one thing is certain: facing a common challenge calls for a collective response. And only by working together can we overcome the pandemic and emerge stronger.

**Aisha Timol**
Independent Director and Chairperson

## The year in context

After successfully becoming COVID-free in April 2020, Mauritius was affected by a second outbreak of infections in early 2021. This led to a six-week lockdown in March, deferring yet again the resumption of economic activities and reopening of borders. This not only reversed some of the economic and social progress Mauritius made, but it also cast a shadow on the hopes we had of a recovery in 2021.

Consumers, businesses and communities are continuing to face significant economic and social hardships. Unemployment remains elevated and many households, particularly those employed in hospitality and other service industries, are still struggling with lost income and a lower purchasing power. In this context, our Consumer Finance and Leasing activities stood out as beacons of stability in helping businesses meet their cash flow needs and allowing households to maintain financial security.

## Living our purpose to rebuild together

We may be a non-banking financial institution, but our call of duty extends beyond providing financial solutions. We became all the more aware of this when, once the lockdown was lifted, a great number of customers queued up outside our premises—while respecting social distancing measures—to pay their bills and meet their financial obligations. And this despite availing of relief measures like grace periods, payment rescheduling schemes and digital solutions to avoid in-branch visits.

To us, this was a strong message: in times of crisis, our very existence depends on their continued loyalty and support and similarly, our customers rely heavily on us to be able to meet their financial needs. In that moment, the interconnectedness between our business and the customers we serve became more apparent than ever: we exist to uplift people's quality of lives, guard them against uncertainties and offer them a path to building better futures. This purpose continues to guide us as we move forward with a newfound sense of direction and bolder ambitions.

## Supporting and creating value for our stakeholder groups

Cim Finance has been an essential part of the socio-economic landscape of the island for over thirty years now. We are dedicated to honouring this legacy by ensuring the perennity of our relationship with all our stakeholder groups: this includes being a good employer, supporting our individual and corporate customers, and fulfilling our role as a member of society.

### Our employees

The safety and well-being of our 750 employees remained our top-of-mind concern both during lockdown and post-lockdown. Knowing that employees were, and still are, grappling with the blurring of work-life boundaries and increased stress, we went a long way in adopting a 'whole person' approach centred on meeting their physical and psychological needs. We designed a work environment that is flexible and humane, and that recognises the difficulties they may be facing, like childcare while schools are closed, or the loss of a loved one. To protect them further, we provided transportation to and from work for a number of months to limit their exposure to other commuters on public transportation.

In parallel, we rolled out a vaccination awareness campaign to encourage all our employees to get vaccinated against COVID-19. To achieve this, we covered the costs associated with receiving the vaccine, including transportation and paid leave. As a result of HR's efficient coordination, 75% of our employees have been successfully vaccinated.

### Our customers, network of merchants and small businesses

In last year's report, we announced our new strategic plan based on two areas of growth: customer-centricity and a focus on the retail and SME markets. As a company with a strong domestic footprint, our performance is inextricably linked to the performance of the SME sector—a sector that is the lifeblood of our economy generating over 50% of employment. We reaffirmed our commitment to our network of merchants by continuing to offer them a wide range of support measures, including capital

# A Message from our Chairperson (continued)

moratoriums and payment deadline extensions with no penalties. Our CEO explains our SME-focused initiatives more thoroughly in his message on page 31.

The pandemic was a major turning point for entrepreneurship. During the year, we witnessed the surge of one-person businesses as they sought to meet new needs born out of the crisis. Having forged strong relationships with small business owners over the years, Cim Finance is uniquely positioned to assist emerging entrepreneurs who may lack the skills or resources to succeed. Moving forward, our objective is to stand by them as a long-term trusted financial partner and empower them to take their business to the next level.

That being said, despite a strategic refocus on the domestic market, we are still pursuing our ambitions to become a regional player. After launching a Fintech-enabled Hire Purchase model in Kenya last year, the country was hit by the devastating impacts of COVID-19. Operating overseas comes with its own share of challenges, and we believe slow and steady wins the race. Kenya, to us, is a medium to long-term play and we intend to pursue this expansion prudently and strategically. Our regional strategy also complements the country's vision of positioning itself as an uncontested player in the Indian Ocean.

### Our community and the environment

We have always maintained that we are part of the larger social fabric. If societies do not succeed, businesses—ours included—will invariably fail. Cité Cim is, in a way, our flagship project and a reflection of our long-standing commitment to uplift our communities. Beyond the contributions we make annually through the Cim CSR Fund (more information on pages 52 to 55, we have spent the last three years making a real difference and measurable progress in this neighbourhood. During the year, we completed the second phase of the renovation of houses for five beneficiaries, who now enjoy a better housing situation. Coupled with the Literacy Programme and bakery project implemented last year, we aim to bring together all the elements needed to make Cité Cim a resilient neighbourhood where community members are given meaningful opportunities to better their lives.

The Environment, along with Education and Engagement, is another one of the pillars of our CSR strategy. We made strides towards developing a Green Lease, an initiative that offers lower, more attractive interest rates to consumers who opt for fuel-efficient vehicles. In doing so, we seek to encourage Mauritians to shift to more climate-friendly vehicles and contribute to a more sustainable Mauritius.

### Our shareholders

In a context where the odds were stacked against us, Cim Finance performed well from a financial standpoint. Although our focus is not only on our bottom line, we aim to create long-term value for all our stakeholders, and this includes our shareholders. After careful consideration, and based on our 2020-21 results, we decided to declare dividends of MUR 0.20.

I believe our strong financial performance is the result of a combination of factors:

- Thanks to our business continuity plans, investments in digitalisation and a flexible workforce, we kept our business running smoothly.
- Our business was able to maintain a strong liquidity position through the initiation of a bond programme designed to cater for the impacts of the pandemic. In fact, we stood out as one of the few companies in Mauritius to have maintained our AA rating despite the challenging circumstances. This should provide comfort to our investors looking ahead.
- Each individual, each department within the Group rose to the occasion and fulfilled its responsibilities in a way that kept the organisation operating like a well oiled machine. From HR and Finance, to our messengers and drivers, I am beyond impressed at the willingness of our team members to embrace new ways of working.
- The amalgamation of our five subsidiaries into one united Cim Finance. This simpler and more nimble structure has broken down the silos between our various departments and fuelled the sharing of knowledge and skills across our teams. We are now well positioned to ensure a consistent level of service excellence, and a strong culture, throughout our organisation.

I must point out that our resilience is not the result of a one-off exercise or post-COVID measures. It is the continuity of 34 years of improving our frameworks and processes to meet customer expectations, and placing innovation and continuous improvement at the core of our culture.

## An effective, independent and diverse Board

As we faced a string of difficult decisions brought on by the pandemic, we reflected not just on Cim Finance's purpose, but also on the role of the Custodians of our purpose: our Board of Directors. We believe that principles of good governance are an imperative in Mauritius, where historically, family businesses have long dominated the economic and social landscape. Cim Finance is one of them. With this in mind, we are determined to not only adhere to the principles set out of the Code of Corporate Governance for Mauritius, but to also go above and beyond in our stewardship role.

Ultimately, the Board is responsible for providing strategic guidance; ensuring that the organisation operates responsibly, ethically, transparently and sustainably; maintaining a sound system of control to safeguard all stakeholder interests; and above all, for disseminating a culture of accountability and compliance throughout the organisation.

Critical to our ability to carry out our duty is the objectivity with which our Directors make decisions. Indeed, we are proud of the work that has gone into diversifying our Board and leadership team. Half of our Board is composed of independent directors, who, together with our non-executive and executive directors, ensure that all decisions are exercised with objective judgment. Our Committees are all also headed by independent directors to the same end. We also improved gender diversity on the Board, within the management team and at the staff level, which will no doubt lead to well-rounded decisions as we onboard a diversity of knowledge, experience and perspectives.

The next financial year will certainly bring another set of challenges, and we cannot claim to be out of the woods yet. We intend to closely monitor the evolving economic environment to get ahead of risks and mitigate the impacts on our business, particularly as we have a Leasing component that is highly dependent on tourism.

## Moving forward together

All countries and businesses of all types and sizes have been tested since the onset of the pandemic. Those which have survived, or even thrived, have been those that kept the interests of all their stakeholders at heart. Cim Finance's performance this year is a testament to our ability to remain true to our purpose. And as we are set to celebrate 34 years of existence, we wish to draw on three decades of legacy to put our experience to the service of our country and play a meaningful role in its economic and social well-being.

As I mentioned in the beginning of my message, increased collaboration between and beyond the sector will be critical to the prosperity of the country. We look forward to collaborating with our peers and with the authorities to deliver on Mauritius' vision for recovery. Amid the struggles we continue to endure, we should take stock of the silver linings of this pandemic—it has confirmed the power of cooperation and unity in pursuit of a shared future.

Before ending my message, I would like to thank my fellow members on the Board for their invaluable support; and on behalf of the Board, I would also like to extend my appreciation to the management and executive team for displaying such strong leadership skills as they guided us through the crisis.

I could not be prouder of our employees for their unstinting dedication despite facing both personal and professional challenges. My heartfelt gratitude goes out to every single one of them for their hard work, honesty and trust.

Your Chairperson
**AISHA TIMOL**

# Directors' Profiles

## AISHA TIMOL – G.O.S.K
### Independent Director and Chairperson

Aisha Timol was appointed as Independent Director and Chairperson of CIM Financial Services Ltd ('CFSL') in July 2020. She also held the position of Chairperson of Cim Finance Ltd ('CFL'), a wholly owned subsidiary of CFSL, from April 2018 until its amalgamation with and into CFSL on 01 October 2020.

Aisha has had a long career in the public service, as well as in the private sector and academia, and has held directorship positions at the Budget Bureau and Economic Affairs Division of the Ministry of Finance and at the Ministry of Financial Services. She was previously the CEO of the Mauritius Bankers Association and a Senior Lecturer at the University of Mauritius.

She now serves on the Board of private sector companies and is a fellow member of the Mauritius Institute of Directors, where she also acts as a Consultant on governance matters.

Aisha holds various academic qualifications, notably from the University of St Andrews, Scotland, Université d'Aix Marseille, France and the Institute of Social Studies of The Hague, Netherlands.

Aisha is also the Chairperson of the Board Investment Committee and a member of the Corporate Governance and Conduct Review Committee of CFSL.

**Directorship in other listed companies: none**

## MARK VAN BEUNINGEN
### Executive Director and Group CEO

Mark van Beuningen is currently the Group CEO and Executive Director of CIM Financial Services Ltd ('CFSL'). He joined the Group in January 2016 as the Managing Director of Cim Finance Ltd (a wholly owned subsidiary of CFSL, which amalgamated with and into CFSL on 01 October 2020). In October 2017, he was appointed as the CEO of the Group, while occupying the function of Acting Managing Director of Cim Finance Ltd.

Prior to joining the Group, Mark worked for the Boston Consulting Group (BCG) in Sydney for two years, and in Johannesburg for four years.

Prior to that, he worked in the Structured Products team at Macquarie Funds Group in Sydney and as Audit Manager for KPMG Financial Services Assurance in Cape Town.

Mark holds a Bachelor of Business Science (Hons) in Finance and Accounts from the University of Cape Town and an MBA from the Australian Graduate School of Management. Mark qualified as a Chartered Financial Analyst in 2007 and as a Chartered Accountant (SA) in 2005.

He is also a member of the Corporate Governance and Conduct Review Committee, a member of the Risk Management Committee as well as a member of the Board Investment Committee of CFSL.

**Directorship in other listed companies: none**

## LOUIS AMEDEE DARGA
Independent Director

Louis Amédée Darga is a Fellow of the Royal Society of Arts (FRSA). He is the Chairperson of the Mauritius Africa Business Club, and is also the Managing Partner of StraConsult, a management and economic development consulting firm.

He served as the Chairperson of Enterprise Mauritius until December 2014. He is an Honorary Fellow of the Institute of Engineers in Mauritius, as well as a Fellow of the Mauritius Institute of Directors. He is a former member of parliament in Mauritius and a former Minister. He also served as Mayor of the town of Curepipe.

Amédée serves as the Chairperson of the Southern and Eastern African Trade and Information Network (SEATINI), has been a member of the African Association of Political Science since 1977 and is a former executive member of the organisation. From 2005 to 2011, he served as a Member of the Bureau of the Committee on Human Development and Civil Society of the U.N Economic Commission for Africa.

Amédée is also the Chairperson of the Audit and Compliance Committee and a member of the Board Investment Committee of CIM Financial Services Ltd.

**Directorship in other listed companies: none**

## FAREED JAUNBOCUS
Independent Director

Fareed Jaunbocus is a Chartered Certified Accountant and currently the CEO of Strategos Ltd, a Mauritius-based Management Consulting firm.

As the Partner heading the Strategic Consulting Services of De Chazal Du Mee/Arthur Andersen (now BDO), where he worked for 30 years, Fareed developed a breadth of experience in Management, Project Consulting and Capacity Building. Having carried out assignments in over fifty countries including the USA, China, Europe and South Africa, Fareed brings highly diversified skills and valuable perspectives to all projects and organisations.

Over and above blue-chip companies, the private and public sectors and governments, Fareed is an accredited service provider to a host of commissioning agencies and international donors, including: the African Development Bank, the PTA Bank, the World Bank, the European Union, the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission (COI), the United States Agency for International Development, the UNDP and other UN agencies. He has also served as a Director on the United Nations Advisory Board in New York.

Fareed is a member of the Audit and Compliance Committee and a member of the Risk Management Committee of CIM Financial Services Ltd.

**Directorship in other listed companies: none**

# Directors' Profiles

## DENIS MOTET
Independent Director

Denis Motet was appointed as an Independent Director of CIM Financial Services Ltd ('CFSL') in July 2020. He held the position of Chairperson of the Risk Management Committee of Cim Finance Ltd, a wholly owned subsidiary of CFSL, for two years until its amalgamation with and into CFSL on 1 October 2020.

Until his early retirement at the end of 2015, he served as the Chief Risk Officer of The Mauritius Commercial Bank Ltd, where he was directly responsible for segments like Credit Management, Credit Risk, Information Risk Management, Market Risk, Operational Risk, Security and Recovery. Prior to this, he worked in various divisions within MCB Group, namely International, Corporate and Credit Risk, as well as in its overseas banking subsidiaries based in Mozambique and Seychelles.

Denis holds a 'BTS Action Commerciale' and a 'Diplôme d'Enseignement Supérieur Commercial Administratif et Financier' (France).

He is also the Chairperson of the Group's Risk Management Committee and a member of the Audit and Compliance Committee.

**Directorship in other listed companies: none.**

## DAVID SOMEN
Independent Director

David Somen holds a Law Degree from Oxford University and an MBA from Harvard Business School.

He is the co-founder and Managing Director of Virtual IT Limited, a UK-based IT managed services provider. He is also the co-founder and Chairperson of Eldama Technologies Limited, one of Kenya's leading cloud and IT services providers, and a co-founder and director of Serenity Spa, Kenya's leading spa, wellness and beauty organisation.

Prior to Eldama and Virtual IT, David was the co-founder and Executive Deputy Chairperson of AccessKenya Group, Kenya's leading corporate Internet Services Provider which was listed on the Nairobi Stock Exchange and later sold to Dimension Data Group, as well as the co-founder and CEO of the LCR Telecom Group, which was sold to NASDAQ listed PRIMUS Telecommunications in 2000.

He also has several years of experience working for McKinsey & Co in London and Hong Kong. David is currently the Chairperson of Cim Credit Kenya Ltd, Cim's Kenyan financial services business.

David is also the Chairperson of the Corporate Governance and Conduct Review Committee of CIM Financial Services Ltd.

**Directorship in other listed companies: none.**

## COLIN TAYLOR
### Non-Executive Director

Colin Taylor was appointed as a non-executive director of CIM Financial Services Ltd ('CFSL') in March 2010 and served as Chairperson of the Board from January 2017 to July 2020.

He is currently the Chairperson and CEO of Taylor Smith Investment - a diversified group of companies involved in Marine Services, Logistics and Distribution, Manufacturing, Services and Property. Colin is also the Chairperson of Lavastone Ltd, a company which acquires, develops, leases and manages a portfolio of commercial and industrial properties in Mauritius and Rodrigues.

Colin holds an MSc in Management from Imperial College, London and a BSc (Hons) in Engineering with Business Studies from Portsmouth Polytechnic.

He is the Honorary Consul of Sweden in Mauritius.

Colin is also a member of the Risk Management Committee and of the Board Investment Committee of CFSL.

**Directorship in other listed companies: Lavastone Ltd.**

## MATTHEW TAYLOR
### Non-Executive Director

Matthew Taylor holds a BSc (Hons) in Retail Management from the University of Surrey.

He joined Rogers in 2000 as Project Manager in the Planning and Development Department. He was the Executive Director Retail of Scott and Company Limited from 2007 to January 2013 and is currently the firm's CEO.

Matthew is also a member of the Audit and Compliance Committee of CIM Financial Services Ltd.

**Directorship in other listed companies: Lavastone Ltd.**

# Directors' Profiles

## PHILIP TAYLOR
Non-Executive Director

Philip Taylor graduated from the University of Surrey in 1989 after studying Hotel Management.

After completing an MBA in England in 1994, Philip moved back to the Rogers Group in Mauritius, and headed the Group's diversified international development. In 2004, Philip left Rogers to set up his own businesses with a focus on the Indian Ocean Islands and Africa.

His diverse experiences over the past few years have been focused on the region's hospitality and tourism industry. He currently heads the development of a fast-growing hospitality and tourism technology service company by the name of www.hospitality-plus.travel.

Philip is the Honorary Consul of Finland in Mauritius.

He is also a member of the Corporate Governance and Conduct Review Committee of CIM Financial Services Ltd.

**Directorship in other listed companies: none.**

## TIM TAYLOR
Non-Executive Director

Tim Taylor holds a BA (Hons) in Industrial Economics from Nottingham University. He worked in the United Kingdom until 1972, when he returned to Mauritius and joined Rogers & Co.

He became Chief Executive of Rogers in 1999, retiring in December 2006. He was then appointed Non-Executive Chairperson of Rogers from 2007 to October 2012.

He serves as the Chairperson of Scott & Co, one of Mauritius' oldest commercial concerns, and also the Chairperson of The BrandHouse Ltd. He is a former Chairperson of the National Committee on Corporate Governance and a former President of the Mauritius Chamber of Commerce and Industry. He is also the Honorary Consul of Norway in Mauritius. Having always had a keen interest in environmental and conservation issues, he has been an active member of the Council of the Mauritian Wildlife Foundation since 2006 and became President of the Foundation in 2009.

Tim is also a member of the Corporate Governance and Conduct Review Committee, as well as a member of the Board Investment Committee of CFSL.

**Directorship in other listed companies: none.**

**Mr. James Mooneeapillay,**
Entrepreneur

# Improved efficiency

**James Mooneeapillay installs and maintains electrical and plumbing systems for companies and individuals. He started his small business, Rapid System Ltd, ten years ago. As the name suggests, James promises efficient and quick service.**

This year, James found a way to take his business to the next level: he obtained a Cim Business Card. "When a customer has a problem, I need to immediately rush to the quincaillerie to buy the necessary equipment. Time is of the essence, especially if the issue is slowing a company's operations. However, a lot of these stores do not accept cheques, which was a major setback for me," he says.

The entrepreneur is grateful to have discovered the advantages of this Cim Finance credit card. "My advisor at Cim is well acquainted with my business since he was the one who helped me finance the purchase of my vehicle. We were discussing ways to improve my operations when he recommended this credit card to me. The card has been incredibly useful, because it works everywhere. I can also better manage my cash flow because I can repay my credit at the end of the month after my customers have paid me."

James says there is another reason he has found Cim Finance to be a helpful partner: both companies share the belief that quick service delivery is an essential factor for customer satisfaction!

## Mark van Beuningen
Executive Director and
Group Chief Executive Officer

# Group Review

The last financial year has been challenging to say the least, with another six-week lockdown at the beginning of the calendar year, coupled with the pandemic's cascading impacts on the economy and businesses across the island. Individuals, SMEs and corporates in Mauritius are continuing to live through extremely precarious financial circumstances, while also having to manage the different levels of constraints we are faced with in our daily lives.

It has been particularly taxing for our employees to juggle the disruptions of another lockdown, all while remaining focused on serving our clients to the best of their ability. We supported our 750 employees as best we can through strict sanitary measures to keep them safe, flexible work arrangements where possible and applicable, and a vaccination campaign successfully coordinated by our HR team.

A heartfelt thank you goes out to all our employees for their concerted effort in supporting our clients and continuing to work hard to address their needs, in spite of the extraordinary difficulties they have faced over the last year and a half.

## Safeguarding our customers and stakeholders

The Government, banks and other financial institutions like ours have been at the forefront of providing critically essential services during the COVID-19 lockdown.

For us, this was a time for reflection and reengagement in what matters most. Because of our niche positioning, strong personal connection with our customers and the trust they place in us, we have a great responsibility to respond to calls for support. And we became aware that the steps we take now will play a significant role in shaping the country's recovery.

To this end, we maintained rescheduling options for customers facing hardships and our support to the retail industry to ensure that the clients of our +700 retail partners continued to have access to credit facilities to meet their needs.

We also supported clients operating in the tourism industry by offering moratoriums on vehicle leasing agreements. We are pleased to note that our clients are slowly seeing an upturn in their activities following the reopening of borders since October 2021.

## Overall Group performance

Even under the circumstances, Cim Finance achieved a very commendable financial performance, thanks to a number of initiatives we put in place. Group net operating income increased by 8.5% from MUR 2.1bn in the financial year (FY) 2020 to MUR 2.3bn in FY 2021. Group profit after tax increased by 119% from MUR 190.8m to MUR 417.1m over the same period.

## Performance by business lines

Cim Finance has different areas of expertise, broken down in the following business units: Consumer Finance, Leasing, Cards & Payments, Factoring and SMEs. As illustrated in our organisational structure on pages 8 to 9, Cim Finance is the largest non-financial institution in Mauritius and is regulated by both the Financial Services Commission and the Bank of Mauritius for our Credit Cards services. By the scale and nature of our activities, Cim Finance plays an essential role in the Mauritian economy, especially because our focus is very much on the mass market retail and SME financing—two segments that contribute to almost 50% of our economy.

Despite the second lockdown and negative impacts of COVID-19, the Finance cluster managed to record top-line growth during FY 2021. Net operating income increased by MUR 178m (+9%) from MUR 1.99bn in FY 2020 to MUR 2.17bn in FY 2021. Profit after tax increased by MUR 155m (+51%) from MUR 306m to MUR 461m, despite an increase in provisioning charges relative to pre-COVID-19 levels to take into account the adverse market conditions.

Cim Finance's asset (loan) book increased by MUR 1.2bn (+8%) during the financial year, from MUR 14.6bn at 30 September 2020 to MUR 15.8bn at 30 September 2021. The balance sheet growth was largely driven by the Consumer Finance business.

# Group Review
(continued)

## CONSUMER FINANCE

Cim Finance's retail point-of-sale model for its Consumer Finance business unit is a key strength and competitive advantage. Through seven standalone branches and an extensive network of 90 in-store counters across Mauritius and Rodrigues, we facilitate customer loans and monthly instalment repayments

We offer Credit Finance Agreements (CFA) to enable our clients to finance the purchase of consumer electronic goods and furniture, and through Cim MoCrédit, we provide unsecured loans that finance personal projects which exceed their immediate cash resources. A home renovation or the purchase of a plot of land, for instance. We also offer our clients credit protection insurance, including a retrenchment cover, which has taken heightened importance for our retail clients in the current context, and is equally critical for the protection of our loan book.

During the year, we launched paperless contracts via SMS, with over 155,000 contracts resulting in significant cost savings. We also launched an integrated e-commerce solution for online credit sales as an alternative payment option for retail partners' websites.

The number of unique individual Consumer Finance clients grew from 258,000 at the end of FY 2020 to 261,500 at the end of FY 2021, and Total Loan disbursements grew by 8% in FY 2021, despite a strict tightening of our credit policies. These metrics demonstrate strong demand for our Consumer Finance offering, indicating that our value proposition is as relevant as ever.

## LEASING

Cim Finance's Leasing component has traditionally been very strong in the second-hand and reconditioned car market, as well as with SME clients. With this in mind, we have significantly strengthened our footprint amongst new car retailers in the last few years. During the year, we renewed our partnership with Bamyris Motors, making us the dedicated in-house leasing sales office in their Hyundai and Volvo showrooms. To further strengthen our position, we are launching a new leasing onboarding system in partnership with Seriti that will be used to streamline the leasing application process and improve the turnaround time on applications.

Yet another innovation is the recent launch of a Green Leasing proposition for both new and recon hybrid and electric cars. Given the increased focus on eco-friendly cars and the market growth in hybrid cars in particular, we see this as a significant growth opportunity. We have developed a Green Bond Framework in line with the Bank of Mauritius guidelines on the issue of sustainable bonds in Mauritius and are the first company in Mauritius to have issued a green funding programme targeting domestic investors.

As expected in view of the current market trends, Leasing disbursements were lower in FY 2021 compared FY 2020. Cim Finance's Leasing portfolio remains a significant part of the business, comprising ~20% of the value of the total loan book. As a segment that relies heavily on tourism, the reopening of our borders to international visitors should be favourable for our Leasing services in the coming year.

## CARDS & PAYMENTS

Cim Finance has the second largest market share of active cards issued. We continued to build on this feat by growing our number of credit cards by 4% during the year, which was significantly higher than the overall market trend, characterised by a contraction of credit cards by 8%. I believe this is thanks to our ability to leverage our retail distribution and outbound telesales channels, which resulted in a number of cross-selling initiatives.

Against this backdrop, our Cards & Payments business unit performed well. Issuing spend was in line with FY 2020 and our Point-Of-Sale (POS) acquiring volumes increased by MUR 1.0bn between FY 2020 and FY 2021.

We have been actively engaging with the Bank of Mauritius (BOM) to ensure that as a company, Cim Finance is well positioned to take advantage of the benefits of the MauCAS Instant Payment System (IPS), a solution that facilitates digital payments with the goal of transitioning towards a cashless society. Examples of the key benefits we can derive are the integration of our consumer app into the IPS to enable digital payments of monthly loan instalments, as well as the instant disbursement of loans to our clients. We recently received our Payment Services Provider license from the BOM and have completed the IPS technical integration. We are now ready to start deploying payment and disbursement functionalities linked to our app, Mo Finans.

## FACTORING

The Factoring team provides Cim Finance's customers with solutions that help them access the working capital needed to support their business growth by: financing of up to 90% of invoice values; managing the administration and collection of their sales ledger; providing credit insurance cover of debtors to protect businesses from bad debts.

The impact of COVID-19 has certainly prompted both SMEs and large corporations to shift their attention to the credit risk of their debtors. As a result, our Factoring business has been seeing strong growth over the last two years, with a 20% growth in factoring assignments for the current year.

We are collaborating with Mauritius Export Association (MEXA) on an export factoring partnership for MEXA members, where Cim Finance will provide export factoring credit facilities for exported goods, which will, in turn, be covered by credit insurance provided by Coface. We look forward to developing this mutually beneficial partnership with MEXA and its members.

## SMEs

An important initiative in the last financial year was the comprehensive review of our SME strategy and go-to-market offering for our SME clients. We began by setting up a dedicated SME team to better service our SME clients and develop our multi-channel strategy so our customers are able to reach out to us through different mediums.

We launched the 'WhatsApp for SME' channel, which accelerates the application process for SMEs: they can effortlessly apply for our products through WhatsApp, and our sales team is quick to follow up on all pre-vetted queries. We have already received over 2,000 enquiries for SME loans. We also put in place 'SME Desks' in our Port Louis, Goodlands, Rose Hill & Flacq branches, and are looking to roll out a few more in the coming year.

Another important endeavour is the development of the Cim Accelerator Programme. We aim to launch a website with useful videos, tutorials and articles that are relevant to SMEs; to organise quarterly Meetup Events, which will serve as a forum for SMEs to network and connect with the Cim SME teams; and to launch an annual Accelerator Booster Programme for a number of selected SME clients over a six-month period to support them with the development of their projects and business plans.

# Group Review
(continued)

## INVESTMENTS TO STRENGTHEN OUR CLIENT OFFERING

We recently formalised our strategic investment into Fundkiss, approved by the FSC. Fundkiss is a peer-to-peer digital lending platform that has disrupted the Mauritian SME lending market with its innovative offering. Our investment will enable us to support the Fundkiss team and strengthen their business, and most importantly, provide important institutional funding to SME projects so they can scale their businesses. We see our investment into Fundkiss as an important component of our SME strategy.

## STRENGTHENING OUR CORE BUSINESS

During the year, in addition to the key initiatives highlighted in the business review, we invested in a number of digital capabilities to strengthen our core business. Our in-house Analytics team, which we have been reinforcing over the years, has been churning out deep insights from the data warehouse, enabling us to make more data-driven decisions.

For instance, the Analytics team collaborated with Experian to enhance our current apps, as well as build new application (new clients) and behavioural (existing clients) scorecards for our CFA, MoCrédit and Collections. This will enable us to credit assess clients within minutes and to better discriminate risk, thus helping to improve the quality of the credit portfolio. A Collections scorecard will also be able to predict, based on past payment performance, which clients should be prioritized. This will further improve our collections productivity.

Our Technology team plays an equally vital role in accelerating our digital transformation efforts. The team led a big effort in rolling out our Robotic Process Automation (RPA) across a number of areas in our Mauritian and Kenyan businesses, including: bulk AML screening of 11 million records; automatically downloading and collating relevant data from over 3,500 SMEs and corporates from MNS; as well as an MCIB tool that combines all relevant data from MCIB reports for our credit risk teams to review. In Kenya, where we have been using RPA for both KYC analysis and fraud checks, we have managed to significantly reduce our operating costs, while avoiding having to recruit staff to carry out these manually-intensive processes.

Our Operations team has led the Shared Services initiative, which entails the implementation of a Shared Service Center delivery model customised to our specific requirements. The bespoke model will consolidate operations activities across business units into one single unit, enabling the Sales BUs to reshift their focus on sales activities and allowing for greater economies of scale and efficiencies. We have successfully implemented a pilot project with our Leasing operations this year and now aim to deploy it across the rest of the business in the next year.

## TECHNOLOGY AND DIGITAL TRANSFORMATION

Our continuous efforts in transforming our business through technology paid off, with 85% of our back-office staff able to seamlessly work from home when the lockdown was announced. Cim Finance has historically always had a strong physical presence in our partners' brick-and-mortar locations; however, in these changing times, we believe a hybrid working model, combining both physical and digital channels, is the way to go.

In continuation of our strategy to become a technology-driven organisation, we made great progress in our Technology Transformation programme to revamp our technology infrastructure and build a strong digital ecosystem.

We have completed the first phase of implementing a new Multi-channel Model Platform, focused on replacing our legacy Leasing system. Over the course of the next year, we will progressively replace the core system that supports our Consumer Finance business.

Big strides have been made in developing our (API) Application Programming Interface layer through our new Enterprise Services Bus (ESB), with more

than 30 APIs developed and ready for consumption. These will connect to various internal and external systems in an agile way.

We also continued fine tuning our consumer app, Mo Finans, developing new features such as balance management, additional payment features, credit card statements and receipt downloads. We now have more than 40,000 registered customers actively using Mo Finans and more than 10,000 actively paying monthly instalments online.

Other digital initiatives supported by the Technology team include the integration of a Cim Finance Credit option on the e-commerce websites of our Consumer Finance retail partners, with 3,000+ applications serviced online in 2021 and over 5,000 contracts signed digitally by our clients through DocuSign; following the optimisation of our network last year, we migrated another 20 counters to our SD-WAN network during the year-making us the largest Fortinet-based SD-WAN implementation in Mauritius; lastly, cybersecurity was an area of focus for us, with the addition of a biometric authentication feature to the Mo Finans app, the implementation of vulnerability scanning and penetration testing processes to look out for potential exposures, and the use of Mobile Device Management (MDM) to ensure all corporate-owned devices (mobiles, laptops, PCs) with access to company data are secured in the context of remote working.

## KENYAN EXPANSION

Our Kenyan business, which is branded Aspira, completed its third full year of operations during 2021. Our business model is based on a Fintech-enabled Hire Purchase (HP) app that leverages Kenya's unique mobile digital ecosystem and high consumer awareness and adoption of mobile phone-based lending platforms.

Kenya was unfortunately negatively impacted by COVID-19, which has directly affected loan disbursements. In the second half of the year, we saw a growth in loan disbursements as the Kenyan government first reduced, and eventually lifted, nationwide curfews to boost the economy. We continued to collect client and market data and have further strengthened our credit scoring capability, as a result of which we are seeing a positive loan portfolio performance. Building a new lending business in a new market is challenging, but we see a lot of scope for growth in our Kenyan business in the future.

## LOOKING AHEAD

As mentioned previously, we had a strong financial year despite the challenging conditions in which we operated. Ongoing technology investments will be key in growing our core business in Mauritius, and we aim to build on the work done in strengthening our business, like our investment in integrating into the Instant Payment System, the enhancement of our scorecards, the automation of various processes, as well as the implementation of Shared Services.

We are also looking to capitalise on our investments into Tsusho Capital Leasing and Fundkiss, and roll our Green Leasing and MEXA Export Factoring initiatives, both of which offer strong value propositions.

In FY 2022, we are looking to focus on our core capabilities, particularly in Consumer Finance for the time being, to strengthen our business in Kenya. We believe that a well-executed Mauritian and regional strategy will reward shareholders with attractive returns and a compelling growth story.

I would like to end this message by thanking our customers for trusting us and consistently choosing to work with us; our Board and shareholders for their relentless support; and our staff for their skills and hard work to make Cim an attractive employer and valued partner to our customers.

# Human Capital

Cim advocates a people-centric approach and has a strong conviction that people remains a valuable contributor to the success of the organisation. It is our people who embodies our purpose and core values, serves our customers as our brand ambassadors and contributes, each day, to making us one of the most resilient institutions in the country.

We believe in giving our people the opportunity to realise their full potential and lay a lot of emphasis in building a positive employee experience. We are committed to creating an environment where there is continuous learning and where we provide meaningful career paths and development opportunities, enhance their wellbeing and foster employee engagement. We continuously self-appraise against best-in-class practices to remain relevant at all times.

This is why, as we faced the challenges brought about by the pandemic, our prime concern was maintaining employment for our entire workforce. In parallel, as people progressively returned to the office, we focused on creating a safe work environment by adhering to a stringent Safety and Health protocol. We implemented best practices across all our outlets, as a result of which we have managed to operate without the closure of our business until today.

But beyond health and safety measures, which are now a norm in our offices, we embarked on a deep reflection of our Human Capital and how to ensure the long-term and holistic wellbeing of our employees. Taking into account the tough balancing act between managing personal and professional responsibilities, particularly in the context of the closure of schools, remote working and resurging COVID-19 cases, we adopted a humane and flexible approach, known as a 'whole person' approach, that gives equal consideration to their physical and psychological wellbeing.

Our Leadership Team was instrumental in helping us achieve this, as they demonstrated great responsiveness and empathy in managing the workforce, despite having to make high-stake decisions in an unprecedented landscape with no playbook.

Over the years, we have been purposeful about evolving our workplace to meet our employees' needs and expectations, and this year was no different. We were comforted by the fact that the pandemic did not drive us to rethink our priorities towards our employees: it simply strengthened our belief that our people are central to our business, and that a purpose with humanity remains true in every season.

## SAFETY, WELLNESS AND WELLBEING

### A successful vaccination campaign

The development and rollout of vaccines offered optimism for the world to return to normalcy. Cim Finance made it one of its business objectives to achieve a high vaccination adoption rate within the organisation, not just to protect individual and public health, but to also accelerate the path to societal and economic recovery. To this end, we carried out a vaccination awareness campaign across the Group, making it as convenient and affordable as possible for our staff to get vaccinated: we provided them with transport, paid time off and the option to get vaccinated at a private clinic or public vaccination centre. Our efforts proved successful: 75% of our full time employees are fully vaccinated and 9% have received their 1st dose. We are now rolling out our campaign for the booster dose.

### Music Day Celebrations: #CimGotTalent

As we celebrated Music Day, the musical talents of the Cim Family across Mauritius and Rodrigues were on full display. Twenty-three participants showcased their hidden music skills, solo and/or in groups, and were given a chance to win prizes. The performances were impressive, moving and inspiring—giving us a glimpse of the power of music in bringing people together and nurturing a strong work culture.

## Akheel Teeluckdharry

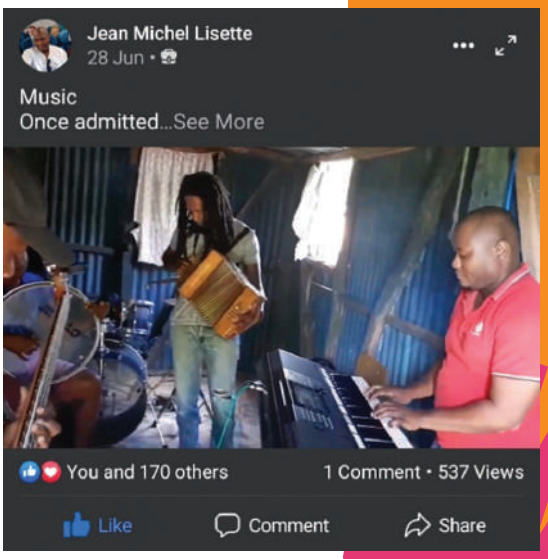
Avan tou, mo bizin remersie lakonpani kinn donn nou sa lokazion-la. Nou finn kapav montre nou talan ek nou pasion pou lamizik, ek mo sir ki ena ankor bokou "talents cachés"/talan dan Cim family. Mo osi remersie tou dimounn kinn vot pou mwa. Sa montre ki zot finn apresie mo sante. Mo tenir a felisit tou bann lezot partisipan pou zot bann prestasion. Li dimann boukou kouraz pou partisipe, ek pou sa li deza enn gran viktwar.

Mo ti anvi fer enn sante lokal ek mo bann prop parol. Me apre, mo kouzin, Ivans (boukou parmi zot pou rekonet-li), finn donn mwa sa lide pou fer li lor Cim Finance-la. Alor, sa sante-la se pou explik kontribision ek limportans lakonpani pou lekonomi, bann servis ek fasilite ki nou ofer bann klian, me osi fason ki nou viv, nou bann staff Cim. Apar travay, sa solidarite ki ena parmi nou, sirtou pandan sa period bien difisil ki nou pe traverse akoz Covid, ek ki nou pe resi sirmonte ansam. Ti rest zis de, trwa zour avan deadline ek se lerla ki mo finn resi travay lor bann parol-la ek fer lanrezistreman avek led enn ansien koleg lamizik. Li enn zoli sikse pou nou lekip ek mo-mem, parski nou finn resi fer enn travay formidab dan sa ti letan-la.

Mo remersie tou bann dimounn kinn kontribie a sa viktwar-la: mo fami, mo bann koleg, bann mizisien kinn akonpagn-mwa, ek sirtou mo madam, ki finn touzour-la pou mwa.


**1st Winner**
– MUR 10,000

# Human Capital
(continued)




**2nd Winner**
– MUR 7,000

## Jean Michel Lisette

Mo ti deza enn pianis. Kan mo finn trouv lanons sa konpetision-la, mo'nn pans pou partisipe avek mo lekip. Mo ti konfian, mo ti kone ki mo ti pou seleksione, me mo pa ti atann ki mo ti pou sort segon. Rekonpans-la ti bien enkourazan ek sa pri-la finn ed mwa aste bann prodwi pou mo lakaz. Mo remersie Cim pou sa inisiativ-la. Li ti bien interesan ek destresan. Mo kontan mo'nn resi montre mo bann koleg mo talan ek mo pasion pou lamizik. Nou touzour bizin pans pran enn lokazion koumsa pou enn lamizman ek pa vreman enn konpetision. Sa ki vre sikse.

## Rajcoomaree Balgobin

"Participating in this fun activity organised for Music day was a pleasure of the team and mine.

It brought our team closer and allowed us to show our hidden talents in dancing.

Learning the choreography alongside my colleagues was fun as we participated with not only the aim of obtaining a prize, but also to show the value of being part of the Cim family.

We wanted to thank each and every one who voted by liking our post and of course to the jury members.

Great initiative by Cim!"


**3rd Winner**
– MUR 5,000

## IT Team

"When we heard about the competition, the idea of doing a team dance video instantly came to our mind.

From there onwards, we created a WhatsApp group and suggestions started flowing.

Each of us had specific task, from getting IT T-shirts made, selecting the songs, deciding who will shoot the video, and even up to the food and transport arrangements.

Food was arranged for both the rehearsal days and we even organised a bring & share for one of them.

Subsequently, the video was shot and I must say we really enjoyed the process of making the video and spending time together as a team.

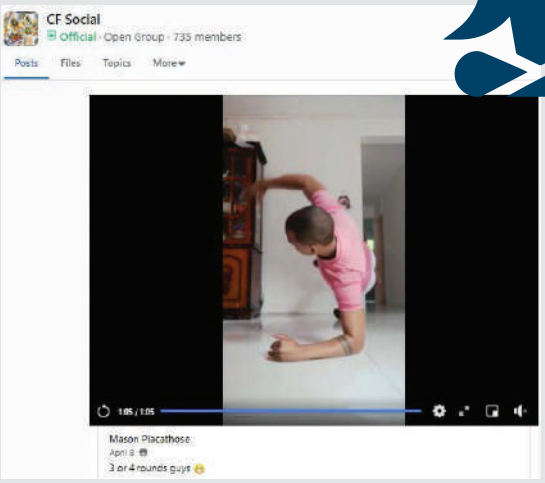
We mostly participated for the fun of it and winning the third prize was just the cherry on the cake, making the IT department proud."

IT team.


**3rd Winner**
– MUR 5,000

### Taking fitness online

The physical wellbeing of our employees is not just an important component of their overall health, but it is doubly important in strengthening their immune system against viruses. During the year, fitness classes moved online, so our people could continue maintaining their physical health despite being at home.



# Human Capital
(continued)

## CELEBRATING DIVERSITY, INCLUSION AND EQUITY

### Celebrating Cim Women's contributions

The last two years have been a tough stretch for women, who are faced with competing professional and personal priorities. Many women are actually considering downshifting their careers, a trend globally termed as 'She-cession'.

This is a trend we aim to curb, by reaffirming our commitment to #ChooseToGrow our women, who make up 78% of our workforce. Our objective is to remove barriers for working women and nurture a culture in which they have equal opportunities to reach their full potential. We are extremely proud of the women at Cim Finance, who have risen to the moment and are paving the way forward despite their mounting responsibilities. Let's hear from them.

Cim finance

## E-COMMERCE: the road to a great customer journey

In an effort to offer a complete shopping experience to our customers, Cim Finance has recently launched its e-commerce platform. We are proud to be the first financial institution in Mauritius to offer e-commerce facilities combining online purchase to approval of credit facility. The ongoing pandemic confirms the digital strategy put in place by the company and the benefits of diversify our business capabilities and revenue streams to better service our customers. In the current context, our e-commerce platform confirms its 'digital advantages' as consumers are increasingly shifting to online shopping to protect themselves and their families.

Behind the successful launch of this initiative, we have five ladies who have expertly driven this this project from the start to end.

**Read the fantastic journey of Noorjahan, Nabeelah, Varsha, Namrata and Navisha.**

**Noorjahan, Project Coordinator**

«The e-commerce project was one of the strategic initiatives of the company. The aim was to put in place a digital channel for our existing customers, willing to purchase products via existing merchant ecommerce websites, such as Galaxy, Courts, 361 and Price Guru and to provide them with easy access to our CFA or Flexi Credit services. I am extremely proud to have contributed in achieving this great milestone on our digital transformation journey.»

**Nabeelah, Customer Service Assistant**

«I must say that the e-commerce platform has brought many benefits to our business. Customers can now enjoy their shopping safely and conveniently, especially during this particular period where all shopping centres and merchants are closed. I find the transition to the world of digitalisation to be an important milestone in the growth of our company as it is critical for us to keep pace with the current digital trends. It has been a great experience working with my colleagues Navisha Sukurdeep, Noorjahan Perally and Yashna Ramnarayen on this challenging project. And I would also like to thank Tej Kissensing, my team leader, for his support. »

**Varsha Soobhug, Manager Software**

«Working on the e-commerce project has been a quite an interesting and challenging experience. The motivating factors for me were, being the first on the market to provide such a service, enhancing the shopping experience of our customers, and most importantly the fact that the team working on this project was dedicated to making it successful.»

**Namrata Bhugoo, Manager Software**

«This project has been very enriching for me with all its challenges, as we had to set up and configure new servers such as the (ESB & WSO2) to mutually interacting software applications in service-oriented way. For me, the success behind this project was the collaboration and working with such a committed team. »

**Navisha Sukurdeep, Quality Assurance Specialist**

«Overall, I think that the e-commerce project has been terrific experience in terms of project, concept, technology and merchant. The success of the project has been the great team work done by us and the plug-in of our CTO, Sudheer Prabhu, who was the facilitator, project manager, product owner, tester and implementer.»


## INTERNATIONAL WOMEN'S DAY 2021

Although we believe there should be no single day dedicated to recognising and celebrating them, International Women's Day is an important time to reflect on the social, cultural, economic achievements made by women and their extraordinary role in our businesses and communities.

To mark the International Women's Day, chocolate boxes were offered to the ladies of Cim.

## DIWALI CELEBRATIONS 2021

We celebrated the vibrant and colourful festival of Diwali by organising a Rangoli competition at the office. Through art, our employees were given a chance to break the office routine and unleash their creativity, all while harnessing their team spirit.

# Human Capital
(continued)

## TEAM BUILDING

We organised team-building sessions to encourage teamwork and cohesiveness among colleagues. The different activities organised aimed at improving communication, collaboration, alignment, team values, motivation and in bringing a sense of belonging to the group.

## AN OPTIMISED AND EMPOWERED WORKFORCE

The ongoing transformation of Cim Finance continues to rest on empowering our talent through our lifelong continuous learning approach. Despite the knock-on effects of COVID-19, we believe in the phrase “Never waste a crisis”. While this may sound like a cliché, this has never rung truer in our ecosystem, where our employees are given training and development opportunities to grow both professionally and personally. Empowering our employees is a key enabler in driving trust and engagement. During the year, we continued to equip them with the skills and knowledge they need to thrive in a new environment, putting particular emphasis on the adoption of digital learning. In parallel, we strengthened our leadership bench and emerging talents through Leadership Development Programmes in collaboration with our flagship global partners Gallup and Harvard.

## KEY FIGURES ON THE GROUP'S DIGITAL LEARNING JOURNEY FY 2021

### PLATFORM ENGAGEMENT

| Page Views | Unique Users | Session Hours | Total Sessions | Pages per Session |
|---|---|---|---|---|
| 142,316 | 574 | 3,676 | 6,325 | 23 |

### INSTRUCTIONAL CONTENT

The following metrics and data highlight learner activity among our resources. These include but are not limited to courses, videos, books and audiobooks.

**Summary**

**30,507**
Total Views

**Courses**

**30,246**
Total Courses Views

**Videos**

**27,891**
Total Videos Views

**Books**

**90**
Total Book Views

**Book Summaries**

**46**
Total Book Summary Views

**Linked Content**

**106**
Total Recorded Webinars Views

# Senior Executive Team

## NICK CHIN
### Chief Financial Officer

Prior to joining Cim Group, Nick occupied the position of Head of Finance at ABC Banking Corporation Ltd for nearly seven years and previously held senior roles at RBS Insurance, UK and Barclays Capital, UK. His experience in the financial sector spans more than 15 years.

Nick holds a BSc. First Class Honours in Actuarial Science and an MSc. in Applied Statistics (Oxon). He is a fellow of the Institute of Chartered Accountants (England & Wales) and has been the Chief Financial Officer of Cim Group since January 2019.

## PRIYA MADHOW
### Group Head Of Human Resources

Priya started with the Group in 2019 and has responsibility for Mauritius and Kenya. Prior to joining Cim Group, Priya worked for The Bank of N.T. Butterfield as Head of Human Resources and at Deutsche Bank as Country Head of Human Resources, where she contributed strategically to key global business initiatives and HR projects. She also held executive positions in Insurance and Healthcare institutions.

Priya Madhow has more than 20 years of work experience across several jurisdictions for leading International Corporate and Investment Banks, local conglomerates and luxury hotel brands.

Before joining the Financial Sector, Priya worked extensively in the hospitality industry in Mauritius and her experience in that sector extends to other jurisdictions including Dubai, Singapore, Seychelles and Scotland.

Priya is a Senior Certified Professional of the Society of Human Resources Management and studied at the Institute of Commercial Management for her Advanced Diploma in Human Resources Management and Development and the University of Salford for her MSc in HRMD. She is also affiliated with world-renowned universities like Harvard and Cornell.

## AMBRISH MAHARAHAJE
### Chief Operating Officer

Ambrish was appointed as Chief Operating Officer of Cim Group in December 2019. He joined Cim Group in 2014 as Company Secretary and was subsequently appointed as Head of Corporate Affairs in 2016, a function which comprises of Communications & Investor Relations and Company Secretarial services.

Prior to working for the Cim Group, Ambrish was successively Corporate Manager, Legal Compliance at Rogers and Company Limited and Executive Secretary at the Mauritius Institute of Directors. He is an Associate of The Chartered Governance Institute (previously the Institute of Chartered Secretaries and Administrators (UK) (ICSA)) and holds a BSc in Management from the University of Mauritius.

## SUDHEER PRABHU
### Chief Technology Officer

Sudheer Prabhu is an experienced technologist with more than 29 years of experience in banking and nonbanking Technology and Operations, having worked with large international banks like ABN AMRO and The Royal Bank of Scotland, as well as in the public sector, private sector, and the MNC and banking environments in India.

He joined Cim Finance in June 2019, prior to which he served as the Chief Information & Digital Officer at MauBank. There, he played a key role in developing and executing MauBank's digital strategy, and established market-first products like chatbots and Online Leasing Lending, amongst others.

Sudheer holds a Bachelor's degree in Commerce (First Class) from Karnataka University, India, and a Diploma in Software Technology from NIIT. He is also a junior associate of the Indian Institute of Bankers and a Certified Information Systems Auditor (ISACA, Illinois, USA).

# Management Team

## ROGER LI
### Head of Consumer Finance

Roger joined the Group in 1989 and is currently the Head of Consumer Finance of CIM Financial Services Ltd.

He brings to the position a successful track record of more than 25 years that includes managerial experience in the field of finance, operations, collections and recovery and sales.

His extensive experience, coupled with his strong and effective leadership, enable Roger to motivate his team towards achieving established departmental and corporate objectives, whilst maintaining both a healthy work environment and a positive culture.

Roger is responsible for driving top-line revenue through the opening of new outlets in Mauritius and Rodrigues for a wider reach of Cim Finance's products, while continuously enhancing the customer experience through digitalisation and innovation.

He has an in-depth understanding of the counters' operations and processes and has been fostering professional relationships with merchants and customers to maintain a culture of trust, respect and open communication for continued sales growth.

Roger holds a Diploma in Management Accounting (CIMA Dip MA).

## PRAVESH BACORISEN
### Head of Analytics

Pravesh is a data enthusiast with a background spanning areas like Data Analytics and Credit Scoring, Risk Management and Anti-Money Laundering. He leads the analytics function at Cim Finance and is responsible for guiding business strategies through data-driven insights by leveraging the organisation's large databases. A key role of the analytics function is to constantly optimise the credit scoring and auto-approval mechanism in the consumer finance business to unlock greater value, while ensuring that risks are kept under control.

Pravesh joined Cim Finance in 2016 as Risk Manager and was successively promoted to Senior Risk Manager in 2018 and Head of Analytics in 2020. In parallel, he supported the organisation in performing anti-money laundering tasks up to January 2019.

He cumulates over 14 years of experience in the banking and financial services industry. Prior to joining Cim Finance, he spent three years working at the Bank of Mauritius, followed by five years in the Risk Management and Strategic Planning and Research departments at the State Bank of Mauritius. He holds a PhD in Mathematics from Loughborough University (UK), an MBA in Financial Risk Management and a first class BSc (Hons) in Mathematics from the University of Mauritius.

## VALERIE HOUBERT
Head of Compliance

Valerie is the Head of Compliance at Cim Finance.

Overall, Valerie has over 15 years of experience in the financial services industry. She has worked in the banking industry for more than 12 years, with extensive experience as senior officer in the compliance and legal fields at Standard Chartered Bank Mauritius Limited and Banque des Mascareignes Ltée (now known as BCP Bank Mauritius Ltd).

During her career, Valerie served as Chairperson of the Mauritius Bankers Association (MBA) Compliance Committee from August 2016 to May 2018, before leaving the banking industry to join CIM Finance Ltd in July 2018.

Valerie obtained a Master's Degree in Law from the University of Aix-Marseille III in France. Her main areas of expertise are in Banking Law, Corporate Finance, Company Law, Commercial Law and Compliance. Valerie is also a certified compliance professional by the Financial Services Institute of Mauritius.

## STEPHAN VEE FOUNG HOW POO
Head of IT

Stephan is Cim Finance's Head of IT. He initially joined the Group as a software analyst programmer and gradually climbed the corporate ladder until he attained his current position in 2008.

He ensures the alignment of the IT strategy with the Group's strategy, defines the roadmap for IT systems and infrastructure, and puts in place the disaster recovery systems and processes. He also participates in research, evaluation and recommendation of new technologies to improve processes and tap into business opportunities.

Stephan holds a Master of Business Administration with a specialisation in Finance and a Bachelor's Degree (Hons) in Computer Science and Engineering from the University of Mauritius.

# Management Team

## STEEVE LOW
General Manager Collection and Recovery

Steeve joined Cim Finance in 1996 and has held the position of General Manager Collection and Recovery since November 2018.

Over the years, he has been in charge of various departments, namely, Leasing, Finance, Factoring, Card and Customer Accounts and he served as an Executive Director from October 2014 to October 2017.

Steeve is a Fellow Member of the Association of Chartered Certified Accountants (UK).

## ANIELLE JIA YOUNG CHING
Head of SME

Since joining Cim Finance as Head of Factoring in 2017, Anielle has been leading the Group's factoring activities.

She is a seasoned factoring professional with over 17 years of experience in this activity and is certified by the FCI.

Prior to joining Cim Finance, Anielle was the Marketing and Sales Executive at MCB Factors Ltd and part of the Senior Executive team.

Under her leadership, Cim Finance was admitted as an associate member of FCI (previously known as Factors Chain International) and launched the 'import and export' factoring services.

In 2021, she was appointed Head of SME and is responsible for overseeing the Group's SME segment, as well as its leasing and factoring business and SME sales activities.

## DIANE MAUREL
### Head of Credit Underwriting

Diane joined Cim Finance in January 2015 as a Senior Analyst for Cim Management Services Ltd and was appointed the Manager of Corporate Credit of Cim Finance in February 2016, In 2018, Diane was then appointed as the Head of Corporate Credit, and later in the same year, she was called upon to take over the retail credit underwriting department as Head of Credit Underwriting.

Prior to joining the Group, Diane worked in the Macquarie Corporate Asset Finance Division of The Macquarie Bank in Melbourne for two years. Before that, she worked at Ford Credit Ltd in roles including Credit Risk and Recovery and Legal.

Diane holds a Bachelor of Business Commerce in Marketing and Economics from Melbourne University and a Masters in applied Commerce from Melbourne University.

## KWON LI PAK MAN
### Chief Risk Officer

Kwon joined Cim Finance Ltd ('CFL') in 2019 as Chief Risk Officer.

He is currently responsible for leading the Risk Function within the Group, defining and overseeing the financial services related risks - Credit, Market, Liquidity and Operational Risk, as well as risk related strategies, policies and processes. He is a seasoned risk professional with a deep understanding of risk disciplines.

Prior to joining Cim Finance, Kwon was the Head of Risk at SBM Bank (Mauritius) Ltd, where he spent over 18 years, and successfully built a robust risk management framework. He also held various senior roles at SBM, including Treasury, Compliance and Risk Management.

Kwon holds an MSc in Business Finance from Brunel University London and the ACI Dealing Certificate.

# Management Team

## PRADEEP RAWA
### Head of Treasury

Pradeep joined Cim Finance in September 2009 as Treasurer, where he successfully set up the Treasury Function. He was promoted to Manager, followed by Senior Manager, before being appointed as Head of Treasury of the Group in 2018.

As the current Head of Treasury, Pradeep is responsible for leading the Group's relationships with its banking partners and investors in Mauritius.

Pradeep has more than 19 years of experience in the banking and financial services sector. Before joining Cim Finance, he worked at Deutsche Bank Mauritius, prior to which he worked at the State Bank of Mauritius Lease Ltd.

Pradeep holds a BSc (Hons) in Accounting & Finance from the University of Mauritius and is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) (UK). He is also a member of MIPA.

## ANTHONY SCEALES
### Head of Cards & Payments and Insurance Designated Officer

Anthony is currently the Head of Cards & Payments and Insurance Designated Officer, having initially joined CIM Financial Services Ltd in June 2016 as Head of Insurance at Cim Agencies Limited.

Anthony has diverse banking, insurance and consulting experience gained in South Africa, Singapore and across the Middle East.

Prior to joining the Group, Anthony was the GM Strategy at Hollard Insurance in South Africa, where he also supported the distribution of life insurance. His previous experience included three years of strategy consulting across various industries with Monitor Group in the Middle East & Africa, five years at Nedbank Corporate where he moved from Analyst to Senior Manager, and on the retail side with Capital One / American Express in South Africa.

Anthony holds an MBA with distinction from INSEAD (France), a BBusSci (Hons) in Finance from UCT (South Africa) and has completed his CFA Level II.

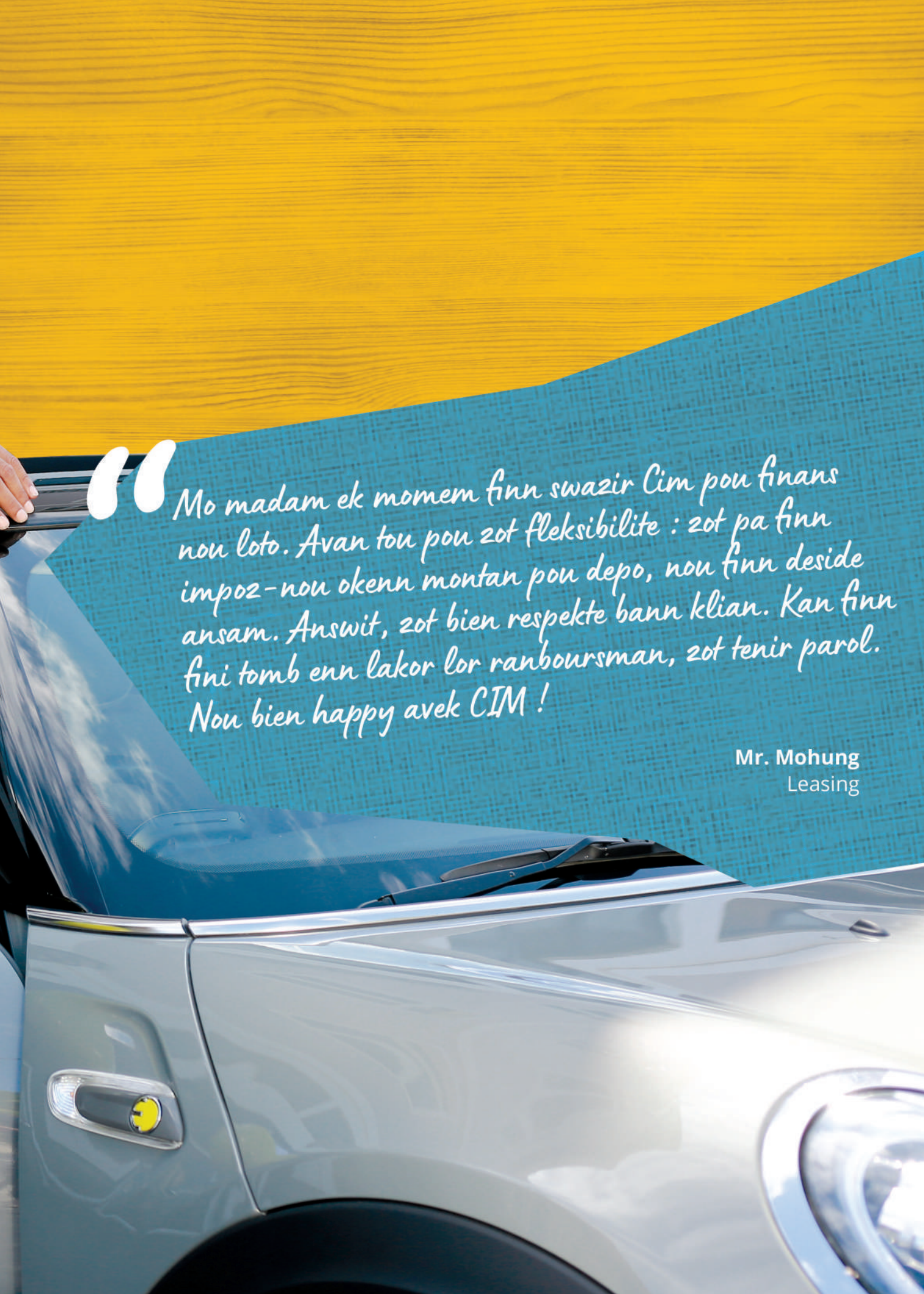
## MAAFOUZ SUMODHEE
Head of Internal Audit

Maafouz Sumodhee joined Cim Finance in July 2020 as the Head of Internal Audit.

He has well-rounded experience in Audit and Management Consulting on Assurance, Corporate Governance, Information Security, Risks and Controls. Prior to joining the Group, he worked as Department Manager – Internal Audit for ADNOC Distribution and has held various positions within the Internal and IT Audit functions across the Middle East. He has also worked for PwC Mauritius on internal audit and consulting engagements, both in Mauritius and abroad (mainly in the Indian Ocean Islands and Africa).

Maafouz is a Fellow Member of the Association of Chartered Certified Accountants (UK), Certified Internal Audit (CIA) USA, Certified Information System Auditor (CISA) and Certified Information Systems Security Professional (CISSP) (US). Maafouz holds a B.Eng (Hons) in Electrical and Electronic Engineering from University of Mauritius and an MBA from Oxford Brookes University (UK).


DRAFT



"Mo madam ek momem finn swazir Cim pou finans nou loto. Avan tou pou zot fleksibilite : zot pa finn impoz-nou okenn montan pou depo, nou finn deside ansam. Answit, zot bien respekte bann klian. Kan finn fini tomb enn lakor lor ranboursman, zot tenir parol. Nou bien happy avek CIM !

**Mr. Mohung**
Leasing

# Corporate Social Responsibility

All businesses, ours included, have a broader role in society and in making the world a better place to live in. Since our creation over 34 years ago, we have been deeply committed to being a force for good by fulfilling our duty as responsible and caring citizens of Mauritius.

Given the increasing threat of climate change and the challenges presented by the pandemic, there is an urgent need for collective action to protect both the planet and its people. Beyond deploying financial resources to NGOs, our commitment is centred on engaging with causes that are aligned with our purpose and values and that we believe will have a positive, enduring impact. To us, it is an ongoing journey that requires a long-term vision, continuous dedication and dialogue with our stakeholders. With this in mind,we identified three Es as the main pillars—Education, Environment and Engagement—that guide our CSR work.

We carry out our activities through the Cim CSR Fund Ltd, an entity dedicated to our social enterprises. After remitting 75% of our funds to the MRA, as mandated by the law, we managed to recoup 25% of our CSR contributions through our ongoing community projects.

### CITÉ CŒUR IMMACULÉ DE MARIE, ALSO KNOWN AS CITÉ CIM

Our flagship project, where we make progressive and transformative changes to enhance their living conditions and empower them to take charge of their path out of poverty.

### FOOD DONATION TO FAMILIES FACING HARDSHIPS

During the March 2021 lockdown, we collaborated with Caritas to distribute essential food packages to 230 families across the island.

### ECOLE RENGANADEN SEENEEVASSEN AT CASSIS

We aim to enhance the level of education provided in ZEP schools to help students shape better futures for themselves.

### MAURITIAN WILDLIFE FOUNDATION (MWF)

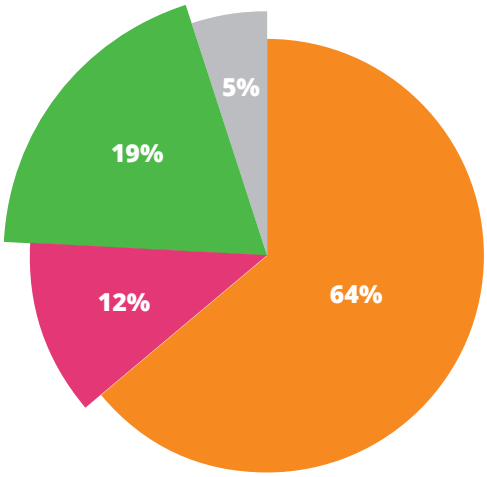
We partner with the MWF to help preserve and restore endangered plants, animals and ecosystems in Mauritius.

### MISSION VERTE

We support Mission Verte's vision of making Mauritius a cleaner, more sustainable island by reducing, reusing and recycling waste.

### THE UDDESHY PROJECT

We joined the fight to help Mauritian transition towards food self-sufficiency.




**ENGAGEMENT**
MUR 3,115,185

**ENVIRONMENT**
MUR 925,810

**EDUCATION**
MUR 566,308

**OTHER**
MUR 236,000

# Cité CIM

## *Improving lives at Cité CIM*

After graduating from Polytechnics Mauritius, Didier Soulange was hesitant to pursue a career in construction. It was at the insistence of his teacher, a director of Building and Civil Solutions Ltd, that Didier decided to give it a try. Shortly after taking this step, he was entrusted with the construction of ten houses in Cité CIM. This project, supported by Cim Finance since 2016, confirmed that he had made the right decision.

*« Depi touzour mo ti anvi fer travay sosial. Ek isi, mo pa pe selman konstrir lakaz sa bann fami-la, mo bizin rod kompran zot bann problem, ed zot, sey trouv bann solision... »*

For two years, Didier has been supervising his ten-person team across several sites. He carefully executes the schedule set by Rajeshri Moher, CSR Lead at Cim Finance. Rajeshri's plan is based on the needs of each owner. She ensures that the contractor has everything needed to add comfort to these families who have been through difficult times. "We build decent concrete houses, with electricity, plumbing, doors and windows for them. These houses are 95% financed by Cim Finance. The interior finishing and plastering are left for the owner to complete, which is a way for them to participate and take ownership of their house," Rajeshri explains.

Didier has completed five homes in the last year. By January 2022, he will have completed another five. « Enn lakaz pran sis ouswa set mwa, li dépann. "Parfwa travay-la ralanti. Asterla par exanp, li difisil pou gagn materyel parski avek Covid, bann kargezon bato pa pe rantre. Apre osi, se bann tipti sirfas, zotpli konplike ki bann granbatiman...", he says. Didier has a great team, with some members recruited in the Cité itself. « Zot ti bizin travay, monn teste zot, ek mo finn dekouver bann talan. Warren, so finish extra bon. Stéphane, se enn ekselan krepiser »

# Cité CIM

Brigitte Gungaram can't wait. She is renting a house in the village during the construction, an unwelcome additional expense, especially since she quit her job as a babysitter after her son's death six months ago. Widowed at 22, this courageous woman is looking forward to her 30m² two-bedroom apartment, which will bring her a sense of peace and security. « Mo finn fatige met bol partou, tir matla, pous sofa, sove al res kot mo tifi, sak fwa  lapli tombe ». Brigitte, who is extremely grateful to Cim, can hardly wait for her house to be ready: «Mo ti a bien kontan gagn mo lakaz pou mo laniverser, le 16 desam», she smiles.

Ginola Dabydeen did not have to move far. Her son, Vinesh, lives next door in a brand new white and blue house, one of the first  built by Cim Finance. While waiting for their turn, Ginola and her husband, Krishnadeo, look after their grandchildren while the schools are closed. « Kan ti kraz lakaz, nou ti bien sagrin ek mem bann zanfan finn plore. Measterla nou soulaze. Zame nou pa ti ena moyen pou  ranz enn lakaz akoz laz per antre. Nou pou kapav pass nou retret tankil , ase ale-vini dan sant refiz. »

Creating a drain "pou fer delo ale," patching here and there with plastic - Idney and Marie Paulette Michel's house barely survived the years. With their three grown children, they are crammed into a few square meters and are impatient for their turn to come. Idney is one of the few people in Cité CIM to have a job in the public service, and he agreed that those facing a particularly difficult situation should be prioritised. However, moving out of their 60-year-old asbestos house was an emergency and it was high time for them. Fortunately, two of their children are now working and will be able to help finance the painting and plastering. "Bizin trwa lame pou bate", says the father, who does not mention the sacrifices made for his children over the years.

His right-hand man, Gaëtan Sans-Souci, is a respected member of Cité CIM. « Li poz blok kouma enn artis. Mo pe apprann boukou ar k li, so sistem travay, fason li tiek nivo... »  Gaëtan had a special reason to come out of retirement to assist with this project. Three of the houses under construction are for his sisters, Brigitte, Ginola and Wenda. They were all born and raised there, along with their five siblings.

*« Mo finn fatige met bol partou, tir matla, pous sofa, sove al res kot mo tifi, sak fwa  lapli tombe »*

Every day, Didier goes from house to house. " Mo finn gagn bann bon karamad isi," he says. During his visits, he listens to the daily struggles, including the challenge of putting food on the table. The residents cannot stop thanking him. Together with Rajeshri, the pair  tried their very best to remedy the terrible situations they encountered when they first started the project. From time to time, they respond to requests that go beyond the scope of their work.

Didier and Rajeshri are ready for the fourth batch of five houses and have learned greatly from the experience. "We have quite a few ideas to improve the programme and further help the community...," says Rajeshri, full of hope and enthusiasm.

**Danandjay Bagelloo,**
A family man

# Family first

**Homeschooling: a phenomenon that caught many parents off guard, including Danandjay Bagelloo. He needed to procure essentials so that his two children, one in Grade IV and the other in Grade VI, could work independently.**

In September, the dutiful father went to Courts Saint-Pierre for an impromptu purchase: a printer that he financed with the help of Cim Finance. Fortunately, they had a shared laptop for the family that would serve the purpose.

Danandjay was able to cope with this unplanned purchase thanks to his healthy financial habits. "I am careful not to accumulate debt. I advance my repayments whenever I have an extra inflow of money," he explains. He has already repaid the loans for his children's bicycles, an Air Fryer and a microwave.

As a production supervisor at one of the largest food distributors, Danandjay is grateful that COVID-19 has not affected his company. "I feel lucky that my job is not at risk. Despite this, I am uneasy that shipping boats are constantly getting delayed and I find myself out of work, even for a brief moment. Consistent frugality is the key, especially as life is getting more and more expensive," he says.

Danandjay is even more cautious because his family is growing. He and his family are greatly looking forward to welcoming a third child in January. When he bought the printer for his children, he could not resist another purchase: a mattress to ease his wife's back pain. "My family is my priority. And I am grateful to Cim Finance for assisting me in giving them the comfort they deserve," says Danandjay.

# Risk Management Report

## Bolstering our safeguards in an uncertain business environment and fostering a strong risk culture to identify and manage risk in a holistic manner.

Risk Management forms an integral part of Cim Finance's strategy, business decisions and operations, even more so in the context of economic uncertainty and evolving market dynamics. Cim Finance is committed to nurturing a strong risk culture within the organisation, supported by an Enterprise-wide Risk Management (ERM) framework and a proactive approach to managing risk exposures. This approach ensures that we take a holistic view of the risks that are inherent to our strategy and operations.

In the lingering COVID-19 environment, the Group continues to reinforce its ERM framework through a closer strategic focus and the systematic monitoring of the organisation's portfolios and operations, whilst ensuring that our control mechanisms are resilient in view of the evolving operating landscape.

## RISK GOVERNANCE

Recognising that good risk management goes hand in hand with strong governance, the Group has a well-established risk governance structure based on the three lines of defence approach, which facilitates the identification and escalation of risks, whilst providing assurance to the Board. Our governance structure is supported by an active and engaged Board of Directors and a dedicated Risk Management team, which operates independently of the business units. The Chief Risk Officer reports directly to the Chairperson of the Risk Management Committee of the Board.

**STRATEGIC LAYER**

**L1** **Board of Directors**

The Group's risk management governance structure begins with oversight by the Board of Directors, either directly or through its committees, to ensure that decision-making is aligned with the Board's approved risk appetite.

**L2** **Board Committees**

The executive management is responsible for translating the Board's high-level guidance into operational realities, before monitoring and reporting them back periodically to the Board/ Board Committees.

**MANAGEMENT LAYER**

**L3**

**Management Forums**

The aggregate enterprise-wide risk profile and portfolio appetite are discussed at the respective risk management forums, and further reported to the Board's Risk Management Committee on a quarterly basis.

**Risk Management Team**

**Compliance Team**

The Risk Management Team and Compliance Team are independent of the business units.

The Risk Management Team is responsible for identifying, measuring, monitoring and reporting significant risks across the organisation.

The Compliance team ensures that there are appropriate controls to comply with applicable laws and regulations, and escalates significant non-compliance matters to Management and to the Board's Audit & Compliance Committee.

## RISK APPETITE

In pursuing its strategic objectives and upon evaluation of threats and opportunities, Cim Finance has defined a risk appetite statement that defines the amount of risk we can afford to take, need to take and prefer to take in achieving our objectives. The Risk Appetite, along with the risk tolerance and limits, have been reviewed during the year to take into consideration the prevailing economic environment. These are independently monitored by the Risk Management team, who then reports them to the Risk Management forums and to the Board's Risk Management Committee.

### RISK APPETITE PILLARS


**Capital Adequacy**

**Portfolio and Credit Risk**

**Liquidity and Funding Risk**

**Market Risk**

**Operational Risk**

**Reputational Risk**

**IT and Cybersecurity Risk**

**Legal and Compliance Risk**

**Business/ Strategic Risk**

# Risk Management Report
(continued)

## OUR PRINCIPAL RISKS

Cim Finance continuously reviews its principal risks to ensure an appropriate understanding of the overall operating environment, which was significantly disrupted by the global spread of COVID-19 and the nationwide lockdowns in 2020 and 2021. The public policy measures have largely contributed to minimising the economic damage and protecting the stability of the financial sectors, principally by safeguarding employment and limiting corporate defaults.

Since the emergence of COVID-19 in 2020 and the economic and social uncertainty surrounding it, we have enhanced our approach to the management of risk and are closely monitoring the situation with regular assessments of potential scenarios over the short, medium and long term. We increased our focus on the quality of data used to make more data-driven, and therefore more accurate, decisions. This resulted in the development of early warning indicators, prudent risk management measures against our risk appetite, including the monitoring of the credit scorecard and policy rules used to grant credit, and ensuring regular reporting to the Risk Management Committee and the Board. To meet the additional challenges posed by the pandemic, we have adapted our operational processes to provide enhanced support to our customers to ensure minimal disruption in service levels with the increasing use of digital channels. Whilst the health and safety of our employees and stakeholders remain at the forefront of our priorities, we have also been focusing our efforts on minimising the overall impact on our reputation, as well as maintaining the competitiveness of our businesses and the strong relationships we have built with customers over many years. The events of the past months have also served as a catalyst in accelerating our digital initiatives, which have largely benefited our customers. Our digital transformation initiatives are laid out on pages 32 to 33. In doing so, we have strengthened our risk and internal control functions and are now positioned to better manage the above emerging risks.

The principal risks identified at the end of the year under review are as follows:

| PRINCIPAL RISK DESCRIPTION | RISK RESPONSE |
|---|---|
| **CREDIT RISK**<br><br>**Movement during the year:** | Cim Finance manages its credit risk with appropriate credit approval structures, policies, processes, reporting, and independent control functions.<br><br>An increase in credit risk has been noted since the emergence of COVID-19. In response to a rapidly evolving situation, we have taken steps to prudently manage our exposures by tightening our credit policies and reviewing the credit scorecards and prudential limits in order to maintain risk at an acceptable level. The Debtors Monitoring Committee and the Risk Analytics forum regularly meet to review the exposures and any early warning signs, and recommend appropriate client treatment strategies. Exposures showing signs of deterioration are placed on our watchlist, and prompt actions are taken, such as migrating the concerned clients to the appropriate stage under IFRS 9.<br><br>In addition, we conducted regular reviews and scenario analyses in terms of the impact on IFRS 9 Expected Credit Loss (ECL) to ensure the adequacy in provisioning.<br><br>We have adopted a prudent approach in this uncertain economic environment by providing an additional buffer for ECL during the year, with cumulative ECL of 9.0% of gross loans as at 30 September 2021 (30 Sep 2020: 7.1%) |
| **COVID-19 RELATED RISKS**<br><br>**Movement during the year:** | A response plan was promptly prepared in response to the COVID-19 pandemic. The health and safety of all our employees and stakeholders were, and continue to be, our priority. The implemented measures include reinforcing our sanitary protocols and introducing remote working to allow applicable staff to work from home. |
| **CONCENTRATION RISK**<br><br>**Movement during the year:** | Concentration to certain high-risk sectors is closely monitored and reported by the Risk team to the Portfolio & Credit Risk Forum and to the Board's Risk Management Committee. The diversification of our portfolio has been recommended and controls in terms of prudential limits are in place. |

# Risk Management Report
(continued)

| PRINCIPAL RISK DESCRIPTION | RISK RESPONSE |
|---|---|
| **INTEREST RATE RISK**<br><br>**Movement during the year:** | Cim Finance manages its interest rate risk by aiming to maximise the risk-adjusted net interest income within the tolerable level. The interest rate risk is closely monitored by the Treasury department and the impact on earnings is assessed in the event of changes in rates or the squeezing of the net interest margin due to a rise in cost of funds or lower interest rates on credit facilities. The impact on earnings is regularly reviewed at the level of the Asset and Liability Committee (ALCO). |
| **FUNDING & LIQUIDITY RISK**<br><br>**Movement during the year:** | Cim Finance has a comfortable liquidity position. We have successfully raised funds through the debt capital market as a means to diversify our borrowing base and contingency funding is also available.<br><br>The liquidity and funding risk is managed as follows:<br><br>**Shorter terms – Tactical:**<br>Manage intraday liquidity positions and monitor daily cash flow requirements.<br><br>**Longer terms – Structural:**<br>Ensure a structurally sound financial position, preserve a diversified funding base and manage long-term cash flows.<br><br>**Contingency liquidity:**<br>Monitor and manage early warning liquidity indicators, establish and maintain liquidity contingency plans, carry out regular stress testing and set liquidity buffers. |
| **BUSINESS RISK**<br><br>**Movement during the year:** | We face the risk of lower demand in this difficult and extremely competitive economic environment. We continue to track changes in the external environment and carry out market research to stay abreast of the latest developments. New strategies and products are developed accordingly. For instance, we launched a WhatsApp for Business platform, where existing clients can interact with Cim Finance representatives via WhatsApp to apply for loan facilities rather than physically visit Cim counters to submit their applications. This also contributes to limiting any risk of contamination. In addition, we have reviewed our credit approval process to online merchants without compromising existing controls. |

| PRINCIPAL RISK DESCRIPTION | RISK RESPONSE |
|---|---|
| **OPERATIONAL RISK**<br><br>**Movement during the year:** | Cim Finance has an effective operational risk management program, which includes the three lines of defence (business units as the first line, risk and compliance as the second line and internal audit as the third line of defence), written operational risk policies and procedures, and risk identification, assessment, monitoring and reporting processes. Risk Control Self Assessment is now an integral part of the operational risk management process, which serves to identify and assess operational risks in an efficient and systematic manner.<br><br>We have improved the quality of information presented in our Risk Report and the key operational risks are regularly reported to the Operational Risk Forum and to the Board's Risk Management Committee. |
| **IT & CYBERSECURITY RISK**<br><br>**Movement during the year:** | In the context of our digitalisation strategy, we are conscious of the risk posed by cyber attacks. We have deployed a cybersecurity program to enhance our resilience to threats and vulnerabilities. Continuous training is conducted on cyber security awareness and is a vital part of the sustainability of our business. We have implemented SIEM (Security Incident Event Management), which monitors our networks on an ongoing basis. This is complemented with the implementation of Advanced Threat Protection tools for enhancing cyber security monitoring, a Cloud Access Security Broker for cloud-hosted applications, and Mobile Device Management, amongst others, which are managed by a dedicated IT Security team.<br><br>Testing and simulation exercises are conducted to assess employee reactions to potential attacks or system failures, following which we develop relevant solutions to address the identified issues and ensure business continuity.<br><br>Cim Finance also has a cyber-liability insurance cover, which provides additional safeguards in protecting infrastructure and data assets. |
| **COMPLIANCE RISK**<br><br>**Movement during the year:** | We have an effective compliance program which includes robust written policies and procedures, a designated compliance officer and compliance committee, effective lines of communication, training/education, internal monitoring and auditing and a prompt response to detected problems through corrective actions.<br><br>During the year, an exhaustive review of Cim Finance's core processes was conducted with a view to update operational processes and procedures in line with regulatory requirements. Moreover, several initiatives were taken to enhance our ongoing screening capabilities through RPA solutions and the procurement of international sanction lists. |

# Risk Management Report
(continued)

**The measures adopted at Cim Finance to strengthen our Risk Management Framework are:**

1

### Relentless business continuity and resiliency amidst the new normal

2021 was another replay of the 2020 lockdown with business continuity efforts resurfacing. This time, however, our response plans were implemented with more speed, agility and confidence in terms of proactively taking operational measures to limit any business impact, including the continued use of digital channels, which have continued to evolve since last year. The reinforcement of the Business Continuity Management (BCM) resourcing capabilities and improvement in the coordination of BCM-related efforts across all functions are underway in order to continue building on our overall resiliency and rigorous BCM maintenance.


2

### Building a dynamic credit risk framework and policy interventions

Considering the fast-changing business environment, Cim Finance has been consistently reviewing its credit risk framework. In that regard, the credit scorecard and policy rules were thoroughly reviewed and are being closely monitored. In some cases, the revised decision logic has been embedded within existing automated decision engines and processes. In others, expert-based decisions are applied while prudently managing applications to cope with the extraordinary volume of applications received. Manual credit underwriting focuses on exceptions and higher risk cases, where necessary, feeding back into the decision-making framework.

In parallel, a set of client treatment strategies was developed. Consumer Finance clients were given a reasonable delay to pay their monthly instalments, with no penalty applied during the lockdown. In other cases, support measures, such as a moratorium, were granted to customers and sectors that were immediately and directly affected by COVID-19.

## CREDIT RISK MANAGEMENT FRAMEWORK


3

### Assessment of the economic impact on the existing portfolio

We have reviewed our credit portfolio, assessed the impact of the crisis on our portfolio, defined our collection strategy, refined our risk appetite and reviewed our tactical and long-term strategies to meet the changes in client demand.

Understanding the impact on our portfolio has been a collaborative effort between the business and risk team to identify stressed sectors and clients. We achieved this through a combination of expert judgment, early warning signals and public data. The Risk team has been working towards reinforcing the stress testing framework and conducted various stress-testing and scenario-based forecasting to project the expected credit losses under IFRS9 and to ensure we maintain adequate buffers in terms of capital adequacy, funding and liquidity ratios, thus, preserving our financial soundness against any expected credit losses.

The business, together with the Risk and Finance teams, has used the results of the analysis to refine our near-term lending capacity and strategy in line with the risk appetite.

# Risk Management Report
(continued)

4

## Our stress-testing results

To assess Cim Finance's resilience against macroeconomic shocks, hypothetical scenarios were identified.

Some of the scenarios include: the recovery of the economy in the second semester of 2021 with the reopening of borders to international travel would boost the confidence of households and businesses; a delay in economic recovery notwithstanding ongoing COVID-19 support measures; the deterioration of the COVID-19 situation in the country and adverse repercussions on the economy, impacting a major segment of our credit portfolio.

Stress test results reveal that Cim Finance has adequate capital and liquidity buffers to deal with the protracted repercussions of the pandemic.

5

## Enhancing fraud identification and monitoring capabilities

Fraud monitoring is key for sound business operations. We are currently enhancing our transaction-monitoring framework to enable the timely identification of red flags and fraudulent patterns of behaviour. For instance, we periodically review the fraud rules in our Cards line of business and tighten them as and when required in conjunction with the Card Association requirements. We carry out fraud monitoring on an ongoing basis, and even more so with the unpredictable economic downturn. Our Fraud Management policy, Whistleblowing policy and Disciplinary policy have all been reviewed to ensure they remain effective and relevant.

Within the next year, our fraud reduction efforts will include enhancing our fraud monitoring and response capabilities, complemented with a comprehensive data warehouse, analytical tools and robotisation techniques.

## REBUILDING 2022, AND BEYOND, TOGETHER

As the COVID-19 pandemic continues to evolve within most economies globally, its unprecedented consequences have taken a serious toll on the Mauritian economy. Beyond the undeniable impacts, such as demand and supply chain shocks and rising prices, the closure of businesses has affected overall credit lending for certain sectors of the economy, putting thousands of people out of job and significantly reducing their income and purchasing power. It is therefore critical to continue ensuring that risk is adequately assessed, classified and measured. Cim Finance provides solutions to distressed clients in a timely manner, helping to contain the build-up of problem assets, and thus minimising and mitigating any cliff effects where possible. We also recognise that we need to continue playing our part in rebuilding our economy, as well as supporting our communities and society at large. As we continue to operate in these uncertain times, our primary obligation remains meeting customer needs to the best of our ability, within acceptable risk management principles, within our risk appetite, in line with our strategic objectives and in adherence to prevailing laws and regulations.

From a prudential perspective, Cim Finance will take the following measures in order to properly manage its credit risk:

- pursue our ongoing efforts to review the credit scorecards, internal policies, prudential limits and set new key risk indicators in line with the changing and challenging business environment; we also aim to make use of advanced analytical capabilities, while ensuring an effective warning process is in place;

- continue to allocate exposures to the appropriate IFRS 9 stages and use all relevant information to determine expected credit losses; we also intend to continue ensuring overlays are directionally consistent with macroeconomic scenarios, given the current level of uncertainties;

- enhance the IFRS 9 ECL models, and review the system, processes and controls against our objectives to sufficiently automate and streamline the processes to deliver reliable results;

- reinforce the stress-testing framework to evaluate the potential effects of a set of specified changes in risk factors on Cim Finance's financial condition, corresponding to exceptional but plausible events.

A few other planned initiatives include, amongst many others:

- To simplify and streamline our business processes through digitalisation to increase our efficiency, while maintaining a robust control environment enabled by Robotic Process Automation and the implementation of new core lending system and other system tools. This will also foster the development of innovative products and services that will help clients and unlock future growth;

- To extend the deployment of a tailored Risk and Control framework across specific business units and continue the fraud monitoring efforts to identify early warning signals of potential fraud;

- To further strengthen our cyber-resilience owing to greater digital adoption and staff mobility with better preventive & detective mechanisms through reliant & trustworthy systems, as well as deliver continuous cyber education and training to employees;

- To strengthen our policy governance framework to ensure long-term business sustainability and compliance with evolving laws and regulations;

- To continuously refine and evolve business continuity practices in the light of existing events to ensure contingency plans are updated and sufficiently tested.

*"Aspirater, masinn a lave, travo dan lakaz, dous kase, laptop pou zanfan... Depi 30 an, ton kalite soutien mo'nn gagne avek Cim. Sirtou pandan sa sitiasion konplike ki non pe viv-la. Mo ti an difikilte me Cim finn aksepte fer mo trwa loan vinn enn sel pou ki li vinn pli fasil pou mo repaye. Kot Cim, sak fwa mo tap laport, li ouver...*

**Mrs. Chantoiseau**
Credit facilities


ASUS

# Corporate Governance Report

**Cim Finance plays a key role in the country's economic, financial and social landscape. With this comes the responsibility to not just be compliant with overarching regulations and laws, but also to integrate the principles of good governance in all aspects of our organisation, from our structure and strategy, to our day-to-day behaviours and how we interact with one another, our customers, partners and the authorities.**

**The past year has exposed the strengths and weaknesses that exist in an organisation's ability to deal with a crisis and uncertainty.**

**Despite entering the crisis in better shape than many other businesses, we view this as an unprecedented opportunity to improve our frameworks, mechanisms and policies, and transform the way we do business. This has translated into placing Environmental, Social and Governance (ESG) factors at the heart of our decisions.**

**This Corporate Governance Report sets out the measures we have taken during the year to strengthen our resilience to potential future shocks, irrespective of their nature.**

## 1. COMPLIANCE STATEMENT

CIM Financial Services Ltd ("CFSL" or the "Company"), a company listed on the Official Market of The Stock Exchange of Mauritius ("SEM"), is classified as a public interest entity under the Financial Reporting Act 2004. In accordance with the National Code of Corporate Governance (2016) (the "Code"), CFSL is required to adopt and report on its corporate governance practices and this Corporate Governance Report thus sets out how the Code's principles have been applied throughout the Company.

## 2. GOVERNANCE STRUCTURE

### 2.1 The Board

We believe that setting the tone at the top is a prerequisite for a strong governance culture, and this begins with our Board of Directors. The Board of Directors ('Board') of CIM Financial Services Ltd is fully dedicated to applying the principles of the Code, thus ensuring the Company's commitment to ensure the resilience of the business and create long-term value for its stakeholders. The Board is responsible for embodying and promoting a culture of transparency, accountability and ethics in order to guarantee efficient and ethical decision-making processes.

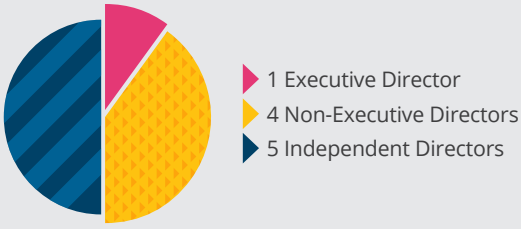
According to the Constitution of the Company, the Board shall consist of a minimum of six and a maximum of twelve Directors.

The Company is headed by a unitary board composed of ten members, under the chairpersonship of Mrs Aisha Timol. The Board comprises four non-executive Directors, one executive Director and five independent Directors, including the Chairperson, who operate within a clearly defined governance framework.

The Board is of the view that there is an adequate balance between independent, non-executive and executive Directors on the Board and that all Board members have the necessary skills, expertise, experience, independence of opinion and knowledge to discharge their respective duties and responsibilities effectively.

Although there is only one executive Director on the Board, the Board is of view that the input of the Group Chief Financial Officer and the Group Chief Operating Officer, who are both in attendance at Board meetings, provides an appropriate balance to Board deliberations.

**COMPOSITION OF THE BOARD**




The skill set of the members of the Board is set out in the chart below.


In addition, the composition of the Board meets the requirements of the Code in terms of gender. The Board is determined to move beyond compliance in this regard and is considering appointing additional women Directors to further improve its gender balance.

The Board assumes responsibility for leading and controlling the organisation, providing strategic guidance, reviewing financial plans and monitoring performance, ensuring that a robust risk management system is in place and providing accurate information to shareholders, the public and regulators. It also ensures that the Company adheres to all legal, regulatory requirements and applicable corporate governance practices.

The Board has set up four sub-committees to assist in the discharge of its duties, as morefully set out on page 71.

The profiles and the full directorship lists of the members of the Board are set out on pages 22 to 26 of the Annual Report. Except for Mr David Somen, all the Directors reside in Mauritius.

The Board has adopted an Equal Opportunity Policy pursuant to the requirements of the Equal Opportunity Act 2008. The Policy provides for the promotion of equal opportunity between persons, and also prohibits discrimination on the grounds of status and by victimisation. The Policy sets out the Company's position on equal opportunity in each and every stage of the employment process, a process that is applied equally to all Board members and employees. The Company will regularly review its procedures and selection criteria to ensure that individuals are selected, promoted and treated solely based on their individual abilities and merits.

# CORPORATE GOVERNANCE REPORT
(continued)

In accordance with the requirements of the Code, the following documents, as approved by the Board, are available for consultation on the Company's website

https://about.cimfinance.mu/en/about/about-cim-finance/governance

| | |
|---|---|
| Constitution of CFSL | The Constitution has been drafted in accordance with the provisions of the Companies Act 2001 and the Listing Rules established by the Stock Exchange of Mauritius. |
| Board Charter | The Board Charter provides the terms of reference of the Board as well as a concise overview of the objectives, role, composition and responsibilities of the Board of the Company. |
| Code of Ethics | The Code of Ethics highlights areas such as personal conduct, conflicts of interest, personal dealings in securities and related investments, and employment practices which the Company believes are essential in maintaining fair business practices. The Board will regularly monitor and evaluate compliance with the Code of Ethics.<br><br>All employees and Directors have received a copy of the Code of Ethics, and new employees and Directors are provided with a copy of the Code of Ethics upon their induction. |
| Position statements of the Chairperson, of the Chief Executive Officer, of the Company Secretary, of the Chairperson of the Audit and Compliance Committee, of the Chairperson of the Risk Management Committee, of the Chairperson of the Corporate Governance and Conduct Review Committee and of the Chairperson of the Board Investment Committee. | The function and role of the Chairperson and that of the Chief Executive Officer are separate.<br><br>These position statements provide a clear definition of the respective roles and duties of the Chief Executive Officer, of the Company Secretary, of the Chairperson of the Board as well as of the Chairperson of each committee. |
| Organisational Chart and Statement of main accountabilities | CFSL operates within a clearly defined governance structure and such framework provides for clear lines of responsibility and delegation of authority while enabling the Board to retain effective control. |
| Nomination and appointment process for Directors | It highlights the process of identifying candidates, recommending potential Directors to the Board for approval and providing them with an induction programme once their appointment has been approved. |

To promote a culture of integrity and reaffirm its commitment in conducting business matters in an ethical manner, the Group has adopted a Whistleblowing policy which provides a channel of effective communication of concerns. Employees are encouraged to report any malpractice of which they become aware. The policy, which is available on the website of the Group, https://www.cimfinance.mu/en/whistleblowing, outlines the reporting mechanism and the defined process on how reported concerns will be handled and investigated in strict confidentiality.

The processes and frequency to review, monitor and approve the Board Charter, the organisation's Code of Ethics, the positions statements, the organisational chart and the statement of main accountabilities are determined by the Board and may be delegated to sub-committees, as appropriate.

## 2.2 Board committees

The Board of CFSL is assisted in its functions by four main sub-committees: (i) the Audit and Compliance Committee, (ii) the Risk Management Committee, (iii) the Corporate Governance and Conduct Review Committee, which also acts as a Remuneration and Nomination Committee, and (iv) the Board Investment Committee.

These sub-committees, which operate within approved terms of reference, have been set up in line with the Code, to assist the Board in the effective discharge of its duties, as well as to provide support and in-depth focus on particular matters. The minutes of each committee's proceedings are recorded and submitted to the Board for their reference and consideration. For the year under review, the Board is satisfied that all committees have effectively honoured their responsibilities and have assisted the Board in dealing with existing and new challenges.

### The Corporate Governance and Conduct Review Committee ('CGCRC')

The CGCRC oversees all governance issues relating to the business activities of the Company and all its subsidiaries. It is composed of two independent Directors, namely Mr. David Somen (Chairperson) and Mrs Aisha Timol, two non-executive Directors, namely Mr. Tim Taylor and Mr. Philip Taylor, and one executive Director, namely Mr. Mark van Beuningen.

***"During the year under review, the CGCRC met four times. Besides addressing general corporate governance and remuneration matters, the CGCRC recommended an employee share option scheme for approval by the Board and worked with management to ensure that there was a succession plan to ensure the continuity of operations and leadership of the Company."***

– David Somen, Chairperson

# CORPORATE GOVERNANCE REPORT
(continued)

## The Risk Management Committee ('RMC')

The RMC oversees the risk-related issues of the Group and helps maintain an effective internal control system. It is composed of two independent Directors, namely Mr. Denis Motet (Chairperson) and Mr. Fareed Jaunbocus, one executive Director, namely Mr. Mark van Beuningen and one non-executive Director, namely Mr. Colin Taylor.

***"The RMC met four times during the financial year 2020/2021. As part of its mandate, the RMC discussed the risk appetite of the Group, the principal risks faced by the Group and the actions taken to mitigate such risks. During the meetings, significant emphasis was placed on assessing the Company's response to the COVID-19 pandemic and on the review of its credit portfolio to ensure that any credit risk has been properly accounted for.***

***The RMC also monitored the improvements made to the cybersecurity infrastructure of the Group and substantial progress has been made in this area, largely driven by the increased digitalisation of the operations and services of the Group. Various measures have also been implemented to enhance information security."***

– Denis Motet, Chairperson

## The Audit and Compliance Committee ('ACC')

The ACC monitors the audit-related and compliance-related issues of the Group. With regard to audit-related matters, the ACC monitors the implementation of the internal audit recommendations as well as the integrity of the Annual Report and financial statements. The ACC also makes recommendations to the Board with regard to the appointment or removal of the external auditor. Moreover, it reports to the Board on significant financial reporting issues and judgements relating to financial statements. The ACC also has oversight responsibilities in terms of the management of compliance risks, maintaining internal controls and complying with established policies, procedures and controls. Furthermore, the Committee makes recommendations to the Board concerning the implementation of internal controls and procedures to combat money laundering and the financing of terrorism.

The ACC is composed of three independent Directors, namely Mr. Amédée Darga (Chairperson), Mr. Fareed Jaunbocus and Mr. Denis Motet and one non-executive Director, Mr. Matthew Taylor.

All the members of the ACC are financially literate, with Mr. Fareed Jaunbocus being a Chartered Accountant.

*"During the year under review, the ACC met six times and received reports from the Head of Internal Audit on the various internal audit and investigations carried out by the internal audit team. It also took note of and approved the internal audit plan for the financial year. The Committee also reviewed the audited accounts, the management letters as well as quarterly financial statements presented by the Group Chief Financial Officer.*

*Compliance reports from the Head of Compliance were also reviewed by the ACC to ensure that CFSL has implemented effective systems and practices to achieve compliance with laws, regulations and internal policies.*

*In the light of the ongoing COVID-19 pandemic, the ACC worked with the external auditors to ensure that the Company's allowance for impairment in light of its Expected Credit Losses ('ECL') calculation methodology were adequate and to the external auditor's satisfaction."*

– Amédée Darga, Chairperson

## The Board Investment Committee ('BIC')

The BIC assists the Board of the Group in making investment and/or acquisition decisions within the mandate of the Committee, or any other matter delegated to it by the Board. The BIC meets on an adhoc basis as and when there are investment projects to be considered.

It is composed of two independent Directors, namely Mrs Aisha Timol (Chairperson) and Mr. Amédée Darga, two non-executive Directors, namely Mr. Colin Taylor and Mr. Tim Taylor, and one executive Director, namely Mr. Mark van Beuningen.

## IT Sub-committee

In light of the project initiated for the replacement of Cim Finance's core lending system, the Board constituted an adhoc IT sub-committee whose role is to support management on the evaluation and selection of a preferred vendor for the new core lending system. The IT sub-committee also provided valuable input in the finalisation of the project and contractual documents with the vendor.

The IT sub-committee was composed of Messrs Fareed Jaunbocus, Matthew Taylor, Denis Motet, with Mr Amédée Darga as Chairperson.

# CORPORATE GOVERNANCE REPORT (continued)

When necessary, other specialised committees are set up by the Board on an adhoc basis to address specific matters.

In accordance with the requirements of the Code, the following documents are available for consultation on the Company's website:

i. Terms of Reference of the Corporate Governance and Conduct Review Committee;
ii. Audit and Compliance Committee Charter;
iii. Terms of Reference of the Risk Management Committee; and
iv. Terms of Reference of the Board Investment Committee.

The terms of reference of these committees are reviewed on an annual basis by each committee and any proposed amendments are submitted to the Board for approval. It is to be noted that for the year under review, the scope of the terms of reference of the Corporate Governance and Conduct Review Committee, the Audit and Compliance Committee Charter and the terms of reference of the Board Investment Committee were updated.

In order to ensure business continuity while observing safety precautions following the restrictions mandated by the Government to tackle the COVID-19 pandemic, the Board and Committee meetings were conducted by means of video conference during the lockdown.

## 2.3 Directors' remuneration and attendance

The remuneration of non-executive Directors consists of a mix of attendance and retainer fees.

The executive Director does not receive additional remuneration for serving on the Board of the Company or its committees. His remuneration package as an employee of the Company, including performance bonuses, is in accordance with market rates.

The remuneration of the executive and non-executive Directors are reviewed and recommended for approval to the Board on an annual basis by the Corporate Governance and Conduct Review Committee. The non-executive Directors are not paid any performance bonuses.

Directors' attendance at Board and Committee meetings as well as their remuneration (including remuneration received from subsidiaries) during the financial year ended 30 September 2021 are set out in the table below.

| | Attendance | | | | | Interests | | Remuneration |
|---|---|---|---|---|---|---|---|---|
| | Board meetings | ACC | CGCRC | RMC | BIC | Direct % | Indirect % | MUR |
| **TIMOL, Aisha** | 9/9 | n/a | 4/4 | n/a | 5/5 | 0.0012 | nil | 1,720,000 |
| **DARGA, Amédée** | 9/9 | 6/6 | n/a | n/a | 5/5 | 0.0013 | nil | 940,000 |
| **JAUNBOCUS, Fareedooddeen** | 9/9 | 6/6 | n/a | 4/4 | n/a | nil | nil | 920,000 |
| **MOTET, Denis** | 9/9 | 6/6 | n/a | 4/4 | n/a | 0.0044 | nil | 1,090,000 |
| **SOMEN, David** | 8/9 | n/a | 4/4 | n/a | n/a | nil | nil | 1,420,000 |
| **TAYLOR, Colin** | 9/9 | n/a | n/a | 4/4 | 5/5 | 0.0416 | 3.54 | 910,000 |
| **TAYLOR, Matthew[1]** | 8/9 | 5/6 | n/a | n/a | n/a | 0.0059 | 1.63 | 680,000 |
| **TAYLOR, Philip** | 9/9 | n/a | 3/4 | n/a | n/a | nil | 3.54 | 660,000 |
| **TAYLOR, Timothy[1]** | 8/9 | n/a | 3/4 | n/a | 5/5 | 0.4108 | 8.08 | 700,000 |
| **VAN BEUNINGEN, Mark** | 9/9 | n/a | 4/4 | 4/4 | 5/5 | nil | nil | 16,400,000 |

[1] Sebastian Taylor attended a Board meeting as alternate director to Timothy Taylor and Matthew Taylor.

## 2.4 Appointment

The Board, supported by the CGCRC, assumes the responsibilities for succession planning and for recommending the appointment of new Directors to the shareholders of the Company. The process for the appointment of Directors, which is made in a transparent and formal manner, is available on the website of the Company (**https://about.cimfinance.mu/en/about/about-cim-finance/governance**).

When appointing Directors, the Board considers its needs in terms of size, experience, skills and diversity. The total number of Directors shall not at any time exceed the number fixed in accordance with the constitution. It is to be noted that any Director over the age of 70 is appointed at the Annual Meeting of Shareholders ('AMS') in accordance with section 138(6) of the Companies Act 2001.

All Directors will stand for re-election by way of separate resolutions at the AMS of the Company scheduled in February 2022.

## 2.5 Induction and Orientation

The Board is responsible for the induction of new Directors to the Board, a process facilitated by the Company Secretary. The induction programme has been designed to make Directors fully aware of their legal duties and to acquaint them with the Company's structure, strategies, mission and values. No Director was appointed during the financial year under review.

## 2.6 Professional Development

The Board reviews the professional development needs of Directors during the Board evaluation process and Directors are encouraged to develop their skills and expertise on an ongoing basis. They also receive regular updates on the latest trends and legislations affecting the business from management and/or other industry experts. In November 2021, the Directors participated in a workshop on Anti-Money Laundering facilitated by the Financial Services Institute.

## 2.7 Board access to information and advice

All Directors have access to the Company Secretary to discuss issues or to obtain information on specific areas or items to be considered at Board meetings or any other area they consider appropriate.

Furthermore, Directors have access to the Company's records and the right to request independent professional advice at the Company's expense.

## 2.8 Directors' duties and performance

The Directors are aware of their legal duties and may seek independent professional or legal advice, at the expense of the Company, in respect of any aspect of their duties and responsibilities. The Code of Ethics and the Board Charter provide guidance to the Directors in fulfilling their roles.

All Directors have a duty to act in the best interests of the Company and are expected to ensure that his or her other responsibilities do not encroach on his or her responsibilities as a Director of CIM Financial Services Ltd.

## 2.9 Interests of Directors and conflicts of interest

All Directors, including the Chairperson, declare their direct and indirect interests in the shares of the Company, as well as their interests in any transaction undertaken by the Company in accordance with the Companies Act 2001. They also follow the Model Code for Securities Transactions as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules whenever they deal in the shares of the Company. The register of interests of the Company is maintained by the Company Secretary and is available for consultation by shareholders upon written request to the Company Secretary.

In addition, the Group has adopted a Related Party Policy which sets out the framework of risk management put in place with regard to the identification, monitoring and reporting of related party transactions. The policy's underlying principles are derived from the Guidelines of the Bank of Mauritius on related party transactions and the Listing Rules.

The Code of Ethics of the Group also sets out instances which could lead to a conflict of interest, and the subsequent procedure for dealing with such potential conflicts.

# CORPORATE GOVERNANCE REPORT
(continued)

For the year under review, only one Director, namely Mr. Denis Motet, dealt in the shares of the Company and acquired 20,900 shares.

The direct and indirect interests of Directors in the shares of the Company are set out in the table on page 74.

## 2.10 Information, Information Technology (IT) and Information Security policy

The Board oversees information governance within the organisation and ensures that the performance of IT systems leads to business benefits and creates value.

The Group adopted various IT policies during the year. For instance, a Firewall Policy was implemented to mitigate the risks associated with security threats, while a Data Privacy Policy, which complies with the requirements of the Data Protection Act 2017, was set up to protect and ensure the confidentiality of personal or sensitive personal data. The Group has also adopted a Data Retention and Disposal Policy to minimise data storage amount and retention time. Matters of importance with regard to information security policies are also taken up by the Risk Management Committee and recommendations are submitted to the Board for approval.

The Board, through its committees, ensures that proper policies have been implemented for the protection of the Company's information assets. Policies have also been set up to protect the integrity, ensure the confidentiality and control the usage of and access to the information essential for the smooth running of the Company's business activities.

Mitigation actions were taken by management following the advent of the COVID-19 outbreak to minimise the information security risks. Management also ensured that all employees were provided with the appropriate tools to ensure a smooth transition to teleworking, thus guaranteeing business continuity.

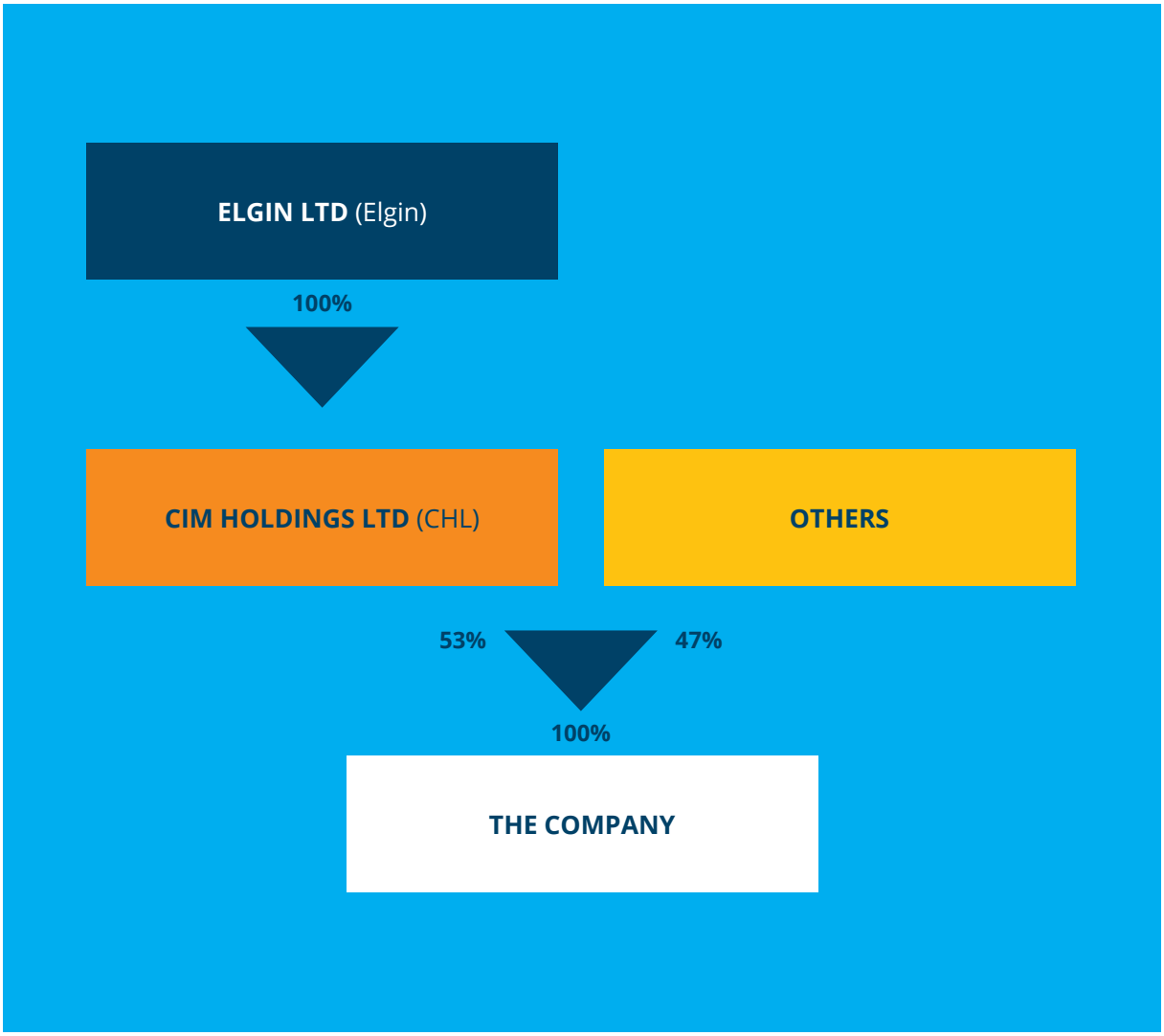
The Board approves material investments in information technology and security, as set out in the annual budget, according to the business needs of the Group.

## 2.11 Board performance review

Following recommendations made by the CGCRC, the Board approved a Board evaluation framework that will allow the Company to smoothly transition from an internally-led Board evaluation to an externally-led exercise. This exercise will be extended over a three year period and ensure that the Company complies with best practices in terms of Board evaluation. The evaluation for this year was conducted internally by way of a peer evaluation in addition to a questionnaire circulated to each Director to obtain their views on the effectiveness of the Board, to assess their contribution to the Board's performance and to identify areas of improvement. Once the results have been analysed by the CGCRC, they will be reported at Board level and used to improve the Board's effectiveness.

## 3. RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The shareholding structure of the Company as at 30 September 2021 is as follows:

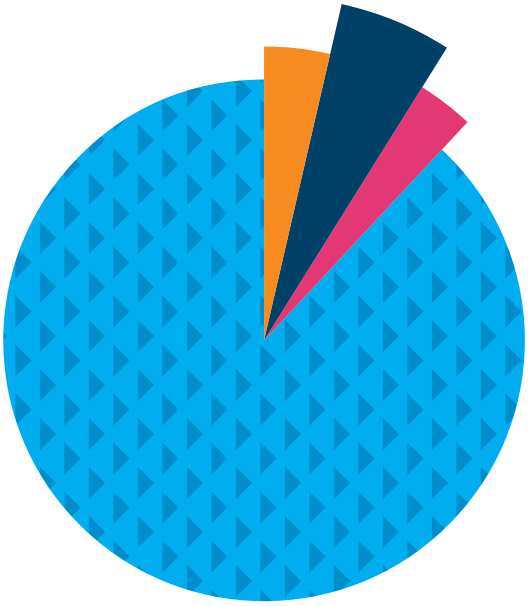



No shareholders' agreement which could affect the governance of the Company has been disclosed to the Board and/or the Company.

# CORPORATE GOVERNANCE REPORT
(continued)

The share ownership analysis per holding percentage and categories of shareholders as at 30 September 2021 is as follows:

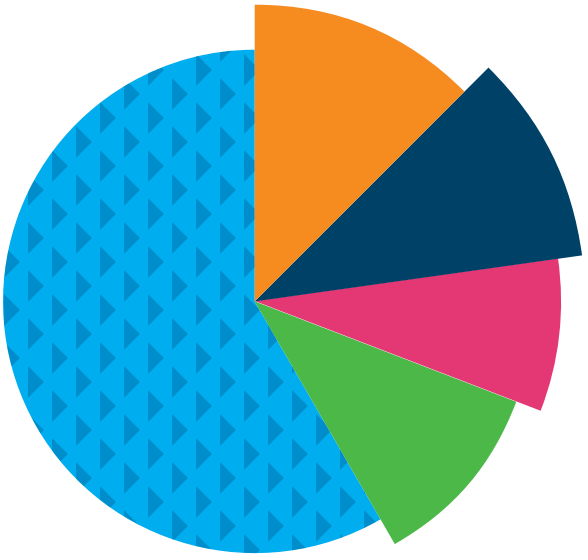
## OWNERSHIP BY SIZE OF SHAREHOLDING



**NO. OF SHARES**

- 1 - 50,000
- 50,001-250,000
- 250,001-500,000
- Over 500,000

## OWNERSHIP BY CATEGORY OF SHAREHOLDING



- Individuals
- Insurance & Assurance
- Investment & Trust
- Pension & Provident
- Other Corporate Bodies

Communication with shareholders and stakeholders is mainly done through the Annual Report, Investors' Briefings, the published unaudited results, the AMS, dividends declarations, press communiqués and the website.

The Group interacts with its internal stakeholders, namely its employees via Workplace, a collaborative platform run by Facebook which offers social network features in a corporate environment. Through the platform, employees can communicate with one another via groups.

The external stakeholders of the Group namely its customers, suppliers, shareholders, the Government/regulators and the public, are reached via social media platforms such as Facebook and LinkedIn, as well as via advertisements. Throughout the lockdown, the Group ensured that clear and prompt communication was provided to its customers and stakeholders on a regular basis. As and when required, focus groups are held with clients to assess their expectations from the Group. Regular channels of communication are also maintained with the regulators and the Government.

In addition, shareholders are invited to the AMS on an annual basis to approve the financial statements and vote on the re-appointment/appointment of Directors and external auditor. The AMS for the year 2021 was held in February 2021. The next AMS of the Company is scheduled in February 2022, and shareholders will receive the notice of the AMS at least 21 days prior to the meeting in accordance with the law.

The Annual Report, which also includes the notice of annual meeting, is published in full on the Company's website. Shareholders also have the option to request a soft copy of the Annual Report.

## 4. Internal Audit Function

**Governance and structure**

During the year under review, the Internal Audit Function performed audit, advisory and investigation engagements for CFSL as per the Risk-Based Internal Audit Plan approved by the ACC. Its main role is to provide an independent, objective assurance and consulting activity designed to add value and improve the Company's operations.

The Internal Audit Function is independent of Executive Management and functionally reports to the ACC on a quarterly basis. The Head of Internal Audit presents audit reports to the ACC and discusses key issues contained therein.

The Head of Internal Audit has a direct reporting line to the Chairperson of the ACC and holds regular meetings with the Chairperson, further establishing the Internal Audit function's independence.

The ACC approves the Risk-Based Internal Audit plan, ensures that adequate resources are available to deliver on the plan and evaluates the effectiveness of the Internal Audit function. In addition, the ACC monitors the progress in achieving the Risk-Based Internal Audit plan on a quarterly basis. Moreover, in the performance of its duties, the Internal Audit function has unrestricted access to all documents, key personnel and Management staff. There was no limitation of scope placed on the internal auditors in conducting the audits.

Internal audits are carried out in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). Internal audit staff also abide by the Code of Ethics established by the IIA and by CFSL.

# CORPORATE GOVERNANCE REPORT
(continued)

In terms of structure, the Internal Audit function was segregated into two units, namely Risk-Based and IT units. The Risk-Based unit performed assurance engagements in line with the definition of the IIA, as well as Investigations, and Independent reviews. The IT unit, for its part, performed engagements where a high reliance on Information System and Technology is required. Both units use a risk-based approach when building up the Internal Audit Plan for the year. The structure, organisation and qualifications of the key members of the Internal Audit team are listed on the Company's website.

During the year under review, the Internal Audit team carried out 30 internal audit assignments for CFSL, consisting of risk-based, IT, advisory and investigation engagements. In addition, follow up audits (review of implementation status of recommendations) were also carried out throughout the year.

**Independence and objectivity**

The Internal Audit function confirms that independence and objectivity was maintained throughout the year by ensuring the following:

- There was no interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content.
- Internal audit staff have no direct operational responsibility or authority over any of the activities audited and hence do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair judgment.

Internal audit staff also refrained from reviewing specific operations for which they were previously responsible; made proper disclosures if independence or objectivity was impaired, or if there was any conflict of interest; have not accepted anything that may impair or be presumed to impair their professional judgment; and were aware of the threat of over-familiarity.

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

## 5. External Audit

The external auditor of the Company and the Group are BDO & Co ("BDO"), who were appointed as external auditor at the AMS held in February 2021.

The ACC discusses critical policies and external audit issues with BDO as and when necessary, and meets them at least once a year without Management being present.

The ACC assesses the effectiveness of the external audit process via feedback received from the Management team. Areas of improvement are thereafter discussed with the external auditor.

The Group has implemented a policy for the provision of non-audit service by the external auditor. The objectives of the policy are:

- To ensure that neither the nature of service nor the level of reliance placed on it by the Group could be perceived to impair the independence and objectivity of the external auditor's opinion on financial statements.

- To establish a straightforward and transparent process and reporting mechanism to enable the ACC to monitor and control the independence of the external auditor and compliance with this policy.

- To avoid unnecessary restrictions on the purchase of services from the external auditor who are expected to provide a higher quality and a more cost-effective service than other providers.

For the year under review, the fees paid to the external auditor for non-audit work are set out on page 82. To guarantee objectivity and independence, the Board ensures that the team providing non-audit services is different from the one providing audit services.

## 6. Reporting with Integrity

This report has been prepared in line with the principles set out by the International Framework established by the International Integrated Reporting Council (IIRC). It provides key information which allows for the assessment of the strategy, business model, operating context, material risks and opportunities, governance and operational performance of CFSL for the period 1 October 2020 to 30 September 2021.

## 7. Human Resources

The human resource initiatives of the Group are set out on pages 34 to 41.

## 8. Profiles of Senior Executive Team

The profiles of the senior executive team can be found on pages 42 to 43.

## 9. Other Matters

### 9.1 Related party transactions

Please refer to page 179 of the Annual Report.

### 9.2 Management agreements

The Company has no management contracts.

### 9.3 Dividend Policy

An interim dividend is usually declared in May and paid in June and a final dividend is declared in December and paid in January. The payment of dividends is subject to the net profits of the Company, its cash flow and its needs with regard to capital expenditure. For the year under review, due to the ongoing COVID-19 pandemic, the declaration of the interim dividend was delayed. Accordingly, an interim dividend of MUR 0.10 per share was declared in July 2021 and paid in August 2021 whilst a final dividend of MUR 0.20 per share was declared in December 2021 and would be paid in January 2022.

### 9.4 Donations

The Company did not make any political donations during the year under review.

### 9.5 Corporate social responsibility (CSR) and environmental issues

Cim CSR Fund Ltd was set up on 12 April 2016 under the laws of Mauritius pursuant to the Companies Act 2001. Cim CSR Fund Ltd receives annual statutory contributions from all entities within the Group for the purposes of Corporate Social Responsibility ('CSR').

The Group's CSR activities, which reflect its commitment to creating sustainable value for the social, environmental and economic wellbeing of society, are set out on pages 52 to 54.

Information on the major projects undertaken by Cim CSR Fund Ltd is available for consultation on https://about.cimfinance.mu/en/about/about-cim-finance/sustainability.

**Tioumitra Maharahaje**
For Cim Administrators Ltd
Company Secretary

13 December 2021

# Other Statutory Disclosures

**Directors' remuneration and benefits**

| | | | 2021 | 2020 |
|---|---|---|---|---|
| | | | MUR m | MUR m |
| **Directors of Cim Financial Services** | | **2020** | | |
| 1 | Executive | 1 | 16.4 | 19.2 |
| 9 | Non Executive | 11 | 9.0 | 6.8 |
| **Directors of Subsidiary companies** | | | | |
| 5 | Executive | 5 | 24.6 | 19.3 |
| 4 | Non Executive | 7 | 1.1 | 3.8 |

**Donations**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | MUR m | MUR m | MUR m | MUR m |
| CSR | 4.8 | 5.1 | 4.8 | - |
| Donations (charitable) | - | - | - | - |

**Auditors' fees**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | MUR m | MUR m | MUR m | MUR m |
| Audit fees paid to : | | | | |
| BDO | 2.4 | 2.3 | 2.2 | 0.7 |
| Other | 0.6 | 0.4 | - | - |
| Fees paid for other services provided by : | | | | |
| BDO | - | 0.1 | - | - |
| Other | - | 0.5 | - | 0.3 |

# Directors' Report

## (a) Financial statements

The Directors of CIM Financial Services Ltd (the 'Company') are responsible for the integrity of the audited financial statements of the Group and the Company, and the objectivity of the other information presented in these statements.

The Board confirms that, in preparing the audited financial statements, it has:

(i) selected suitable accounting policies and applied them consistently;
(ii) made judgements they estimate to be reasonable and prudent;
(iii) stated whether applicable accounting standards have been followed, subject to any material departures explained in the financial statements;
(iv) kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company;
(v) safeguarded the assets of the Company by maintaining internal accounting and administrative control systems and procedures; and
(vi) taken reasonable steps for the prevention and detection of fraud and other irregularities.

## (b) Going Concern Statement

On the basis of current projections, we are confident that the Group and the Company have adequate resources to continue operating for the foreseeable future and consider that it is appropriate that the going concern basis in preparing the financial statements be adopted.

## (c) Internal Control and Risk Management

The Board is responsible for the system of Internal Control and Risk Management for the Company and its subsidiaries. The Group is committed to continuously maintaining a sound system of risk management and adequate control procedures with a view to safeguarding the assets of the Group.

The Board believes that the Group's systems of internal control and risk management provide reasonable assurance that control and risk issues are identified, reported on and dealt with appropriately.

## (d) Donations

The Company did not make any political contributions in this financial year. For details on the charitable donations made by the Company, please refer to page 82.

## (e) Governance

The Board strives to apply the principles of good governance within the Company and its subsidiaries.

## (f) Audited Financial Statements

The audited financial statements of the Group and the Company which appear from pages 88 to187 were approved by the Board on 13 December 2021 and are signed on their behalf by:

**Aisha Timol**
Independent Director and Chairperson

**Mark van Beuningen**
Executive Director and Group Chief Executive Officer

# Secretary's Certificate

In our capacity as Company Secretary of CIM Financial Services Ltd (the 'Company'), we hereby confirm that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 30 September 2021, all such returns as are required of the Company under the Companies Act 2001.

**Tioumitra Maharahaje**
For Cim Administrators Ltd
Company Secretary

13 December 2021

# STATEMENT OF COMPLIANCE
(Section 75 (3) of the Financial Reporting Act)

## Name of PIE: CIM Financial Services Ltd

## Reporting Period: FINANCIAL YEAR 2020-2021

CIM Financial Services Ltd is a public interest entity and is, as such, required to adopt corporate governance principles in accordance with the National Code of Corporate Governance (2016) (the 'Code').

Throughout the year ended 30 September 2021, to the best of the Board's knowledge, CIM Financial Services Ltd has complied with the principles of the Code. CIM Financial Services Ltd has applied all the principles set out in the Code and explained how these principles have been applied.

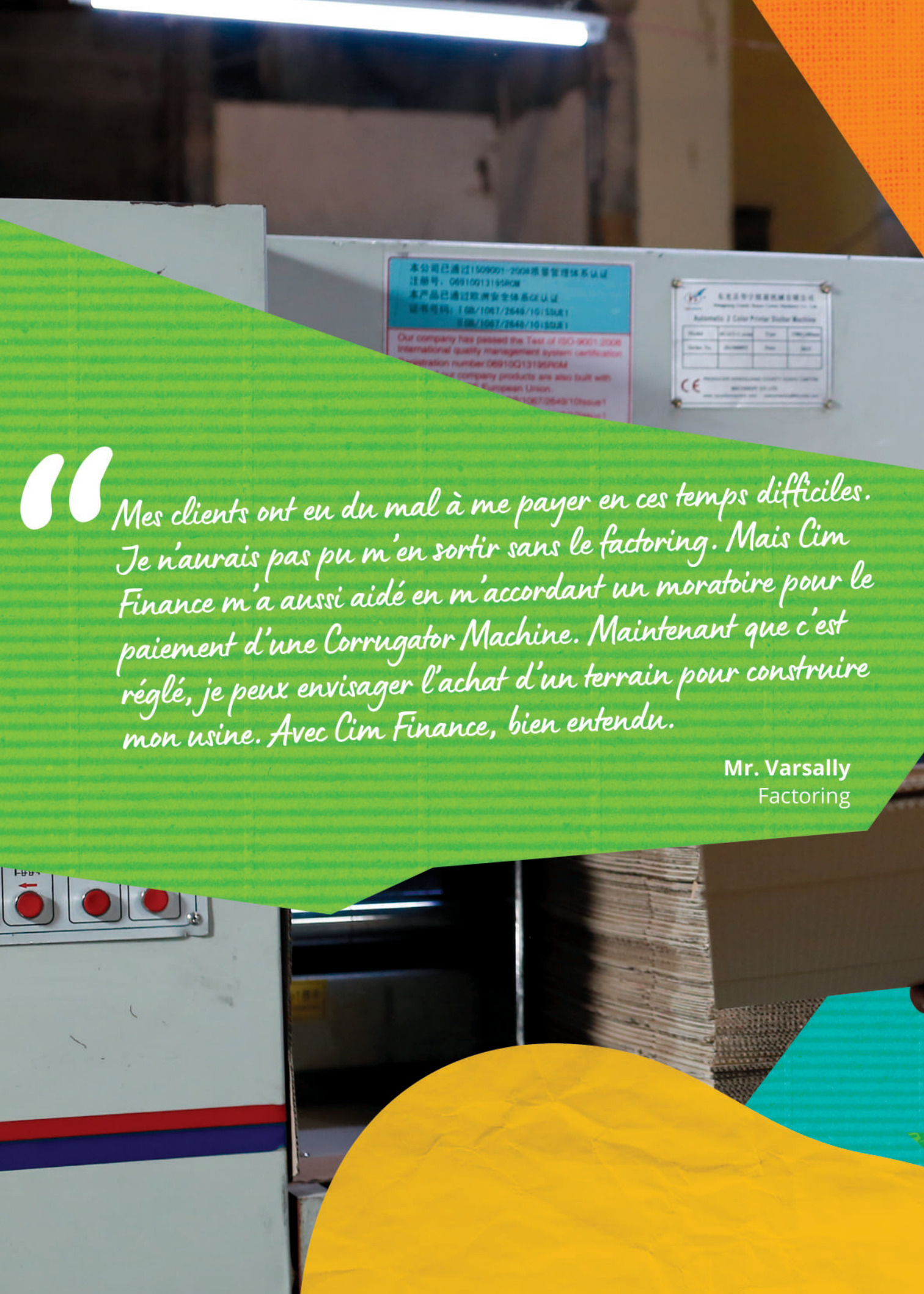
**SIGNED BY:**

**Aisha Timol**
Independent Director and Chairperson

13 December 2021

**Mark van Beuningen**
Executive Director and Group Chief Executive Officer

13 December 2021



“Mes clients ont eu du mal à me payer en ces temps difficiles. Je n’aurais pas pu m’en sortir sans le factoring. Mais Cim Finance m’a aussi aidé en m’accordant un moratoire pour le paiement d’une Corrugator Machine. Maintenant que c’est réglé, je peux envisager l’achat d’un terrain pour construire mon usine. Avec Cim Finance, bien entendu.

**Mr. Varsally**
Factoring

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF CIM FINANCIAL SERVICES LTD

## Report on the audit of the Consolidated and Separate Financial Statements

**Opinion**

We have audited the consolidated financial statements of Cim Financial Services Ltd and its subsidiaries (the "Group"), and the Company's separate financial statements (the "Company") on pages 92 to 187 which comprise the statements of financial position as at September 30, 2021, and the statements of profit or loss, the statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements and other explanatory information, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements on pages 92 to 187 give a true and fair view of the financial position of the Group and of the Company as at September 30, 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

**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 Group and the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by International Ethics Standards Board for Accountants *(the "IESBA Code").* We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

**1. Impairment of net investment in leases and other credit agreements and loans and advances**

**Key Audit Matter**

At September 30, 2021, the Group and the Company have net investment in leases and other credit agreements, and loans and advances (collectively referred to as "Facilities") amounting to MUR 14,353m and MUR 14,517m, representing 86% of the Group's and Company's total assets respectively. These facilities are measured at amortised costs under IFRS 9, less an allowance for the expected credit loss, amounting to MUR 1,226m and MUR 1,221m for impaired facilities and MUR 235m and MUR 255m for non-impaired facilities of the Group and Company respectively.

IFRS 9 requires the Group and Company to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Group and Company. The determination of ECL on facilities which are not credit impaired involves the highest level of management judgement, thus requiring greater audit attention. Specific areas of judgement and estimation uncertainty include:

- Identification of significant increase in credit risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months;
- Complexity of the ECL model involving a number of critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and exposure at default (EAD).
- Use of forward-looking information to determine the likelihood of future losses being incurred.
- Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental.

Facilities are considered to be credit impaired in accordance with IFRS 9 when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Failure to recognise adequate allowance for credit impairment can result in a potential overstatement of the net investment in leases and other credit agreements, loans and advances balance in the consolidated and separate financial statements. Identification of credit-impaired facilities (i.e. those classified in Stage 3) and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) determination of whether a facility is credit impaired and (ii) in estimating the forecasted cash flows the Group and Company expect to receive from the obligors. This includes an estimate of what the Group and Company can realise from the collaterals they hold as security on the impaired facilities.

Given the inherent risk associated, the management overlays used and the nature of the business and size of the facilities, we deemed the expected credit loss allowance a key audit matter.

**Related Disclosures**

Refer to note 15, 16 and note 2.8 (accounting policies), 3 (Significant accounting estimates and judgements) and note 4.1 (financial risks) of the accompanying financial statements.

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF CIM FINANCIAL SERVICES LTD

### Report on the audit of the Consolidated and Separate Financial Statements (Cont'd)

**1. Impairment of net investment in leases and other credit agreements and loans and advances (Cont'd)**

**Audit Response**

- We used our IT Specialist to assess the completeness, accuracy and validity of data and inputs used during the development and application of the ECL models,
- We carried out test of controls around the impairment process, governance, approval and implementation of the models.
- We obtained and tested loan arrears reports and ensured all those arrears exceeding 90 days past due were included in the impaired portfolio category for specific impairment assessment.
- We engaged with our credit specialist and :
  - we independently assessed the IFRS 9 estimates (i.e., PD, LGD and CCF).
  - we reperformed the ECL calculation based on the results extracted from the ECL schedules provided by management. The results were then compared with the results obtained from the challenger model used by the credit specialist to independently reperform the ECL calculation.
  - we assessed the reasonableness of overlays applied by management to factor in the impact of the COVID-19 pandemic.
  - for the factoring portfolio we rated a sample of exposures using financial information provided by management to assess the appropriateness of the PD benchmarks.
  - we compared the PD Term structures used by management to Moody's PD Term structures to determine if any forward-looking adjustment to the challenger model is required and to ensure they are aligned.

- Where exposures are collateralised, we evaluated the Group's and the Company's legal rights to the collateral, as well as the appropriateness of the valuations of the collateral in relation to ECL determination, and the linking of collateral to the corresponding accounts. We reviewed the reconciliation and allocation of the General Ledger balances to which the impairment parameters are applied.

- We ensured disclosures are in accordance with the requirements of IFRS 9 *Financial Instruments.*

**2. Amalgamation of Cim Financial Services Ltd (CFSL) with five of its wholly-owned subsidiaries**

**Key Audit Matter**

Effective October 01 2020, Mauritian Eagle Leasing Company Ltd, Cim Agencies Ltd, Cim Management Services Ltd, Cim Shared Services Ltd and Cim Finance Ltd have been amalgamated with and into a single entity, CIM Financial Services Limited, (CFSL).

The amalgamation meets the definition of a business combination under common control, hence scoped out *IFRS 3 Business Combinations.*
In line with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, management has used its judgement in developing an accounting policy choice which reflect the substance of the transaction. Management has therefore applied the pooling of interests method to the amalgamation as it is more of a business re-organisation.

The following steps were applied:
- The assets and liabilities of the amalgamating entities are reflected at their carrying amounts with no adjustments made to reflect fair values.
- No new assets or liabilities were recognised, at the date of the amalgamation that would otherwise be done under the acquisition method in compliance with IFRS 3.
- No goodwill or gain on bargain purchase were recognised as a result of the amalgamation.

Given the inherent risk associated, the significant accounting judgement used by management to develop an accounting policy and significance of the balances transferred following the transaction, we deemed the amalgamation to be a key audit matter.

**Related Disclosures**

Refer to note 2.4 (accounting policies) and 3 (Significant accounting estimates and judgements) of the accompanying financial statements.

**Audit Response**

- We engaged with our IT specialist to perform a Data Migration Review with the objective of ensuring the completeness, accuracy and integrity of the General Ledger balances migrated from the previous Navision systems of the respective entities to the new Navision system of CFSL.

We ensured the following:
- Appropriateness of the accounting policy, significant accounting judgements developed by management for the amalgamation is reasonable and reflect the substance of the transaction;
- The entities being amalgamated were under common control and hence does not fall under the scope of IFRS 3.
- All relevant information and IFRS requirements relating to the transaction are fairly presented and disclosed in the financial statements.

**Other information**

The Directors are responsible for the other information which comprises the information included in the Integrated Report but does not include the consolidated and separate financial statements and our Auditor's Report thereon. We have obtained prior to the date of this auditor's report the statement of compliance, the corporate governance report, the other statutory disclosures, and the statement of directors' responsibilities in respect of the presentation of the consolidated and separate financial statements and the

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF CIM FINANCIAL SERVICES LTD

### Report on the audit of the Consolidated and Separate Financial Statements (Cont'd)

**Other information (Cont'd)**

company secretary's certificate. All other information in the Integrated Report will be made available to us after that date.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

When we read the other information which has not been made available to us prior to the date of this auditor's report, if we conclude there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

*Corporate Governance Report*

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the Integrated 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 Integrated Report, the Company has pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and 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 Group and the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF CIM FINANCIAL SERVICES LTD

### Report on the audit of the Consolidated and Separate Financial Statements (Cont'd)

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Cont'd)**

and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other Legal and Regulatory Requirements**

*Mauritian Companies Act 2001*

We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors, and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

**Other Matter**

This report is made solely to the shareholders of Cim Financial Services Ltd (the "Company"), as a body, in accordance with Section 205 of the Mauritian 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.

**BDO & Co**
Chartered Accountants

December 13, 2021

**Ameenah Ramdin, FCCA, ACA**
Licensed by FRC

# Statements of Profit or Loss

30 SEPTEMBER 2021

| | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Interest income | 5(a) | **1,929.2** | 1,714.7 | **1,916.5** | 199.8 |
| Interest expense | 5(b) | **(396.1)** | (431.4) | **(395.5)** | (138.8) |
| **Net interest income** | | **1,533.1** | 1,283.3 | **1,521.0** | 61.0 |
| Lending and agency related income | 6 | **596.1** | 644.8 | **582.1** | - |
| Investment income | | **-** | - | **-** | 140.0 |
| Other income | 7 | **129.9** | 153.9 | **125.0** | - |
| **Non interest income** | | **726.0** | 798.7 | **707.1** | 140.0 |
| **Net operating income** | | **2,259.1** | 2,082.0 | **2,228.1** | 201.0 |
| **Operating expenses** | | | | | |
| Employee benefit expense | 8 | **(606.0)** | (600.1) | **(570.4)** | (13.1) |
| Depreciation | 22/23 | **(174.8)** | (189.1) | **(173.3)** | - |
| Amortisation | 24 | **(37.5)** | (33.3) | **(32.8)** | (0.1) |
| Other operating expenses | 9 | **(390.9)** | (353.6) | **(372.7)** | (19.6) |
| | | **(1,209.2)** | (1,176.1) | **(1,149.2)** | (32.8) |
| **Profit before impairment** | | **1,049.9** | 905.9 | **1,078.9** | 168.2 |
| Net impairment losses on financial assets | 10 | **(540.0)** | (652.6) | **(534.8)** | (16.2) |
| Impairment of subsidiaries and associates | 20/21 | **-** | - | **-** | (22.6) |
| | | **(540.0)** | (652.6) | **(534.8)** | (38.8) |
| **Profit after impairment** | | **509.9** | 253.3 | **544.1** | 129.4 |
| Foreign exchange gain | | **5.4** | 0.9 | **7.0** | - |
| Net gain on derecognition of subsidiaries | | **-** | 13.5 | **-** | - |
| Share of results of associates | 21 | **(3.8)** | 0.5 | **-** | - |
| **Profit before tax** | | **511.5** | 268.2 | **551.1** | 129.4 |
| Income tax expense | 11(a) | **(94.4)** | (77.4) | **(94.1)** | (8.8) |
| **Profit for the year** | | **417.1** | 190.8 | **457.0** | 120.6 |
| Basic and diluted earnings per share (MUR) | 31 | **0.61** | 0.28 | | |

The notes on pages 98 to 187 form an integral part of these financial statements.
Auditor's report on pages 88 to 91.

# Statements of Comprehensive Income

30 SEPTEMBER 2021

| | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **Profit for the year** | | **417.1** | 190.8 | **457.0** | 120.6 |
| **Other comprehensive income/(loss)** | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | |
| Remeasurement of post employment benefit, net of tax | 12 | **32.9** | (53.1) | **31.8** | (10.1) |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Exchange difference on translation of foreign entities | 12 | **1.6** | 11.1 | **-** | - |
| Share of other comprehensive income of associates | 12/21(a) | **4.4** | 2.9 | **-** | - |
| **Other comprehensive income/(loss) for the year, net of tax** | | **38.9** | (39.1) | **31.8** | (10.1) |
| **Total comprehensive income for the year, net of tax** | | **456.0** | 151.7 | **488.8** | 110.5 |

The notes on pages 98 to 187 form an integral part of these financial statements.
Auditor's report on pages 88 to 91.

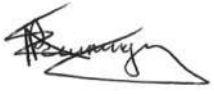
# Statements of Financial Position

30 SEPTEMBER 2021

| | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | | **MUR m** | MUR m | **MUR m** | MUR m |
| **ASSETS** | | | | | |
| Cash and bank balances | 13 | **341.8** | 460.7 | **280.7** | 18.1 |
| Deposits with banks | 14 | **426.1** | 510.2 | **426.1** | - |
| Non-current assets classified as held for sale | 35 | **14.4** | - | **-** | - |
| Net investment in leases and other credit agreements | 15 | **7,928.2** | 8,374.1 | **7,928.2** | - |
| Loans and advances | 16 | **6,424.3** | 5,103.2 | **6,588.3** | 7,294.4 |
| Investments securities | 17 | **128.5** | 28.9 | **120.4** | 20.8 |
| Other assets | 18 | **374.1** | 360.1 | **393.1** | 192.0 |
| Inventories | 19 | **3.0** | 2.0 | **3.0** | - |
| Investments in subsidiaries | 20 | **-** | - | **154.8** | 1,118.1 |
| Investments in associates | 21 | **-** | 24.9 | **-** | - |
| Equipment | 22 | **441.0** | 556.3 | **438.8** | - |
| Right-of-use assets | 23(a) | **192.4** | 189.3 | **190.4** | - |
| Deferred tax assets | 26 | **275.8** | 188.8 | **275.8** | - |
| Intangible assets | 24 | **97.9** | 109.8 | **96.6** | - |
| **Total assets** | | **16,647.5** | 15,908.3 | **16,896.2** | 8,643.4 |
| **LIABILITIES** | | | | | |
| Other borrowed funds | 27 | **9,831.7** | 9,836.6 | **9,931.5** | 5,487.2 |
| Other liabilities | 28 | **1,590.0** | 1,372.0 | **1,575.8** | 5.9 |
| Lease liabilities | 23(b) | **219.8** | 209.3 | **217.8** | - |
| Income tax liabilities | 11(b) | **265.8** | 115.6 | **265.8** | 4.6 |
| Deferred tax liabilities | 26 | **33.2** | 16.4 | **33.1** | - |
| Post employment benefit liabilities | 25 | **119.5** | 158.9 | **118.2** | 45.1 |
| **Total liabilities** | | **12,060.0** | 11,708.8 | **12,142.2** | 5,542.8 |
| **EQUITY** | | | | | |
| Stated capital | 30 | **680.5** | 680.5 | **680.5** | 680.5 |
| Retained earnings | 30 | **3,402.8** | 3,053.7 | **2,982.2** | 2,434.3 |
| Other reserves | 30 | **504.2** | 465.3 | **1,091.3** | (14.2) |
| **Total equity** | | **4,587.5** | 4,199.5 | **4,754.0** | 3,100.6 |
| **Total equity and liabilities** | | **16,647.5** | 15,908.3 | **16,896.2** | 8,643.4 |

These financial statements have been approved for issue by the Board of Directors on 13 December 2021.

**Aisha Timol**
Independent Director and Chairperson



**Mark van Beuningen**
Executive Director and Group Chief Executive Officer

The notes on pages 98 to 187 form an integral part of these financial statements.
Auditor's report on pages 88 to 91.

# Statements of Changes in Equity

30 SEPTEMBER 2021

| | Notes | Stated capital MUR m | Capital reserves MUR m | Other reserves MUR m | Retained earnings MUR m | Actuarial reserves MUR m | Total equity MUR m |
|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | |
| At 1 October 2020 | | 680.5 | 536.6 | 4.7 | 3,053.7 | (76.0) | 4,199.5 |
| Profit for the year | | - | - | - | 417.1 | - | 417.1 |
| Other comprehensive income for the year | 12 | - | - | 6.0 | - | 32.9 | 38.9 |
| Total comprehensive income for the year | | - | - | 6.0 | 417.1 | 32.9 | 456.0 |
| Dividends | 29 | - | - | - | (68.0) | - | (68.0) |
| Total transactions with owners of parent | | - | - | - | (68.0) | - | (68.0) |
| **At 30 September 2021** | 30 | **680.5** | **536.6** | **10.7** | **3,402.8** | **(43.1)** | **4,587.5** |

| | Notes | Stated capital MUR m | Capital reserves MUR m | Other reserves MUR m | Retained earnings MUR m | Actuarial reserves MUR m | Total equity MUR m |
|---|---|---|---|---|---|---|---|
| At 1 October 2019 | | 680.5 | 536.6 | (2.4) | 2,971.8 | (22.9) | 4,163.6 |
| Profit for the year | | - | - | - | 190.8 | - | 190.8 |
| Other comprehensive income/(loss) for the year | 12 | - | - | 14.0 | - | (53.1) | (39.1) |
| Total comprehensive income/(loss) for the year | | - | - | 14.0 | 190.8 | (53.1) | 151.7 |
| Dividends | 29 | - | - | - | (108.9) | - | (108.9) |
| Effect of sharebuy back of associate | | - | - | (6.9) | - | - | (6.9) |
| Total transactions with owners of parent | | - | - | (6.9) | (108.9) | - | (115.8) |
| At 30 September 2020 | 30 | 680.5 | 536.6 | 4.7 | 3,053.7 | (76.0) | 4,199.5 |

The explanatory notes on pages 98 to 187 form an integral part of these financial statements.
Auditor's report on pages 88 to 91.

# Statements of Changes in Equity

30 SEPTEMBER 2021

| | Notes | Stated capital MUR m | Capital Reserves MUR m | Other Reserves MUR m | Actuarial reserves MUR m | Amalgamation reserves MUR m | Retained earnings MUR m | Total equity MUR m |
|---|---|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | | | |
| At 1 October 2020 | | 680.5 | - | - | (14.2) | - | 2,434.3 | 3,100.6 |
| Profit for the year | | - | - | - | - | - | 457.0 | 457.0 |
| Other comprehensive profit | 12 | - | - | - | 31.8 | - | - | 31.8 |
| Amalgamation adjustment | | - | 519.2 | (0.5) | (32.4) | 587.4 | 158.9 | 1,232.6 |
| Dividends | 29 | - | - | - | - | - | (68.0) | (68.0) |
| **At 30 September 2021** | 30 | **680.5** | **519.2** | **(0.5)** | **(14.8)** | **587.4** | **2,982.2** | **4,754.0** |
| | | | | | | | | |
| At 1 October 2019 | | 680.5 | - | - | (4.1) | - | 2,422.6 | 3,099.0 |
| Profit for the year | | - | - | - | - | - | 120.6 | 120.6 |
| Other comprehensive loss | 12 | - | - | - | (10.1) | - | - | (10.1) |
| Dividends | 29 | - | - | - | - | - | (108.9) | (108.9) |
| **At 30 September 2020** | 30 | 680.5 | - | - | (14.2) | - | 2,434.3 | 3,100.6 |

The explanatory notes on pages 98 to 187 form an integral part of these financial statements.
Auditor's report on pages 88 to 91.

# Statements of Cash Flows

30 SEPTEMBER 2021

| | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash used in operations | 32 | **(398.3)** | (686.8) | **(212.5)** | (4,256.3) |
| Interest paid | 5(b) | **(290.6)** | (322.4) | **(290.5)** | (77.6) |
| Interest received | 5(a) | **982.1** | 603.0 | **981.3** | 122.9 |
| Dividends received | | **-** | - | **-** | 140.0 |
| Income tax paid | 11 | **(61.6)** | (44.1) | **(61.2)** | (6.4) |
| Net cash flow generated from/(used in) operating activities | | **231.6** | (450.3) | **417.1** | (4,077.4) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from sale of financial assets | 17 | **20.0** | - | **20.0** | - |
| Purchase of financial assets | 17 | **(119.6)** | (20.0) | **(119.6)** | - |
| Purchase of equipment | 22 | **(49.0)** | (115.4) | **(48.6)** | - |
| Proceeds from sale of equipment | | **26.8** | 43.2 | **26.6** | - |
| Purchase of intangible assets | 24 | **(25.5)** | (54.2) | **(25.5)** | - |
| Proceeds from share buy back of associate company | | **6.8** | 118.4 | **-** | - |
| Derecognition of subsidiary, net of cash disposed of | 41 | **-** | (2.1) | **-** | - |
| Net cash flow used in investing activities | | **(140.5)** | (30.1) | **(147.1)** | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from other borrowed funds | 27 | **9,276.5** | 8,718.4 | **9,399.1** | 6,485.2 |
| Repayment of other borrowed funds | 27 | **(9,411.7)** | (8,072.6) | **(9,411.7)** | (2,262.5) |
| Principal paid on lease liabilities | | **(28.1)** | (13.1) | **(27.9)** | - |
| Interest paid on lease liabilities | 23 | **(11.3)** | (11.1) | **(11.1)** | - |
| Dividends paid | | **(68.0)** | (108.9) | **(68.0)** | (108.9) |
| Net cash flow (used in)/generated from financing activities | | **(242.6)** | 512.7 | **(119.6)** | 4,113.8 |
| Net (decrease)/increase in cash and cash equivalents | | **(151.5)** | 32.3 | **150.4** | 36.4 |
| Cash and cash equivalents - opening | | **460.7** | 428.0 | **161.5** | 125.1 |
| Effect of exchange rate changes on cash and cash equivalents | | **8.1** | 0.4 | **-** | - |
| Cash and cash equivalents - closing | 13 | **317.3** | 460.7 | **311.9** | 161.5 |

The explanatory notes on pages 98 to 187 form an integral part of these financial statements.
Auditor's report on pages 88 to 91.

# Explanatory Notes

30 SEPTEMBER 2021

## 1. GENERAL INFORMATION

CIM Financial Services Ltd ('CFSL') is a public company limited by shares, incorporated on 15 July 2005 and domiciled in Mauritius. The principal segments of activities of the Company are Consumer Finance, Cards & Payments, Leasing, insurance and Factoring.

As at 30 September 2021, its holding company is Cim Holdings Ltd and its registered address is Taylor Smith House, Old Quay D Road, Port-Louis. The Company's main place of business is at Cim House, cnr Edith Cavell & Mere Barthelemy Streets, Port-Louis.

Effective 1 October 2020, CIM Financial Services Ltd ('CFSL'), [Ex-] Cim Finance Ltd, [Ex-] Mauritian Eagle Leasing Company Limited, [Ex-] Cim Agencies Ltd, [Ex-] Cim Management Services Ltd and [Ex-] Cim Shared Services Ltd were amalgamated with and into the surviving company, CIM Financial Services Ltd, refer to note 2.4.

These financial statements have been prepared for the year ended 30 September 2021 and will be submitted for consideration and approval at the forthcoming annual meeting of the shareholders of the company.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (the "Group") and the separate financial statements of the parent company (the "Company"). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest one decimal place of million (MUR m), except when otherwise indicated. These policies have been consistently applied to all the years presented, unless otherwise stated and where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

Following the amalgamation of entities under common control in October 2020 (note 2.4), management has opted not to restate the comparative year figures in the annual reports.

The financial statements are prepared under the historical cost convention except that:

• Relevant Financial assets and financial liabilities are stated at their fair value.

The Company and the Group present their statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 39 of the financial statements.

### 2.2 Statement of compliance

The financial statements of CIM Financial Services Ltd comply with the Mauritius Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standard Board (IASB).

### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of CIM Financial Services Ltd and its subsidiaries as at 30 September 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

• Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee, and
• The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• The contractual arrangement with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Group's voting rights and potential voting rights.

# Explanatory Notes

30 SEPTEMBER 2021

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of consolidation (Cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the cumulative translation differences, recorded in equity
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

### 2.4 Amalgamation of entity under common control

Effective 1 October 2020, CIM Financial Services Ltd ("CFSL"), [Ex-] Cim Finance Ltd, [Ex-] Mauritian Eagle Leasing Company Limited, [Ex-] Cim Agencies Ltd, [Ex-] Cim Management Services Ltd and [Ex-] Cim Shared Services Ltd were amalgamated with and into the surviving company, CIM Financial Services Ltd.

This amalgamation was done in line with the objective to streamline the group structure and to improve performance, efficiency, dynamism and creativity.

Common control transactions fall outside the scope of IFRS 3 Business Combinations because there is no change in control over the assets by the ultimate parent. As a result, the Company adopted accounting principles similar to the pooling-of-interest method based on the predecessor values. No consideration was paid to any shareholders as effect of the amalgamation.

Assets and liabilities transferred to the surviving company, were not stepped up to fair value and were amalgamated at their actual carrying values as at 1 October 2020.

Effective 1 October 2020, the stated capital of the company was MUR 680,522,310.

The amalgamation resulted in a positive amalgamation reserve of MUR 587.4m which is shown under other reserves.

Identifiable assets and liabilities on amalgamation are as follows:

| | MUR m |
|---|---|
| **ASSETS** | |
| Non current assets | **8,629.4** |
| Current assets | **7,400.4** |
| Total assets | **16,029.8** |
| | |
| **LIABILITIES** | |
| Non current liabilities | **5,570.6** |
| Current liabilities | **6,126.1** |
| Total liabilities | **11,696.7** |

# Explanatory Notes

30 SEPTEMBER 2021

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.5 Impairment of investment in subsidiaries

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators as available.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

### 2.6 Going Concern and COVID-19 outbreak

In June 2020, after no cases were detected for several weeks within the community, the Government lifted the first lockdown and the population resumed a new 'normal' life, albeit with the borders still remaining closed.

With the vaccines developed by leading pharmaceutical conglomerates having received the green light by the World Health Organisation in the back end of 2020, the Mauritian Government embarked on a national vaccination programme as from the first quarter of 2021, with a target of 60% population to be vaccinated before the borders are reopened fully.

Globally, several countries suffered from new bouts of contamination and Mauritius was unfortunately not spared with a second wave of spread in the community noted in late February 2021 resulting in an eventual lockdown coincidentally 1 year after the first lockdown.

In response to the second wave of COVID-19 outbreak, on 10 June 2021 the Bank of Mauritius announced the extension of the following specific measures under the Bank of Mauritius COVID-19 Support Programme to help Mauritian households and the business community at large in this midst of testing times:

(i) Moratorium on loans: The moratorium on loans granted to economic operators, SMEs, households and individuals impacted by COVID-19 has been extended to 30 June 2022. The moratorium on loans are given through commercial banks on a case to case basis.

(ii) Special relief amount: The Special Relief Amount facility of MUR 5.0 Billion made available to banks since the first wave of COVID-19 in 2020 by the Bank of Mauritius has also been extended to 30 June 2022. This amount aims at meeting cash flow and working capital requirements of economic operators directly impacted by COVID-19. Disbursement will continue to be effected through commercial banks and interest rate on these advances to impacted economic operators remains capped at the fixed rate of 1.5% per annum.

(iii) Cash reserve ratio: The reduction of the Cash Reserve Ratio applicable to commercial banks from 9% to 8% has equally been extended to 30 June 2022. This reduction will further support banks to assist businesses which are being directly impacted by COVID-19.

(iv) Key Repo Rate ("KRR"): The benchmark KRR has remained unchanged at 1.85% since April 2020 with an aim to stimulate and support the domestic economic activity.

On the back of several measures initiated during the year 2020, the Group has been able to navigate through the challenges posed by the pandemic. Management has reinforced the existing measures when re-assessing the impact of COVID-19 on the going concern of Cim Group.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.6 Going Concern and COVID-19 outbreak (Cont'd)**

(i) Health and Safety Measures

The Group values the health and safety of its employees and its customers alike. In the context of COVID-19 the following measures have been taken:

- Set ups at head office and all sub-offices have been adapted to ensure appropriate social distancing and all sanitary measures are in line with guidelines issued by the authorities. Glass/plexiglass shields were installed in all our counters as a measure of additional protective barrier to the current Personal Protective Equipment (PPE) issued to staff.

Cleaning protocols at all our sites have been reviewed and tightened to mitigate any risk of spread.

- The Work From Home (WFH) plan has been rolled out since first lockdown with practical guidelines issued to staff to manage the WFH experience whilst ensuring confidentiality of information. Some staff are working from office on rotation basis as per the business / operational requirements to ensure business as usual.

- The Group HR has put in place communication strategies to send regular messages to staff, customers and other stakeholders, including communication campaigns on sanitary measures and preventive actions in relation to the COVID-19 pandemic. Staff have been encouraged to favour digital communication, virtual meetings and video conferences as far as possible.

- The Group has also put in place protocols for preparedness and response plan in case of detection of any COVID-19 case.

(ii) Credit Risk Framework review

Since the first lockdown, CFSL had already reviewed and bolstered its credit risk framework. During the year under review, the debtors monitoring committee and the risk analytics forum have been regularly analysing the exposure portfolios on a forward-looking basis with a view to anticipating potential non-performers and assessing Expected Credit Losses (ECL) thereon. Reviews and scenario analysis have also been conducted to ensure adequacy in provisioning.

(iii) Capital Adequacy Ratio ("CAR") monitoring

The Group's CAR hovers well above the Basel's minimum requirement of 8%. Management is of the view that there is sufficient buffer and headroom to ensure that the Group is adequately capitalised to withstand the impacts of COVID-19.

(iv) Liquidity monitoring

The Group's Treasury function continues to play a central role in monitoring and steering the Group's cash and liquidity situation on a daily basis to ride out the crisis during the year. The liquidity position of the Group has remained strong and as at 30 September 2021, the Group had cash and cash equivalents together with bank deposits and treasuries approximating MUR 1Bn. Post the first lockdown and during the last 12 months, the Group has managed diligently its collection to ensure regular decent inflows, impacting positively on its liquidity position.

(v) Client relationship management

CFSL has continued to focus its efforts on mitigating downside risk as well as maintaining the competitiveness of existing businesses and securing relationships with customers that have been built over many years. The COVID-19 pandemic has precipitated certain events and acted as a catalyst in boosting digital initiatives. CFSL has launched during the year, an enhanced version of the mobile application of "Mo Finans" for the benefit of our customers and harnessing the benefits of digital transformation.

The accelerating roll-out of COVID-19 vaccines have given much hope to the world. In Mauritius as at 30 September 2021 over 60% of the overall population (82% of the local adult population) were already fully vaccinated. With the opening of borders as from 1 October 2021, the domestic economy is expected to recover and gain momentum gradually. The economic growth is projected at close to 5% for the year 2021 and 6.5% for the year 2022.

However, with the spectre of new variants still threatening to derail the economic recovery, the COVID-19 pandemic continues to pose a threat in Mauritius and to the business. The Group will continue to follow the various government policies and advices. The Group will also continue to operate in the best and safest way possible by adopting all necessary measures to mitigate the downside risks caused by the pandemic while ensuring the safety of its employees and clients.

Based on the above, management is satisfied that there is no material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.7 Changes in accounting policies and disclosures**

**Application of new and revised International Financial Reporting Standards (IFRSs)**

In the current period, the Group and the Company have 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 their operations and effective for accounting periods beginning on 1 January 2021.

*(i) New and revised IFRS and IFRICS that are effective for the financial period*

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

IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform

IFRS16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19 - related rent concession is a lease modification

IFRS16 Leases - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 3 Amendments clarifying the definition of a business to help determine whether a transaction should be accounted for as a business combination or an asset acquisition and permits, in certain circumstances, a simplified assessment that an acquired set of activities and assets is not a business.

IAS 1 and IAS 8 - Amendments clarifying the definition of material and aligns the definitions used across IFRSs and other IASB publications. The amendments have no impact on the Group's financial statements

**Application of new and revised International Financial Reporting Standards (IFRSs)**

Other standards, amendments and interpretations, which are effective for the period beginning on 1 January 2021, are not relevant to the Group and the Company.

*(ii) New and revised IFRS and IFRICS in issue but not yet effective*

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

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 1 January 2023)

IAS 12 Income Taxes -Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 (fees in the 10% test for derecognition of financial liabilities) (effective 1 January 2022)

IFRS 16 Leases - Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective 1 April 2021)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 17 Insurance Contracts

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.7 Changes in accounting policies and disclosures (Cont'd)**

(ii) New and revised IFRS and IFRICS in issue but not yet effective (Cont'd)

Reference to the Conceptual Framework (Amendments to IFRS 3)

Amendments to IFRS 17

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Group anticipate that these amendments will be adopted in the financial statements for the annual periods beginning on the respective dates as indicated above. The Group have not yet had an opportunity to consider the potential impact of the adoption of these amendments, except for amendments effective 1 January 2021, which the Group is still assessing the impact.

**2.8 Significant accounting policies**

**(a) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred with one exception. The costs to issue debt or equity securities shall be recognised in accordance with IAS 32 and IFRS 9.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**(b) Investments in subsidiaries**

Subsidiaries are fully consolidated in the Group's financial statements from the date control is obtained by the Group until the date that control ceases.

*Separate financial statements of the investor*

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, net of any impairment.

Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

*For basis of consolidation, refer to 2.3*

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(c) IFRS 9 - Financial Instruments**

**Financial Assets**

The Group classifies its financial assets into one of the categories discussed below depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

**(i) Fair value through profit or loss**

The Group classifies the following financial assets at fair value through profit or loss (FVTPL):

- Debts investments that do not qualify for measurement at either amortised cost or FVOCI

**(ii) Amortised cost**

These assets arose principally from the provision of goods and services to customers but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that redirectly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(c) IFRS 9 - Financial Instruments (Cont'd)**

**Financial liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging, the Group's accounting policy for each category is as follows:

**(i) Fair value through profit or loss**

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

**(ii) Other financial liabilities**

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purpose of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(d) Investments in associates**

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

*(i) Separate financial statements of the investor*

In the separate financial statements of the investor, investments in associates are carried at cost (which includes transaction costs). Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

*(ii) Consolidated financial statements*

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associates.

Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of associates is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the
difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of result of associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**(e) Recognition of income**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

*(i) Lending and agency related income*

The Group earns income from the financial service it provides to its customers. Income related to lending and agency activities is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(e) Recognition of income (Cont'd)**

*(ii) Income related to card activities*

The Group provides its customers with credit card processing services (i.e., authorisation and settlement of transactions) where it is entitled to a fee for each transaction. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable income are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs. Revenue from these fees are recognised at a point in time.

*(iii) Income related to factoring activities*

The Group provides factoring services to its customers and receives fees at a percentage for each transaction agreed with the counterparties. The performance obligation is satisfied at the acceptance of the invoice for which it provides the factoring service and the revenue is recognised at this point.

*(iv) Interest and similar income*

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Income that the Group considers to be an integral part of these financial instruments are recognised in the EIR.

Earnings from finance leases are recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Income or discounts received from merchants on financing of credit agreements are initially recognised and presented in other liabilities in the statement of financial position. The release to profit or loss is recognised in lending and agency related income line in the statement of profit or loss.

*(v) Rental income*

Rental income is recognised in accordance with the substance of the relevant agreement. Rental income from operating leases net of value added taxes is recognised on a straight line basis over the lease term.

*(vi) Penalty and late payment fees*

Penalty and late payment fees on card activities are recognised over the period to which they accrue. Also included in penalty and late payment fees, contingent rent arising on leases, hire purchase and other credit agreement which are recognised as income in the period they are incurred.

*(vii) Dividend Income*

Dividend Income is recognised when the Group's right to receive the payment is established.

*(viii) Management and administration fees*

Revenue from management and administration services are recognised over time as the services are received and consumed simultaneously.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(f) Foreign currencies**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using Mauritian Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated and separate financial statements are presented in Mauritian Rupees, which is the Company's functional currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into Mauritian Rupees using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

*(iii) Group companies*

The results and financial position of the Group entities that have a functional currency different from Mauritian Rupee are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement representing profit or loss and other comprehensive income are translated at average exchange rates;
- all resulting exchange differences are recognised in other comprehensive income;
- goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.
- on disposal of foreign entities, such translation differences are recognised in the profit or loss as part of the gain or loss.

**(g) Inventories**

Inventories consisting of consumable card and stamps are valued at lower of cost and net realisable value.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**(h) Leases**

*Accounting for leases - where Company is the lessor*

Lease income from leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

*Accounting for leases - where Company is the lessee*

From 1 October 2019, all leases are accounted for by recognising a right-of-use asset and a lease liability, except for:
- Leases of low value assets; and
- Leases with a duration of 12 months or less.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(h) Leases (Cont'd)**

*Identifying Leases*

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

a) There is an identified asset;
b) The Group obtains substantially all the economic benefits from use of the asset; and
c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company/Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(h) Leases (Cont'd)**

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term..

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

**(i) Equipment**

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts previously included in revaluation reserves are transferred to retained earnings.

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

**(j) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(j) Intangible assets (Cont'd)**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever 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 the statement of profit or loss.

The amortisation rates on computer software vary from 12% to 50% per annum.

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 the statement of profit or loss when the asset is derecognised.

**(k) Current and deferred income tax**

*(i) Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*(ii) Deferred Income Tax*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Deferred tax is provided in full at the rate of 17%, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   (i) the same taxable entity; or
   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(k) Current and deferred income tax (Cont'd)**

*(iii) Corporate Social Responsible (CSR) Tax*

- Entities in the Group are required to set up a Corporate Social Responsibility (CSR) Fund of 2% of its taxable profit of the preceding year. If the amount spent on CSR activities is less than the amount provided under the Fund, the difference is payable to the tax authorities as a tax ("CSR tax"). The CSR tax is included in income tax expense and the net amount of CSR fund payable is included in other liabilities in the statements of financial position.

*(iv) Value Added Tax*

Revenue, expenses and assets are recognized net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset of as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of value added tax included.
- The net amount of value added taxes recoverable from or payable to the taxation authority is included as part of receivable or payables in the statement of financial position.

**(l) Impairment of non-financial assets**

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, asset is subject to impairment. The recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

**(m) Post-employment benefits**

(i) State plan and defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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. Contributions to the National Pension Scheme and the Group's defined contribution pension plan are expensed to profit or loss in the period in which they fall due.

(ii) Defined benefit pension plans and other retirement benefits

The following pension benefits are also in place:

- The Group contributes to a pension plan in respect of some employees who have a No Worse Off Guarantee (NWOG) that their benefits would not be worse than what they would have earned under a previous defined benefit plan.
- The Group recognises a net liability for employees whose benefits under the current pension plan are not expected to fully offset the retirement gratuity obligations under the Workers Rights Act 2019.
- The Group recognises a liability in respect of employees who are not members of any supplementary pension plan and are entitled to retirement gratuities under the Workers Rights Act 2019.
- The Group recognises a liability in respect of pensions paid out of the Group's cash flow for some former employees.

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.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(m) Post employment benefits (Cont'd)**

(ii) Defined benefit pension plans and other retirement benefits (Cont'd)

Remeasurement of the net defined benefit liability, which comprises 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 are not be reclassified to profit or loss in subsequent period.

The Group determines the net interest expense on the net defined benefit liability 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, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net 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.

For employees who are not covered or who are insufficiently covered by the current pension plan, the net present value of gratuity on retirement payable under the Employment Rights Act 2008 (as amended) is calculated by an actuary and provided for. The obligations arising under this item are not funded.

(iii) Gratuity on retirement

The net present value of gratuity on retirement payable under the Employment Rights Act 2008 (as amended) has been provided for in respect of those employees who are not covered or who are insufficiently covered by the above retirement benefit plan. The obligations arising under this item are not funded. The Employment Rights Act stipulates that the gratuity paid on retirement should be based on the remuneration (which is inclusive of payment for extra work, productivity bonus, attendance bonus, commission in return for services and any other regular payment) of the employee instead of the earnings. The amount due per year of service is 15 days remuneration based on a month of 26 days (15/26).

**(n) Financial instruments – Initial recognition and subsequent measurement**

*(i) Date of recognition*
Financial assets and liabilities, with the exception of deposits from customers and other borrowed funds, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Deposits from customers and other borrowed funds are recognised when funds reach the Group's account.

*(ii) Initial measurement of financial instruments*
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. All financial instruments are measured initially at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

*(iii) Day 1 profit or loss*
When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique with the variables including only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

*(iv) Measurement categories of financial assets and liabilities*
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through profit or loss (FVTPL).

The measurement of amortised cost is explained in note (n)(v) and fair value through profit or loss is explained in note (n)(ix).

The Group's Financial liabilities are measured at amortised cost.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(n) Financial instruments – Initial recognition and subsequent measurement (Cont'd)**

*(v) Deposits with banks, loans and advances, and receivables*

Deposits with banks and loans, advances to customers and receivables consisted of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, amounts due from these financial assets are subsequently measured at amortised cost using the EIR methodology, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of EIR. Therefore, the Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised, the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in profit or loss.

The Group only measures deposits with banks, loans and advances to customers, receivables and financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

*(vi) Effective interest rate*

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'interest income' for financial assets and 'interest expense' for financial liabilities.

*(vii) Business model assessment*

An assessment of the objective of a business model in which an asset is held at a portfolio level is made 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 management; the risks that affect the performance of the business model (and the financial assets held within that business model) and 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 stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(n) Financial instruments – Initial recognition and subsequent measurement (Cont'd)**

*(viii) Solely Payments of Principal and Interest (SPPI) test*

Assessment of whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

*(ix) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented at other operating income in the Statement of Profit or Loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

*(x) Deposit from customers and other borrowed funds*

Financial instruments issued by the Group that are not held for trading or designated at FVTPL, are classified as liabilities as either deposit from customers or other borrowed funds, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, deposit from customers and other borrowed funds are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(o) Financial instruments – Derecognition of financial assets and financial liabilities**

*(i) Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Group also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition. The Group has transferred the asset if, and only if, either it has transferred its contractual rights to receive cash flows from the asset or it retains the rights to the cash flow.

It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions when the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- the Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates
- the Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows
- the Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(o) Financial instruments – Derecognition of financial assets and financial liabilities (Cont'd)**

*(i) Financial assets (Cont'd)*

A transfer only qualifies for derecognition if:
- The Group has transferred substantially all the risks and rewards of the asset.
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In relation to the above, the Group considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference, i.e. difference between the original loan's carrying amount and the new loan's carrying amount (present value), recognised as impairment in the profit or loss.

*(ii) Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**(p) Determination of fair value**

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments−Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.

Level 2 financial instruments−Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.

Level 3 financial instruments−Those that include one or more unobservable inputs that are significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties, unquoted available for sale financial assets and derivatives, and for non-recurring measurement, such as assets acquired and liabilities assumed in a business combination.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(p) Determination of fair value (Cont'd)**

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is determined annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed according to the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

**(q) Impairment of financial assets**

*(i) Overview of ECL principles*

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company's groups its loans into Stage 1, Stage 2, Stage 3 as described below:

| | |
|---|---|
| Stage 1 | When loans are first recognised, the Company's recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. |
| Stage 2 | When a loan has shown a significant increase in credit risk since origination, the Company's records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. |
| Stage 3 | Loans considered credit-impaired. The Company's records an allowance for the LTECLs. |

*(ii) The calculation of ECLs*

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Expected Credit losses are computed to measure the expected cash shortfalls, discounted at the original EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 4.1 (d).

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(q) Impairment of financial assets (Cont'd)**

*(ii) The calculation of ECLs (Cont'd)*

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 4.1 (d).

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4.1 (d).

Expected Credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking. It also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The Company considered various methodologies including pooling, statistical, structural and reduced form. Taking into consideration, the large quantum of data, statistical regression model has been adopted for determining how the characteristic of an obligor affects its estimated PD. It also allows the analysis of macro-economic variable on the PD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

Provisions for ECLs for undrawn lease commitments are assessed as have been included within lease receivable.

*The mechanics of the ECL method are summarised below:*

| | |
|---|---|
| Stage 1 | The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. |
| Stage 2 | When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. |
| Stage 3 | For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%. |
| undrawn commitments | When estimating LTECLs for undrawn commitments, the Company estimates the expected portion of the commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the facility is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. |

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(q) Impairment of financial assets (Cont'd)**

*(iii) Credit card and other revolving facilities*

For factoring debtors and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Company expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.

*(iv) Forward looking information*

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information abot these inputs are provided in note.

*(v) Collateral valuation*

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, guarantees, real estate, receivables, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and when the Group determines there is a requirement to do so.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by independent surveyors.

*(vi) Write-offs*

The Company's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(q) Impairment of financial assets (Cont'd)**

*(vi) Write-offs (Cont'd)*

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

The Group's impairment loss provision is established to recognise incurred impairment losses either on specific assets or within a portfolio of financial assets. Individually impaired financial assets are those against which individual impairment provisions have been raised. Portfolio impairment provision cover the inherent losses in the portfolio that exist at the reporting date, but have not been individually identified.

**(r) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**(s) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand and at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, bank overdrafts and loans at call. Cash and cash equivalents are classified as loans and receivables under IAS39 and as financial assets at amortised cost under IFRS9.

Bank overdrafts are shown within borrowings in the statement of financial position and loans at call are included in other assets when receivable and in other liabilities when payable.

# Explanatory Notes

30 SEPTEMBER 2021

**2. ACCOUNTING POLICIES (CONT'D)**

**2.8 Significant accounting policies (Cont'd)**

**(t) Stated capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of taxes, from proceeds. Where any Group purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any net consideration received is included in equity attributable to the Company's equity holders.

**(u) Segment reporting**

Segment information presented relates to operating segments that engage in business activities for which revenues are earned and expenses incurred.

**(v) Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements and deducted from equity in the period in which the dividends are declared.

**(w) Non-current assets and disposal group held for sale or distribution**

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. In order to be classified a held for distribution, the asset or disposal group must be available for immediate distribution in its present condition and the distribution must be highly probable. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision to sell or distribute will be withdrawn. Management must be committed to the plan to sell or distribute the asset and the sale expected to be completed within one year from the date of the classification.

Equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

# Explanatory Notes

30 SEPTEMBER 2021

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur.

Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below;

### (a) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis. The going concern assessment is described in note 2.6.

### (b) Amalgamation of entities

Effective 1 October 2020, Mauritian Eagle Leasing Company Ltd, Cim Agencies Ltd, Cim Management Services Ltd, Cim Shared Services Ltd and Cim Finance Ltd have been amalgamated with and into a single entity, CIM Financial Services Limited, (CFSL). The amalgamation meets the definition of a business combination under common control, hence scoped out IFRS 3 Business Combinations.

In line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, management has used its judgement in developing an accounting policy choice which reflect the substance of the transaction. Management has therefore applied the pooling of interests method to the amalgamation as it is more of a business re-organisation.

The following steps were applied:

- The assets and liabilities of the amalgamating entities are reflected at their carrying amounts with no adjustments made to reflect fair values.
- No new assets or liabilities were recognised, at the date of the amalgamation that would otherwise be done under the acquisition method in compliance with IFRS 3.
- No goodwill or gain on bargain purchase were recognised as a result of the amalgamation.

### (c) Fair value estimation

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

### (d) Effective Interest Rate (EIR) method

The Group's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the Company's base rate and other fee income/expense that are integral parts of the instrument.

### (e) Impairment of non-financial assets

Assets are considered for impairment if there is a reason to believe that impairment may be necessary. Future cash flows expected to be generated by an asset or cash-generating assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

# Explanatory Notes

30 SEPTEMBER 2021

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### (f) Pension Benefits

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these. Any changes in these assumptions will impact the carrying amount of pension obligations.

### (g) Deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences to the extent that it is probable that future taxable profit will be available which these temporary differences can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

### (h) Asset lives and residual values

Equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

### (i) Classification of lease

The extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee determined the classification of the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The major considerations that the Group takes into account in determining the classification of a lease as a finance lease include:

- the transfer of ownership to the lessee at the end of the lease,
- the option to purchase the asset at a price significantly lower than the fair value,
- the present value of minimum lease payment is almost the fair value of the leased asset,
- and the lease term covers the major part of the economic life of the asset.

The Group distinguishes other credit agreement from finance lease based on the nature of the underlying asset being financed, the terms of the financing arrangements and the timing of transfer of title of the asset.

### (j) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is correlation between the assumptions and other factors. It should be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

### (k) Uncertainty over income tax treatments

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the Group's belief that its tax return positions are supportable, the Group believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

No material uncertain tax positions exist as at 30 September 2021. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

# Explanatory Notes

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## 4. FINANCIAL RISK MANAGEMENT

Whilst risk is inherent in normal activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non–trading risks. It is also subject to country risk and various operating and business risks.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date administrative and information systems.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The Board recognises the critical importance of having efficient and effective risk management policies and systems in place. To this end, there is a clear organisational structure with delegated authorities and responsibilities from the Board to Board Committees, executives and senior management. Individual responsibility and accountability are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

A description of the significant financial risk factors is given below together with the risk management policies applicable.

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, which consist of market risk, credit risk and liquidity risk. Market risk includes foreign currency risk, interest rate risk and equity price risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Written principles have been established throughout the Group for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

### (a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to certain major currencies. Entities in the Group use forward contracts to mitigate their exposure to foreign currency risk. Each subsidiary is responsible for managing the net position in each currency by using the relevant strategy, under advice from the Group's Treasury.

The Group holds foreign currency forwards and swaps. Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index.

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(a) Foreign exchange risk (Cont'd)**

The currency profile of the Group's and the Company's financial assets and financial liabilities is set out below:

| | Equivalent in MUR m | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | GROUP | | | | | COMPANY | | | |
| | EURO | USD | MUR | KES | Total | EURO | USD | MUR | Total |
| **30 September 2021** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Cash and bank balances | 68.6 | 11.6 | 260.6 | 1.0 | **341.8** | 25.0 | 4.8 | 250.9 | **280.7** |
| Deposits with banks | - | 102.1 | 324.0 | - | **426.1** | - | 102.1 | 324.0 | **426.1** |
| Net investment in leases and other credit agreements | 4.4 | 0.9 | 7,922.9 | - | **7,928.2** | 4.4 | 0.9 | 7,922.9 | **7,928.2** |
| Loans and advances | - | 7.9 | 6,376.5 | 39.9 | **6,424.3** | - | 7.9 | 6,580.4 | **6,588.3** |
| Investments securities | - | - | 128.5 | - | **128.5** | - | - | 120.4 | **120.4** |
| Other assets | 0.3 | 4.1 | 306.8 | 14.4 | **325.6** | 0.3 | 4.1 | 340.9 | **345.3** |
| | 73.3 | 126.6 | 15,319.3 | 55.3 | **15,574.5** | 29.7 | 119.8 | 15,539.5 | **15,689.0** |
| **Financial liabilities** | | | | | | | | | |
| Other borrowed funds | 3.5 | 0.4 | 9,805.0 | 22.8 | **9,831.7** | 3.5 | 124.9 | 9,803.1 | **9,931.5** |
| Other liabilities | 0.4 | 9.0 | 1,330.7 | 30.5 | **1,370.6** | 0.4 | 9.0 | 1,347.0 | **1,356.4** |
| Lease liabilities | - | - | 217.8 | 2.0 | **219.8** | - | - | 217.8 | **217.8** |
| | 3.9 | 9.4 | 11,353.5 | 55.3 | **11,422.1** | 3.9 | 133.9 | 11,367.9 | **11,505.7** |
| Net exposure | **69.4** | **117.2** | **3,965.8** | **-** | **4,152.4** | **25.8** | **(14.1)** | **4,171.6** | **4,183.3** |
| **30 September 2020** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Cash and bank balances | 56.2 | 128.7 | 274.1 | 1.7 | 460.7 | - | 5.1 | 13.0 | 18.1 |
| Deposits with banks | - | - | 510.2 | - | 510.2 | - | - | - | - |
| Net investment in leases and other credit agreements | 4.4 | 0.9 | 8,368.8 | - | 8,374.1 | - | - | - | - |
| Loans and advances | 0.1 | 1.7 | 5,067.7 | 33.7 | 5,103.2 | - | - | 7,294.4 | 7,294.4 |
| Investments securities | - | - | 28.9 | - | 28.9 | - | - | 20.8 | 20.8 |
| Other assets | - | 2.4 | 304.1 | 6.7 | 313.2 | - | 2.2 | 188.0 | 190.2 |
| | 60.7 | 133.7 | 14,553.8 | 42.1 | 14,790.3 | - | 7.3 | 7,516.2 | 7,523.5 |
| **Financial liabilities** | | | | | | | | | |
| Other borrowed funds | 4.8 | 0.6 | 9,831.2 | - | 9,836.6 | - | - | 5,487.2 | 5,487.2 |
| Other liabilities | 3.0 | 3.8 | 1,148.4 | 24.4 | 1,179.6 | - | - | 5.9 | 5.9 |
| Lease liabilities | - | - | 209.3 | - | 209.3 | - | - | - | - |
| | 7.8 | 4.4 | 11,188.9 | 24.4 | 11,225.5 | - | - | 5,493.1 | 5,493.1 |
| Net exposure | 52.9 | 129.3 | 3,364.9 | 17.7 | 3,564.8 | - | 7.3 | 2,023.1 | 2,030.4 |

Other assets and other liabilities includes foreign currency derivatives

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(a) Foreign exchange risk (Cont'd)**

The sensitivity of the profit before tax with regards to the Group's financial assets and liabilities and the USD to Mauritian Rupee and EURO to Mauritian Rupee exchange rate is shown below.

If Mauritian Rupee had weakened/strengthened by 4% against USD and EURO respectively, the financial impact would be as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Effect on profit before tax (+/-) | **7.5** | 7.2 | **1.5** | 0.2 |
| Equity (+/-) | **6.2** | 6.1 | **-** | - |

The 4% change in rates used above was derived from the average fluctuation in the respective foreign currencies for the last 5 years.

**(b) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments.The Group's exposure to interest rate risk and positive balances relate primarily to its borrowings and lendings with floating interest rates.

The Group mitigates its interest rate risk by having a mixed portfolio of fixed and variable interest bearing lendings and borrowings.

For those lendings and borrowings with floating interest rates, the Group ensures that the losses that may be created or reduced following interest margins change are not significant by setting limits on the level of mismatch in interest rate repricing that may be undertaken.

The sensitivity of the profit before tax to a reasonably possible change in interest rate of + or - 50 basis points (2020: +/- 50 basis points), with all other variables held constant is shown below. The sensitivity has been based on the net exposure of financial assets and liabilities at the reporting date. These changes are considered to be reasonably possible based on observations of current market conditions.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Effect on profit before tax (+/-) | **3.2** | 4.0 | **3.2** | 0.1 |

**(c) Equity price risk**

Equity price risk is the risk that the fair value of equity securities fluctuates as a result of the changes in the prices of those securities. The Group is not exposed to significant equity price risks as it does not have any significant equity financial assets.

**(d) Credit risk**

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk in the Group arises mainly from various forms of lending from all its core activities covering all the credit portfolios; credit facilities, money lending, credit cards, factoring, and leasing as well as deposits and balances held with banks. The effective management of credit risk is a critical component of risk management and essential to the long-term success of the organisation. The Risk Management Committee has oversight of the management of the credit risk framework.

The objective of the Group's credit risk management framework is to ensure all material credit risks to which the organisation is exposed are identified, measured, managed, monitored, mitigated and reported on a consistent basis.

This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment. The Group's credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsible decision-making and customer services. Within the powers to act granted by the Board of Directors, credits are approved by decision making authorities at different levels in the organisation depending on the riskiness and the credit exposure of the customer.

The Group's credit risk management framework incorporates governing principles that are defined in a series of credit-related policies and standards, which are further applied to more specific operating procedures.

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(d) Credit risk (Cont'd)**

The Group's policies and procedures include the setting of limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, by monitoring exposures in relation to such limits. The Group maintains a credit risk grading to categorise exposures according to their risk of default. Large credit risk exposures are subject to regular monitoring through the Debtors Monitoring Committee on a monthly basis for closer attention and action to be taken, when appropriate.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and counterparties. The proportion of leases of the Group contracted with Corporates is 61% and 39% are with individuals.
Leases and other credit agreements granted are also effectively secured as the rights to the leased assets revert to the lessor in the event of default. The majority of the assets financed under lease are motor vehicles with the remaining being various types of equipment. The period normally varies between 3 to 7 years for leases and between 1 to 4 years for other credit agreements; and the interest is principally at fixed rates.

The Group has reviewed its credit risk framework into a more dynamic one to deal with the rapidly evolving situation. The Consumer Finance automated scorecards were adjusted to reflect increase in risk emerging from the post-lockdown uncertain environment (scorecard tightening). Similarly, for the other lending products, a more conservative approach is being adopted by the credit underwriting team for approval of new facilities.

**Impairment assessment**

***Definition of default and cure***

The Group considers default of a financial asset for the purpose of determining expected credit losses, that is credit impaired assets classified in stage 3, when:

• Instalments of principal and/or interest are due from an obligor and remain unpaid for 90 days or more; and/or

• The Group considers that the obligor is 'unlikely to pay' its credit obligations in full, without recourse to actions such as realising security (if held).

The indicators for unlikeliness to pay include the following:

i. The Group puts the credit obligation on non-accrual status.
ii. The Group makes account-specific provision resulting from a significant perceived decline in credit quality subsequent to the Group granting the credit facility.
iii. The Group sells other credit obligations from the same counterparty at a material credit-related economic loss.
iv. The Group consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant.
v. The Group has filed for the debtor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Group.
vi. The debtor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the financial institution.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk. Where a significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the criteria are no longer met. Where instruments were transferred to stage 2 due to assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(d) Credit risk (Cont'd)**

**Impairment assessment (Cont'd)**

***The calculation of the Expected Credit Losses***

Expected Credit losses are computed as probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering the reasonable and supportable information including that which is forward-looking. The Group makes use of logistic regression techniques to determined the PD, LGD and EAD where adequate default data is available.

The Group calculates expected credit losses ('ECLs') under IFRS 9 using forward-looking judgements, models and data. As such, under the current economic conditions and uncertainty arising due to COVID-19, management overlays have been applied to cater for the risks and uncertainties that cannot be adequately reflected in the existing models. The Group continues to monitor the overlays as the environment is subject to change and updated facts as new information becomes available.

The period over which cash flows are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk, with the exception of credit cards - the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. These expected cash flows are discounted using the effective interest rate on the financial instruments.

ECL for financial assets classified under stage 3 is measured at the individual obligor level except for individually insignificant facilities with similar risk characteristics which are grouped together and the ECL is determined based on history of losses.

***Probability of Default***

The probability of default (PD) refers to the likelihood that a borrower will default over a particular time horizon. The PD of an obligor is a fundamental risk parameter in credit risk analysis and depends on obligor specific characteristics as well as on macroeconomic risk factors. The Group has adopted the IFRS 9 macroeconomic sensitive model for PD computation, which is based on following set of assumptions:

| Assumption | Description |
|---|---|
| Default observation | An obligator is assumed to enter default state in any month wherein it crosses 90 days past due. Any observation following such default has been excluded. |
| Macro-sensitive PD | PD is assumed to be sensitive to changes in macroeconomic conditions. |
| PD term structure | The PD term structure is computed for a period of next 5 years and considered constant above this horizon. The basis for the assumption is validated by the convergence of macroeconomic forecasts post the 5 year period. |

There are two levels of PD relevant for ECL calculation:

(i) 12-month PD – This represents the estimated probability of default occurring within the next 12 months from the reporting date

(ii) Lifetime PDs – This represents the estimated probability of a default occurring over the remaining life of the financial instrument and may be further broken down into marginal probabilities for smaller time periods within the remaining life.

The PD models were derived using logistic regression. As part of the modelling phase, the variables having the most significant predictive default power were identified using the information value statistics. Variables were shortlisted based on their significance in predictive default and possible combinations were assessed using multifactor analysis to achieve the best-fit model. The performance of the final models was assessed to test the fit of the estimated PD curves against the historical default rate.

***Loss Given Default***

By definition, loss given default refers to the magnitude of the likely loss on a given facility in the event of default. It takes into account the loss of principal, interest foregone and workout expenses.

CIM has derived estimates of LGD for Stage 1 and Stage 2 exposures using the Cured LGD methodology for its credit facilities as adequate historical information was available. The LGD methodology takes into consideration recoveries through insurance covers and value of collaterals. The models were derived using logistic regression and yielded to statistically significant estimates. Where historical data was insufficient for modelling, Basel estimates of loss given default for unsecured exposures were applied.

# Explanatory Notes

30 SEPTEMBER 2021

## 4. FINANCIAL RISK MANAGEMENT (CONT'D)

### 4.1 Financial risk factors (Cont'd)

### (d) Credit risk (Cont'd)

**Impairment assessment (Cont'd)**

***Exposure at Default***

The exposure at default (EAD) refers to the gross carrying amount of the financial instruments in the event of obligor default. For Stage 1 exposures, the EAD is derived based on possible default events within 12 months. For Stage 2 exposures, the exposure at default is considered for events over the lifetime of the instruments.

The EAD framework adopted by the Group considers two separate methods dependent on the underlying financial asset; the current exposure method for deposit with banks, leases, hire purchase and other credit agreements, and loan and advances except for revolving facilities such as factoring debtors and off-balance sheet items where the credit conversion factor approach is used. Under the current exposure method, the expected outstanding exposure is derived from the expected future cash flows as the best estimate of EAD. The credit conversion factor method takes into account the sum of the actual outstanding exposure and expected drawdown until default as the best estimate of EAD.

***Forward looking information***

Forward-looking economic assumptions are incorporated into ECL models. The Group has taken into account GDP growth rate forecasts when deriving the expected credit losses. This variable was significant in the models that were built. The GDP forecasts are constantly updated with new estimates and are sourced from reputed local and international organisations.

***Credit quality***

For stage classification, the Group utilises a combination of quantitative and qualitative factors to determine whether the credit risk of a borrower has increased significantly since initial recognition.

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

On a quantitative basis, the days past due (dpd) indicator is employed and exposures above 30 dpd are classified under Stage 2.

On a qualitative basis, accounts show signs of deteriorating early warning indicators (such as default on covenants), macroeconomic factors and external market information where relevant.

The Group maintains a credit risk rating based on the days past due and the obligor is categorised as follows:

| Risk rating | Description |
|---|---|
| Performing | None of the facilities of the obligor have been due for more than 30 days. |
| Watchlist | Any one of the facilities granted to the obligor has been in arrears for more than 30 days but is not considered to be credit-impaired. |
| Non-performing | Any one of the facilities granted to the obligor has been in arrears for more than 90 days or the oblitagor is unlikely to pay its credit obligations in full, without recourse to actions such as realising security. |

***Write-offs***

Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery such as the death or liquidation of a debtor. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. It constitutes a derecognition event. Any subsequent recoveries are credited to the credit loss expense.

***Modified loans***

Sometimes the Group makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce disposal/repossession of collateral. Indicators of financial difficulties include default on covenants, bankruptcy, or significant concerns raised. Once the terms have been renegotiated, any impairment is measured using the original interest rates as calculated before the modification of terms.

These accounts are classified as high risk and derecognition decisions and classifications between stage 2 and stage 3 are determined on a case-by-case basis. If the accounts were impaired, they will be closely monitored until it is collected or written off. And if the accounts were classified in the underperforming category, the Group will reassess whether there has been a significant increase in credit risk.

Once an account has been classified as forborne, it will remain forborne for a minimum probation period of 6 months. In order for the accounts to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The minimum probation of period of 6 months has passed; and
- Regular payments have been made in accordance with the terms and conditions agreed

If modifications are substantial either quantitatively or qualitatively, the loan is derecognised as explained under write offs.

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(d) Credit risk (Cont'd)**

**Impairment assessment (Cont'd)**

***Grouping financial assets measured on a collective basis***
The Group calculates ECL on a collective basis for all assets classified under stage 1 and stage 2.
The Group combines these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the facilities which are described below.

The Group considers the customer type for grouping of the portfolio which are grouped under Corporate customers or individuals.

For individual lendings which include retail leasing, credit facilities, hire purchase and other credit agreements, and card customers, the groupings are as follows:

• Product type
• Age band
• Salary band

For corporate lendings which include factoring, corporate leasing, and corporate loans, the grouping are as follows:
• Product type
• Industry sector

The Group held collaterals on finance lease which include heavy equipments, vehicles and other equipments. The fair value of collaterals of impaired lease facilities is estimated at MUR 195.2m (2020: MUR 337.7m).

The Group may recover amounts not settled by the debtors from the customers for factoring facilities with recourse while the non-recourse factoring facilities are insured. Other credit agreements and loans with exposure of MUR 10,484m (2020: MUR 8,453m) are mitigated by insurance covers which are directly linked to the facilities and entered at the same time of the credit origination. Other credit agreements also contain the right for the Group to recover the collateral which the Group estimated not to be significant at recovery. Other credit agreements also contain the exposure in respect of credit cards is not backed by collaterals.

**(e) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources including corporate bonds and keeping committed credit facilities with banks. The Group also maintains a certain level of cash and deposits with banks to cater for its liquidity needs.

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(e) Liquidity risk (Cont'd)**

**Contractual maturities of undiscounted cash flows of financial assets and liabilities**

| GROUP<br>30 September 2021 | Up to 3 months MUR m | 3 - 6 months MUR m | 6 - 12 months MUR m | 1 to 5 years MUR m | Over 5 years MUR m | Total MUR m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and bank balances | 341.8 | - | - | - | - | **341.8** |
| Deposits with banks | 8.9 | 16.4 | 99.9 | 300.9 | - | **426.1** |
| Net investment in leases and other credit agreements | 1,739.7 | 1,235.7 | 2,196.1 | 4,773.2 | 102.7 | **10,047.4** |
| Loans and advances | 1,035.1 | 708.6 | 1,814.2 | 5,041.9 | 18.6 | **8,618.4** |
| Investments securities | - | - | 0.8 | 127.7 | - | **128.5** |
| Other assets | 320.7 | 2.3 | 2.6 | - | - | **325.6** |
| **Total assets** | 3,446.2 | 1,963.0 | 4,113.6 | 10,243.7 | 121.3 | **19,887.8** |
| **Liabilities** | | | | | | |
| Other borrowed funds | 2,861.5 | 62.6 | 125.2 | 6,501.9 | 280.5 | **9,831.7** |
| Other liabilities | 1,172.2 | 22.6 | 92.7 | 83.1 | - | **1,370.6** |
| Lease liabilities | 7.1 | 7.2 | 14.7 | 154.9 | 35.9 | **219.8** |
| **Total liabilities** | 4,040.8 | 92.4 | 232.6 | 6,739.9 | 316.4 | **11,422.1** |
| **Net liquidity gap** | **(594.6)** | **1,870.6** | **3,881.0** | **3,503.8** | **(195.1)** | **8,465.7** |

The Group manages the net negative liquidity gaps through its undrawn bank facilities.

| GROUP<br>30 September 2020 | Up to 3 months MUR m | 3 - 6 months MUR m | 6 - 12 months MUR m | 1 to 5 years MUR m | Over 5 years MUR m | Total MUR m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and bank balances | 460.7 | - | - | - | - | 460.7 |
| Deposits with banks | 8.3 | 150.9 | 151.4 | - | 199.6 | 510.2 |
| Net investment in leases and other credit agreements | 1,814.0 | 1,238.0 | 2,195.9 | 5,124.8 | 114.6 | 10,487.3 |
| Loans and advances | 2,761.8 | 47.3 | - | 3,833.8 | 24.3 | 6,667.2 |
| Investments securities | - | - | 20.8 | 8.1 | - | 28.9 |
| Other assets | 127.6 | - | 185.6 | - | - | 313.2 |
| **Total assets** | 5,172.4 | 1,436.2 | 2,553.7 | 8,966.7 | 338.5 | 18,467.5 |
| **Liabilities** | | | | | | |
| Other borrowed funds | - | - | 4,681.0 | 4,875.1 | 280.5 | 9,836.6 |
| Other liabilities | 1,058.6 | 16.5 | 103.9 | 0.6 | - | 1,179.6 |
| Lease liabilities | 6.5 | 6.4 | 11.2 | 122.9 | 62.3 | 209.3 |
| **Total liabilities** | 1,065.1 | 22.9 | 4,796.1 | 4,998.6 | 342.8 | 11,225.5 |
| **Net liquidity gap** | 4,107.3 | 1,413.3 | (2,242.4) | 3,968.1 | (4.3) | 7,242.0 |

# Explanatory Notes

30 SEPTEMBER 2021

**4. FINANCIAL RISK MANAGEMENT (CONT'D)**

**4.1 Financial risk factors (Cont'd)**

**(e) Liquidity risk (Cont'd)**

**Contractual maturities of undiscounted cash flows of financial assets and liabilities (Cont'd)**

| COMPANY<br>30 September 2021 | Up to 3 months MUR m | 3 - 6 months MUR m | 6 - 12 months MUR m | 1 to 5 years MUR m | Over 5 years MUR m | Total MUR m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and bank balances | 280.7 | - | - | - | - | 280.7 |
| Deposits with banks | 8.9 | 16.4 | 99.9 | 300.9 | - | 426.1 |
| Net investment in leases and other credit agreements | 1,739.7 | 1,235.7 | 2,196.1 | 4,773.2 | 102.7 | 10,047.4 |
| Loans and advances | 995.6 | 704.8 | 1,811.9 | 5,237.3 | 18.1 | 8,767.7 |
| Investments securities | - | - | 0.8 | 119.6 | - | 120.4 |
| Other assets | 99.5 | - | 245.8 | - | - | 345.3 |
| **Total assets** | **3,124.4** | **1,956.9** | **4,354.5** | **10,431.0** | **120.8** | **19,987.6** |
| **Liabilities** | | | | | | |
| Other borrowed funds | 2,902.7 | 128.0 | 2,745.1 | 3,861.4 | 294.3 | 9,931.5 |
| Other liabilities | 1,027.9 | 22.6 | 92.7 | 83.1 | - | 1,226.3 |
| Lease liabilities | 7.1 | 7.2 | 14.7 | 154.9 | 33.9 | 217.8 |
| **Total liabilities** | 3,937.7 | 157.8 | 2,852.5 | 4,099.4 | 328.2 | 11,375.6 |
| **Net liquidity gap** | **(813.3)** | **1,799.1** | **1,502.0** | **6,331.6** | **(207.4)** | **8,612.0** |

The Company manages the net negative liquidity gaps through its undrawn bank facilities.

| COMPANY<br>30 September 2020 | Up to 3 months MUR m | 3 - 6 months MUR m | 6 - 12 months MUR m | 1 to 5 years MUR m | Over 5 years MUR m | Total MUR m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and bank balances | 18.1 | - | - | - | - | 18.1 |
| Loans and advances | - | - | 3,130.7 | 3,909.3 | 280.5 | 7,320.5 |
| Investments securities | - | - | 20.8 | - | - | 20.8 |
| Other assets | 190.2 | - | - | - | - | 190.2 |
| **Total assets** | 208.3 | - | 3,151.5 | 3,909.3 | 280.5 | 7,549.6 |
| **Liabilities** | | | | | | |
| Other borrowed funds | - | - | 1,499.2 | 3,707.5 | 280.5 | 5,487.2 |
| Other liabilities | - | - | 5.9 | - | - | 5.9 |
| **Total liabilities** | - | - | 1,505.1 | 3,707.5 | 280.5 | 5,493.1 |
| **Net liquidity gap** | 208.3 | - | 1,646.4 | 201.8 | - | 2,056.5 |

# Explanatory Notes

30 SEPTEMBER 2021

## 4. FINANCIAL RISK MANAGEMENT (CONT'D)

### 4.2 Capital risk management

The primary objective of the Group's and the Company's capital management is to maximise shareholders' value. The Company aims at distributing an adequate dividend whilst ensuring that sufficient resources are maintained to continue as a going concern and for expansion.

The Group and the Company manage their capital structure and make adjustments in the light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The ratio of net debt to equity is used to monitor capital and the ratio is kept at a reasonable level. For the purpose of capital management, net debt includes other borrowed funds net of cash and bank balances. Equity consists of stated capital, retained earnings and other reserves.

The Group monitors its Capital Adequacy Ratio (CAR) on a regular basis and uses the latter as a key metric to assess its robustness to sustain economic shocks in the period under review, despite this significant increase in the impairment charges, the Capital Adequacy Ratio remained at a very reasonable level.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Debt (note 23 and 27) | **10,051.5** | 10,045.9 | **10,149.3** | 5,487.2 |
| Less: Cash & bank balances (note 13) | **(341.8)** | (460.7) | **(280.7)** | (18.1) |
| | **9,709.7** | 9,585.2 | **9,868.6** | 5,469.1 |
| Equity | **4,587.5** | 4,199.5 | **4,754.0** | 3,100.6 |
| Net debt/equity ratio | **2.1** | 2.3 | **2.1** | 1.8 |

The net debt to equity ratio changed from 2.3 in 2020 to 2.1 in 2021. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 October 2019.

# Explanatory Notes

30 SEPTEMBER 2021

## 5. NET INTEREST INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **(a) Interest income** | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Credit facilities | **850.2** | 823.9 | **830.4** | - |
| Corporate credit facilities | **9.9** | 8.7 | **19.5** | 199.5 |
| Credit cards | **65.7** | 67.8 | **65.7** | - |
| Factoring | **8.0** | 16.5 | **8.0** | - |
| Placements with financial institutions | **12.1** | 16.4 | **11.6** | - |
| Finance leases | **173.8** | 216.1 | **173.8** | - |
| Other credit agreements | **807.0** | 565.3 | **807.0** | - |
| Debt at FVTPL | **2.5** | - | **0.5** | 0.3 |
| | **1,929.2** | 1,714.7 | **1,916.5** | 199.8 |
| **Analysed as follows:** | | | | |
| Recognised in the Cash Flow as received | **982.1** | 603.0 | **981.3** | 122.9 |
| Accrued | **947.1** | 1,111.7 | **935.2** | 76.9 |
| | **1,929.2** | 1,714.7 | **1,916.5** | 199.8 |

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| **(b) Interest expense** | | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Bank overdrafts | | **1.1** | 3.3 | **0.4** | - |
| Bank loans | | **193.0** | 313.0 | **193.0** | 138.8 |
| Other loans | | **0.1** | 0.3 | **0.4** | - |
| Bond | | **190.6** | 103.7 | **190.6** | - |
| Leases | 23 | **11.3** | 11.1 | **11.1** | - |
| | | **396.1** | 431.4 | **395.5** | 138.8 |
| **Analysed as follows:** | | | | | |
| Recognised in the Cash Flow as paid | | **290.6** | 322.4 | **290.5** | 77.6 |
| Accrued | | **105.5** | 109.0 | **105.0** | 61.2 |
| | | **396.1** | 431.4 | **395.5** | 138.8 |
| **Net interest income** | | **1,533.1** | 1,283.3 | **1,521.0** | 61.0 |

## 6. LENDING AND AGENCY RELATED INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **Income for services provided over time** | | | | |
| Income relating to merchant and agency activities | **426.1** | 454.5 | **426.1** | - |
| **Income for services provided at a point in time** | | | | |
| Income relating to factoring activities | **10.3** | 11.0 | **10.3** | - |
| Others | **25.3** | 76.6 | **25.3** | - |
| **Other income** | | | | |
| Other fees | **134.4** | 102.7 | **120.4** | - |
| | **596.1** | 644.8 | **582.1** | - |

Merchant and other income are recognised and released to profit and loss in accordance with note 2.8(e).
Other fees include late payment fees, commitment fees and fees related to other credit agreements.

## 7. OTHER INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Operating lease income | **112.7** | 129.7 | **112.7** | - |
| Leasing residual value | **6.9** | 5.7 | **6.9** | - |
| Others | **8.0** | 16.1 | **3.1** | - |
| Profit on disposal of property, plant and equipment | **2.3** | 2.4 | **2.3** | - |
| | **129.9** | 153.9 | **125.0** | - |

*Main components of others include management fees, secretarial fees and administration fees.

# Explanatory Notes

30 SEPTEMBER 2021

## 8. EMPLOYEE BENEFIT EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Wages, salaries and related expenses | **551.7** | 546.8 | **524.2** | 11.0 |
| Pension and other retirement benefit costs | **54.3** | 53.3 | **46.2** | 2.1 |
| | **606.0** | 600.1 | **570.4** | 13.1 |

## 9. OTHER OPERATING EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Administration | **323.5** | 292.4 | **310.0** | 12.4 |
| Professional fees | **31.6** | 25.0 | **29.1** | 7.2 |
| Advertising and marketing | **35.8** | 36.2 | **33.6** | - |
| | **390.9** | 353.6 | **372.7** | 19.6 |

## 10. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Provision for credit impairment | | | | |
| - Finance leases | **1.6** | 85.4 | **1.6** | - |
| - Other credit agreements | **64.0** | 257.9 | **64.0** | - |
| Loans and advances | | | | |
| - Credit facilities | **245.2** | 152.4 | **264.8** | - |
| - Corporate credit facilities | **29.7** | 5.7 | **29.7** | 16.2 |
| - Factoring receivables | **(1.6)** | 2.2 | **(1.6)** | - |
| - Card receivables | **(8.9)** | 35.7 | **(8.9)** | - |
| Others | **(1.8)** | 0.5 | **(1.9)** | |
| Bad debts written off | **243.6** | 135.6 | **218.9** | - |
| Bad debts recovered | | | | |
| - Finance leases | **(0.3)** | (0.9) | **(0.3)** | - |
| - Other credit agreements | **(18.9)** | (17.0) | **(18.9)** | - |
| - Credit facilities | **(5.2)** | (4.9) | **(5.2)** | - |
| - Card receivables | **(7.4)** | - | **(7.4)** | - |
| | **540.0** | 652.6 | **534.8** | 16.2 |

## 11. TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| **(a) Income tax expense** | **MUR m** | MUR m | **MUR m** | MUR m |
| Current income tax at 15% - 30% (2020:15% - 30%) | **168.6** | 170.3 | **168.3** | 6.8 |
| Corporate Social Responsibility tax at 2% (2020 : 2%) | **19.6** | 23.2 | **19.6** | 1.5 |
| Under provision in previous year | **-** | 0.6 | **-** | 0.5 |
| Deferred tax credit | **(93.8)** | (116.7) | **(93.8)** | - |
| **Income tax expense** | **94.4** | 77.4 | **94.1** | 8.8 |

# Explanatory Notes

30 SEPTEMBER 2021

**11. TAXATION (CONT'D)**

The tax charge shown in profit or loss differs from the tax charge that would apply if all profits had been charged at the Company's statutory rate. A reconciliation between the tax expense and the accounting profit at 17% is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **(a) Income tax expense (cont'd)** | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Accounting profit before tax | **511.5** | 268.2 | **551.1** | 129.4 |
| Statutory income tax rate of 15% (2020: 15%) | **76.7** | 40.2 | **82.7** | 19.4 |
| Effect of different tax rates in other countries | **-** | 0.1 | **-** | - |
| Corporate social responsibility tax at 2% (2019: 2%) | **19.6** | 23.2 | **19.6** | 1.5 |
| Tax losses | **6.3** | (2.6) | **-** | - |
| Deferred tax | **-** | 30.6 | **-** | - |
| CSR impact on permanent differences | **(11.0)** | (8.4) | **(11.0)** | - |
| Over provision in previous year | **-** | 0.6 | **-** | 0.5 |
| Income not subject to tax | **(10.2)** | (23.8) | **(10.2)** | (21.8) |
| Effect of deferred taxation on partial exemption of interest income | **-** | (28.0) | **-** | - |
| Tax losses for which no deferred income tax asset was recognised | **-** | (0.1) | **-** | - |
| Non–deductible expenses | **13.0** | 45.6 | **13.0** | 9.2 |
| **Income tax expense** | **94.4** | 77.4 | **94.1** | 8.8 |

Main items of non deductible expense include unrealised exchange losses, fair value loss on financial asset and expense attributable to exempt income.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **(b) Income tax liabilities** | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| At 1 October | **115.6** | (12.2) | **4.6** | 2.7 |
| Amalgamation adjustment | **-** | - | **134.5** | - |
| Paid during the year | **(61.6)** | (44.1) | **(61.2)** | (6.4) |
| Charge for the year | **188.2** | 125.8 | **187.9** | 8.3 |
| Reclassified from other liabilities* | **23.6** | - | **-** | - |
| Under provision in previous year | **-** | 46.1 | **-** | - |
| | **265.8** | 115.6 | **265.8** | 4.6 |
| **Analysed as follows** | | | | |
| Income tax liabilities | **265.8** | 115.6 | **265.8** | 4.6 |
| | **265.8** | 115.6 | **265.8** | 4.6 |

* CSR liabilities has been reclassified from other liabilties to income tax liabilities

# Explanatory Notes

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## 12. OTHER COMPREHENSIVE INCOME

| GROUP | Other Reserves MUR m | Actuarial Reserves MUR m | Total MUR m |
|---|---|---|---|
| **Year ended 30 September 2021** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of post employment benefit (note 25) | - | 56.4 | 56.4 |
| Deferred tax on remeasurement of post employment benefit (note 26) | - | (23.5) | (23.5) |
| | - | 32.9 | 32.9 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange difference on translation of foreign entities | 1.6 | - | 1.6 |
| Movement in reserves of associates ( note 21(a)) | 4.4 | - | 4.4 |
| | 6.0 | - | 6.0 |
| **Other comprehensive income for the year, net of tax** | **6.0** | **32.9** | **38.9** |

| GROUP | Other Reserves MUR m | Actuarial Reserves MUR m | Total MUR m |
|---|---|---|---|
| **Year ended 30 September 2020** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of post employment benefit (note 25) | - | (60.1) | (60.1) |
| Deferred tax on remeasurement of post employment benefit (note 26) | - | 7.0 | 7.0 |
| | - | (53.1) | (53.1) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange difference on translation of foreign entities | 11.1 | - | 11.1 |
| Movement in reserves of associates | 2.9 | - | 2.9 |
| | 14.0 | - | 14.0 |
| **Other comprehensive income/(loss) for the year, net of tax** | 14.0 | (53.1) | (39.1) |

| COMPANY | Actuarial Reserves MUR m |
|---|---|
| **Year ended 30 September 2021** | |
| **Items that will not be reclassified to profit or loss** | |
| Remeasurement of post employment benefit (note 25) | 55.3 |
| Deferred tax on remeasurement of defined benefit obligations | (23.5) |
| **Other comprehensive income for the year, net of tax** | **31.8** |
| **Year ended 30 September 2020** | |
| **Items that will not be reclassified to profit or loss** | |
| Remeasurement of post employment benefit (note 25) | (10.1) |
| **Other comprehensive loss for the year, net of tax** | (10.1) |

**Other reserves**

Other reserves includes all foreign currency differences arising from the translation of the financial statements.

**Actuarial reserve**

The actuarial reserve represents the cumulative remeasurement of defined benefit obligation recognised.

# Explanatory Notes

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## 13. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Cash and bank balances | **341.8** | 460.7 | **280.7** | 18.1 |
| Loans at call receivable (note 18) | **-** | - | **32.9** | 143.4 |
| Bank overdrafts (note 27) | **(24.5)** | - | **(1.7)** | - |
| **Cash and cash equivalents** | **317.3** | 460.7 | **311.9** | 161.5 |

The bank overdrafts are secured by floating charges on the assets of the borrowing companies (note 27 (a)).
The rate of interest varies between 3.60% and 4.80% (2020: 3.45% and 4.80%) for the loans and varies between 3.45% and 12% (2020: 3.45% and 12%) for the bank overdrafts.

## 14. DEPOSITS WITH BANKS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Deposit with banks | **426.7** | 510.8 | **426.7** | - |
| Expected credit loss | **(0.6)** | (0.6) | **(0.6)** | - |
| | **426.1** | 510.2 | **426.1** | - |
| The deposit with banks are analysed as follows: | | | | |
| Current | **125.2** | 310.6 | **125.2** | - |
| Non current | **300.9** | 199.6 | **300.9** | - |
| | **426.1** | 510.2 | **426.1** | - |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Gross carrying amount** | **ECL** | **Gross carrying amount** | ECL |
| | **Stage1** | **Stage1** | **Stage1** | Stage1 |
| | **MUR m** | **MUR m** | **MUR m** | MUR m |
| At 1 October 2020 | **510.8** | **0.6** | **-** | **-** |
| Amalgamation effect | **-** | **-** | **510.8** | **0.6** |
| Additions | **102.1** | **-** | **102.1** | **-** |
| Transfer | **(48.2)** | **-** | **(48.2)** | **-** |
| Recovered | **(138.0)** | **-** | **(138.0)** | **-** |
| **At 30 September 2021** | **426.7** | **0.6** | **426.7** | **0.6** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Gross carrying amount** | **ECL** | **Gross carrying amount** | ECL |
| | **Stage1** | **Stage1** | **Stage1** | Stage1 |
| | **MUR m** | **MUR m** | **MUR m** | MUR m |
| At 1 October 2019 | 507.6 | 0.6 | **-** | - |
| Additions | 3.2 | - | **-** | - |
| **At 30 September 2020** | 510.8 | 0.6 | **-** | - |

The above deposits carry interest rates ranging between 1.5% and 3.65% and have maturity dates ranging from November 2021 to May 2026. All the deposits are performing and classified under stage 1.

# Explanatory Notes

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## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS

| GROUP AND COMPANY | Finance leases MUR m | Other credit agreements MUR m | Total MUR m |
|---|---|---|---|
| **30 September 2021** | | | |
| **Gross investment** | | | |
| Within one year | 1,001.7 | 4,169.8 | 5,171.5 |
| After one year and before five years | 1,720.2 | 3,053.0 | 4,773.2 |
| After five years | 102.7 | - | 102.7 |
| | 2,824.6 | 7,222.8 | 10,047.4 |
| Unearned future finance income | (314.8) | (924.1) | (1,238.9) |
| | 2,509.8 | 6,298.7 | 8,808.5 |
| Expected credit loss | (204.6) | (675.7) | (880.3) |
| | **2,305.2** | **5,623.0** | **7,928.2** |
| **Present value of lease payments before impairment analysed as follows:** | | | |
| Within one year | 866.7 | 3,564.9 | 4,431.6 |
| After one year and before five years | 1,546.0 | 2,733.8 | 4,279.8 |
| After five years | 97.1 | - | 97.1 |
| | **2,509.8** | **6,298.7** | **8,808.5** |
| **Representing:** | | | |
| Current receivables | **866.7** | **3,564.9** | **4,431.6** |
| Non current receivables | **1,643.1** | **2,733.8** | **4,376.9** |
| | **2,509.8** | **6,298.7** | **8,808.5** |
| **Net Amount represented by:** | | | |
| Current receivables | **716.5** | **2,967.3** | **3,683.8** |
| Non current receivables | **1,588.7** | **2,655.7** | **4,244.4** |
| | **2,305.2** | **5,623.0** | **7,928.2** |

| GROUP | Finance leases MUR m | Other credit agreements MUR m | Total MUR m |
|---|---|---|---|
| **30 September 2020** | | | |
| **Gross investment** | | | |
| Within one year | 1,167.0 | 4,107.8 | 5,274.8 |
| After one year and before five years | 2,133.5 | 2,964.4 | 5,097.9 |
| After five years | 114.6 | - | 114.6 |
| | 3,415.1 | 7,072.2 | 10,487.3 |
| Unearned future finance income | (403.8) | (894.7) | (1,298.5) |
| | 3,011.3 | 6,177.5 | 9,188.8 |
| Expected credit loss/allowance for credit impairment | (203.0) | (611.7) | (814.7) |
| | 2,808.3 | 5,565.8 | 8,374.1 |
| **Present value of minimum lease payments before impairment analysed as follows:** | | | |
| Within one year | 989.0 | 3,523.0 | 4,512.0 |
| After one year and before five years | 1,912.3 | 2,654.5 | 4,566.8 |
| After five years | 110.0 | - | 110.0 |
| | 3,011.3 | 6,177.5 | 9,188.8 |
| **Representing:** | | | |
| Current receivables | 989.0 | 3,523.0 | 4,512.0 |
| Non current receivables | 2,022.3 | 2,654.5 | 4,676.8 |
| | 3,011.3 | 6,177.5 | 9,188.8 |
| **Net Amount represented by:** | | | |
| Current receivables | 891.0 | 2,962.2 | 3,853.2 |
| Non current receivables | 1,917.3 | 2,603.6 | 4,520.9 |
| | 2,808.3 | 5,565.8 | 8,374.1 |

# Explanatory Notes

30 SEPTEMBER 2021

## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS (CONT'D)

### Net investment in leases

***Credit quality***

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1 (d).

| GROUP AND COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| Performing | 1,772.3 | - | - | 1,772.3 |
| Watchlist | - | 444.7 | - | 444.7 |
| Non-performing | - | - | 292.8 | 292.8 |
| | **1,772.3** | **444.7** | **292.8** | **2,509.8** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| Performing | 1,861.0 | - | - | 1,861.0 |
| Watchlist | - | 757.0 | - | 757.0 |
| Non-performing | - | - | 393.3 | 393.3 |
| | 1,861.0 | 757.0 | 393.3 | 3,011.3 |

# Explanatory Notes

30 SEPTEMBER 2021

## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS (CONT'D)

***Gross carrying amount***

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance leases is as follows:

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 1,861.0 | 757.0 | 393.3 | 3,011.3 |
| New assets originated or purchased | 469.4 | 60.2 | 16.9 | 546.5 |
| Assets derecognised or repaid (excluding write offs) | (758.4) | (158.3) | (103.4) | (1,020.1) |
| Transfers to Stage 1 | 322.2 | (277.8) | (44.4) | - |
| Transfers to Stage 2 | (93.4) | 136.2 | (42.8) | - |
| Transfers to Stage 3 | (28.3) | (72.5) | 100.8 | - |
| Amounts written off | (0.2) | (0.1) | (27.6) | (27.9) |
| **At 30 September 2021** | **1,772.3** | **444.7** | **292.8** | **2,509.8** |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 1,861.0 | 757.0 | 393.3 | 3,011.3 |
| New assets originated or purchased | 469.4 | 60.2 | 16.9 | 546.5 |
| Assets derecognised or repaid (excluding write offs) | (758.4) | (158.3) | (103.4) | (1,020.1) |
| Transfers to Stage 1 | 322.2 | (277.8) | (44.4) | - |
| Transfers to Stage 2 | (93.4) | 136.2 | (42.8) | - |
| Transfers to Stage 3 | (28.3) | (72.5) | 100.8 | - |
| Amounts written off | (0.2) | (0.1) | (27.6) | (27.9) |
| **At 30 September 2021** | **1,772.3** | **444.7** | **292.8** | **2,509.8** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 2,887.0 | 238.2 | 175.4 | 3,300.6 |
| New assets originated or purchased | 526.6 | 205.6 | 40.4 | 772.6 |
| Assets derecognised or repaid (excluding write offs) | (808.5) | (147.2) | (90.3) | (1,046.0) |
| Transfers to Stage 1 | 51.9 | (51.9) | - | - |
| Transfers to Stage 2 | (618.2) | 632.7 | (14.5) | - |
| Transfers to Stage 3 | (177.8) | (120.4) | 298.2 | - |
| Amounts written off | - | - | (15.9) | (15.9) |
| **At 30 September 2020** | 1,861.0 | 757.0 | 393.3 | 3,011.3 |

***Expected credit loss***

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 15.5 | 31.8 | 155.7 | 203.0 |
| New assets originated or purchased | 3.3 | 2.0 | 9.7 | 15.0 |
| Assets derecognised or repaid (excluding write offs) | (5.8) | (3.6) | (9.7) | (19.1) |
| Transfers to Stage 1 | 17.5 | (6.8) | (10.7) | - |
| Transfers to Stage 2 | (0.7) | 13.9 | (13.2) | - |
| Transfers to Stage 3 | (0.3) | (2.6) | 2.9 | - |
| Impact of year end ECL of exposures transferred between stages | (11.5) | (11.4) | 17.7 | (5.2) |
| Changes to estimates and assumptions used for ECL calculations | 8.9 | 3.9 | 26.0 | 38.8 |
| Amounts written off | (0.2) | (0.1) | (27.6) | (27.9) |
| **At 30 September 2021** | **26.7** | **27.1** | **150.8** | **204.6** |

# Explanatory Notes

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## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS (CONT'D)

***Expected credit loss (cont'd)***

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 15.5 | 31.8 | 155.7 | 203.0 |
| New assets originated or purchased | 3.3 | 2.0 | 9.7 | 15.0 |
| Assets derecognised or repaid (excluding write offs) | (5.8) | (3.6) | (9.7) | (19.1) |
| Transfers to Stage 1 | 17.5 | (6.8) | (10.7) | - |
| Transfers to Stage 2 | (0.7) | 13.9 | (13.2) | - |
| Transfers to Stage 3 | (0.3) | (2.6) | 2.9 | - |
| Impact of year end ECL of exposures transferred between stages | (11.5) | (11.4) | 17.7 | (5.2) |
| Changes to estimates and assumptions used for ECL calculations | 8.9 | 3.9 | 26.0 | 38.8 |
| Amounts written off | (0.2) | (0.1) | (27.6) | (27.9) |
| **At 30 September 2021** | **26.7** | **27.1** | **150.8** | **204.6** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 22.0 | 3.3 | 94.0 | 119.3 |
| New assets originated or purchased | 3.4 | 4.2 | 10.1 | 17.7 |
| Assets derecognised or repaid (excluding write offs) | (4.2) | (0.1) | (3.3) | (7.6) |
| Transfers to Stage 1 | 1.0 | (0.7) | (0.3) | - |
| Transfers to Stage 2 | (6.0) | 11.1 | (5.1) | - |
| Transfers to Stage 3 | (1.4) | (1.8) | 3.2 | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | 0.7 | 15.8 | 73.0 | 89.5 |
| Amounts written off | - | - | (15.9) | (15.9) |
| At 30 September 2020 | 15.5 | 31.8 | 155.7 | 203.0 |

# Explanatory Notes

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## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS (CONT'D)

### Other credit agreements

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1(d).

| GROUP AND COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| Performing | 4,598.7 | - | - | 4,598.7 |
| Watchlist | - | 582.9 | - | 582.9 |
| Non-performing | - | - | 1,117.1 | 1,117.1 |
| | **4,598.7** | **582.9** | **1,117.1** | **6,298.7** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| Performing | 4,028.4 | - | - | 4,028.4 |
| Watchlist | - | 1,029.1 | - | 1,029.1 |
| Non-performing | - | - | 1,120.0 | 1,120.0 |
| | 4,028.4 | 1,029.1 | 1,120.0 | 6,177.5 |

***Gross carrying amount***

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance leases and other credit agreements is as follows:

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 4,028.4 | 1,029.1 | 1,120.0 | 6,177.5 |
| New assets originated or purchased | 3,169.5 | 364.7 | 300.3 | 3,834.5 |
| Assets derecognised or repaid (excluding write offs) | (2,596.1) | (442.5) | (559.4) | (3,598.0) |
| Transfers to Stage 1 | 378.8 | (320.5) | (58.3) | - |
| Transfers to Stage 2 | (206.2) | 227.5 | (21.3) | - |
| Transfers to Stage 3 | (175.7) | (275.4) | 451.1 | - |
| Amounts written off | - | - | (115.3) | (115.3) |
| **At 30 September 2021** | **4,598.7** | **582.9** | **1,117.1** | **6,298.7** |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 4,028.4 | 1,029.1 | 1,120.0 | 6,177.5 |
| New assets originated or purchased | 3,169.5 | 364.7 | 300.3 | 3,834.5 |
| Assets derecognised or repaid (excluding write offs) | (2,596.1) | (442.5) | (559.4) | (3,598.0) |
| Transfers to Stage 1 | 378.8 | (320.5) | (58.3) | - |
| Transfers to Stage 2 | (206.2) | 227.5 | (21.3) | - |
| Transfers to Stage 3 | (175.7) | (275.4) | 451.1 | - |
| Amounts written off | - | - | (115.3) | (115.3) |
| **At 30 September 2021** | **4,598.7** | **582.9** | **1,117.1** | **6,298.7** |

# Explanatory Notes

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## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS (CONT'D)

***Gross carrying amount (cont'd)***

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance leases and other credit agreements is as follows:

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 4,680.3 | 617.9 | 643.4 | 5,941.6 |
| New assets originated or purchased | 2,698.0 | 683.0 | 425.0 | 3,806.0 |
| Assets derecognised or repaid (excluding write offs) | (2,661.4) | (421.6) | (411.1) | (3,494.1) |
| Transfers to Stage 1 | 129.7 | (118.6) | (11.1) | - |
| Transfers to Stage 2 | (467.1) | 472.3 | (5.2) | - |
| Transfers to Stage 3 | (351.1) | (203.9) | 555.0 | - |
| Amounts written off | - | - | (76.0) | (76.0) |
| At 30 September 2020 | 4,028.4 | 1,029.1 | 1,120.0 | 6,177.5 |

***Expected credit loss***

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 21.3 | 29.6 | 560.8 | 611.7 |
| New assets originated or purchased | 20.2 | 2.3 | 95.0 | 117.5 |
| Assets derecognised or repaid (excluding write offs) | (11.4) | (9.7) | (121.0) | (142.1) |
| Transfers to Stage 1 | 17.3 | (8.7) | (8.6) | - |
| Transfers to Stage 2 | (1.2) | 4.0 | (2.8) | - |
| Transfers to Stage 3 | (1.1) | (7.4) | 8.5 | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | (15.7) | (2.8) | 71.9 | 53.4 |
| Changes to estimates and assumptions used for ECL calculations | 16.7 | 24.7 | 109.1 | 150.5 |
| Amounts written off | - | - | (115.3) | (115.3) |
| **At 30 September 2021** | **46.1** | **32.0** | **597.6** | **675.7** |

# Explanatory Notes

30 SEPTEMBER 2021

## 15. NET INVESTMENT IN LEASES AND OTHER CREDIT AGREEMENTS (CONT'D)

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 21.3 | 29.6 | 560.8 | 611.7 |
| New assets originated or purchased | 20.2 | 2.3 | 95.0 | 117.5 |
| Assets derecognised or repaid (excluding write offs) | (11.4) | (9.7) | (121.0) | (142.1) |
| Transfers to Stage 1 | 17.3 | (8.7) | (8.6) | - |
| Transfers to Stage 2 | (1.2) | 4.0 | (2.8) | - |
| Transfers to Stage 3 | (1.1) | (7.4) | 8.5 | - |
| Impact of year end ECL of exposures transferred between stages | (15.7) | (2.8) | 71.9 | 53.4 |
| Changes to estimates and assumptions used for ECL calculations | 16.7 | 24.7 | 109.1 | 150.5 |
| Amounts written off | - | - | (115.3) | (115.3) |
| **At 30 September 2021** | **46.1** | **32.0** | **597.6** | **675.7** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 14.0 | 2.8 | 337.0 | 353.8 |
| New assets originated or purchased | 4.5 | - | 254.4 | 258.9 |
| Assets derecognised or repaid (excluding write offs) | (5.7) | (0.8) | (26.7) | (33.2) |
| Transfers to Stage 1 | 1.4 | (0.6) | (0.8) | - |
| Transfers to Stage 2 | (1.5) | 1.9 | (0.4) | - |
| Transfers to Stage 3 | (1.2) | (1.0) | 2.2 | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | 9.8 | 27.3 | 71.0 | 108.1 |
| Amounts written off | - | - | (75.9) | (75.9) |
| At 30 September 2020 | 21.3 | 29.6 | 560.8 | 611.7 |

Finance income on the net investment in the lease is disclosed in note 5(a).
Undiscounted lease payments to be received amounts to MUR 2,509.8m (2020: MUR 3,011.3m)
The changes in the loss allowance are mainly explained by the fact that the Group and Company have adopted a prudent approach on the back of continued uncertainty and the inherent increase in credit risks.

## 16. LOANS AND ADVANCES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Credit facilities (a) | **6,399.3** | 4,755.5 | **6,350.2** | - |
| Corporate credit facilities (b) | **162.2** | 126.9 | **390.3** | 7,320.5 |
| Factoring receivables (c) | **139.0** | 219.4 | **139.0** | - |
| Card receivables (d) | **303.9** | 315.4 | **303.9** | - |
| | **7,004.4** | 5,417.2 | **7,183.4** | 7,320.5 |
| Expected credit loss | **(580.1)** | (314.0) | **(595.1)** | (26.1) |
| | **6,424.3** | 5,103.2 | **6,588.3** | 7,294.4 |

# Explanatory Notes

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**16. LOANS AND ADVANCES (CONT'D)**

Expected credit loss is analysed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Credit facilities (a) | **475.9** | 229.0 | **464.8** | - |
| Corporate credit facilities (b) | **47.3** | 17.6 | **73.4** | 26.1 |
| Factoring receivables (c) | **15.6** | 17.2 | **15.6** | - |
| Card receivables (d) | **41.3** | 50.2 | **41.3** | - |
| | **580.1** | 314.0 | **595.1** | 26.1 |

| **(a) Credit facilities** | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **(i) Credit facilities receivables breakdown before impairment:** | | | | |
| Within one year | **2,234.0** | 1,604.1 | **2,190.4** | - |
| After one year and before five years | **4,162.2** | 3,144.3 | **4,156.7** | - |
| After five years | **3.1** | 7.1 | **3.1** | - |
| | **6,399.3** | 4,755.5 | **6,350.2** | - |

**(ii) Credit quality – Credit facilities**

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1 (d).

| **GROUP** | **2021** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 4,823.4 | - | - | 4,823.4 |
| Watchlist | - | 648.7 | - | 648.7 |
| Non-performing | - | - | 927.2 | 927.2 |
| | **4,823.4** | **648.7** | **927.2** | **6,399.3** |

| **COMPANY** | **2021** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 4,810.0 | - | - | 4,810.0 |
| Watchlist | - | 642.8 | - | 642.8 |
| Non-performing | - | - | 897.4 | 897.4 |
| | **4,810.0** | **642.8** | **897.4** | **6,350.2** |

| **GROUP** | **2020** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 3,320.2 | - | - | 3,320.2 |
| Watchlist | - | 849.7 | - | 849.7 |
| Non-performing | - | - | 585.6 | 585.6 |
| | 3,320.2 | 849.7 | 585.6 | 4,755.5 |

# Explanatory Notes

30 SEPTEMBER 2021

**16. LOANS AND ADVANCES (CONT'D)**

**(a) Credit facilities (cont'd)**

**(iii) Gross carrying amount – Credit facilities**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to credit facilities is as follows:

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 3,320.2 | 849.7 | 585.6 | 4,755.5 |
| New assets originated | 3,072.8 | 351.4 | 288.9 | 3,713.1 |
| Assets derecognised or repaid (excluding write offs) | (1,402.5) | (282.1) | (255.4) | (1,940.0) |
| Transfers to Stage 1 | 317.6 | (279.7) | (37.9) | - |
| Transfers to Stage 2 | (238.1) | 251.3 | (13.2) | - |
| Transfers to Stage 3 | (203.7) | (241.6) | 445.3 | - |
| Amounts written off | - | - | (58.8) | (58.8) |
| Transfer to Corporate credit facilities | (42.9) | (0.3) | (27.3) | (70.5) |
| **At 30 September 2021** | **4,823.4** | **648.7** | **927.2** | **6,399.3** |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 3,317.1 | 846.2 | 536.4 | 4,699.7 |
| New assets originated | 3,039.0 | 347.9 | 284.7 | 3,671.6 |
| Assets derecognised or repaid (excluding write offs) | (1,381.0) | (281.8) | (252.2) | (1,915.0) |
| Transfers to Stage 1 | 317.4 | (279.5) | (37.9) | - |
| Transfers to Stage 2 | (238.1) | 251.3 | (13.2) | - |
| Transfers to Stage 3 | (201.5) | (241.0) | 442.5 | - |
| Amounts written off | - | - | (35.6) | (35.6) |
| Transfer to Corporate credit facilities | (42.9) | (0.3) | (27.3) | (70.5) |
| **At 30 September 2021** | **4,810.0** | **642.8** | **897.4** | **6,350.2** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 2,588.4 | 254.8 | 236.9 | 3,080.1 |
| New assets originated | 2,414.1 | 598.6 | 214.5 | 3,227.2 |
| Assets derecognised or repaid (excluding write offs) | (1,215.4) | (152.7) | (104.4) | (1,472.5) |
| Transfers to Stage 1 | 55.2 | (49.6) | (5.6) | - |
| Transfers to Stage 2 | (327.9) | 338.0 | (10.1) | - |
| Transfers to Stage 3 | (162.6) | (119.7) | 282.3 | - |
| Amounts written off | (31.6) | (19.7) | (28.0) | (79.3) |
| At 30 September 2020 | 3,320.2 | 849.7 | 585.6 | 4,755.5 |

# Explanatory Notes

30 SEPTEMBER 2021

**16. LOANS AND ADVANCES (CONT'D)**

**(a) Credit facilities (cont'd)**

**(iv) Expected credit loss – Credit facilities**

**GROUP**

| | 2021 | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| At 1 October 2020 | 19.5 | 27.7 | 181.8 | 229.0 |
| New assets originated | 21.0 | 2.9 | 97.2 | 121.1 |
| Assets derecognised or repaid (excluding write offs) | (4.8) | (13.3) | (7.5) | (25.6) |
| Transfers to Stage 1 | 4.8 | (3.0) | (1.8) | - |
| Transfers to Stage 2 | (1.2) | 1.7 | (0.5) | - |
| Transfers to Stage 3 | (2.7) | (3.4) | 6.1 | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | (3.1) | - | 89.1 | 86.0 |
| Changes to estimates and assumptions used for ECL calculations | 19.2 | 26.7 | 95.7 | 141.6 |
| Transfer from Credit facilities | (2.3) | - | (15.1) | (17.4) |
| Amounts written off | - | - | (58.8) | (58.8) |
| **At 30 September 2021** | **50.4** | **39.3** | **386.2** | **475.9** |

**COMPANY**

| | 2021 | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 15.9 | 25.2 | 158.9 | 200.0 |
| New assets originated | 18.9 | 1.1 | 94.1 | 114.1 |
| Assets derecognised or repaid (excluding write offs) | (3.1) | (13.3) | (7.5) | (23.9) |
| Transfers to Stage 1 | 4.8 | (3.0) | (1.8) | - |
| Transfers to Stage 2 | (1.2) | 1.7 | (0.5) | - |
| Transfers to Stage 3 | (1.0) | (3.0) | 4.0 | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | (3.1) | - | 89.1 | 86.0 |
| Changes to estimates and assumptions used for ECL calculations | 19.2 | 26.7 | 95.7 | 141.6 |
| Transfer from Credit facilities | (2.3) | - | (15.1) | (17.4) |
| Amounts written off | - | - | (35.6) | (35.6) |
| **At 30 September 2021** | **48.1** | **35.4** | **381.3** | **464.8** |

**GROUP**

| | 2020 | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| At 1 October 2019 | 14.6 | 14.1 | 99.2 | 127.9 |
| New assets originated | 5.3 | 19.4 | 69.9 | 94.6 |
| Assets derecognised or repaid (excluding write offs) | (2.9) | (0.1) | (9.5) | (12.5) |
| Transfers to Stage 1 | 0.5 | (0.2) | (0.3) | - |
| Transfers to Stage 2 | (1.2) | 1.3 | (0.1) | - |
| Transfers to Stage 3 | (0.5) | (0.9) | 6.3 | 4.9 |
| Impact of impairment losses and year end ECL of exposures transferred between stages | 8.0 | 7.0 | 43.9 | 58.9 |
| Amounts written off | (4.3) | (12.9) | (27.6) | (44.8) |
| At 30 September 2020 | 19.5 | 27.7 | 181.8 | 229.0 |

# Explanatory Notes

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**16. LOANS AND ADVANCES (CONT'D)**

**(b) Corporate Credit Facilities**

**(i) Corporate loans receivables breakdown before impairment:**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Within one year | **92.2** | 46.9 | **119.4** | 3,130.7 |
| After one year and before five years | **58.3** | 65.5 | **259.2** | 1,775.1 |
| After five years | **11.7** | 14.5 | **11.7** | 2,414.7 |
| | **162.2** | 126.9 | **390.3** | 7,320.5 |

**(ii) Credit quality - Corporate Credit facilities**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1 (d).

| **GROUP** | **2021** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 74.0 | - | - | 74.0 |
| Watchlist | - | 0.3 | - | 0.3 |
| Non-performing | - | - | 87.9 | 87.9 |
| | **74.0** | **0.3** | **87.9** | **162.2** |

| **GROUP** | **2020** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 69.9 | - | - | 69.9 |
| Non-performing | - | - | 57.0 | 57.0 |
| | 69.9 | - | 57.0 | 126.9 |

| **COMPANY** | **2021** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 302.0 | - | - | 302.0 |
| Watchlist | - | 0.3 | - | 0.3 |
| Non-performing | - | - | 88.0 | 88.0 |
| | **302.0** | **0.3** | **88.0** | **390.3** |

| **COMPANY** | **2020** | | | |
|---|---|---|---|---|
| | **Stage 1 MUR m** | **Stage 2 MUR m** | **Stage 3 MUR m** | **TOTAL MUR m** |
| Performing | 7,320.5 | - | - | 7,320.5 |

# Explanatory Notes

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## 16. LOANS AND ADVANCES (CONT'D)

### (b) Corporate credit facilities (cont'd)

### (iii) Gross carrying amount – Corporate credit facilities

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate Credit facilities is as follows:

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 69.9 | - | 57.0 | 126.9 |
| New assets originated | 3.4 | - | 3.6 | 7.0 |
| Assets derecognised or repaid (excluding write offs) | (42.2) | - | - | (42.2) |
| Transfer from Credit facilities | 42.9 | 0.3 | 27.3 | 70.5 |
| **At 30 September 2021** | **74.0** | **0.3** | **87.9** | **162.2** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 112.6 | - | 57.6 | 170.2 |
| Assets derecognised or repaid (excluding write offs) | (42.7) | - | (0.6) | (43.3) |
| At 30 September 2020 | 69.9 | - | 57.0 | 126.9 |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 7,320.5 | - | - | 7,320.5 |
| Amalgamation adjustment | (7,050.8) | - | 57.0 | (6,993.8) |
| New assets originated | 31.6 | - | 3.7 | 35.3 |
| Assets derecognised or repaid (excluding write offs) | (42.2) | - | - | (42.2) |
| Transfer from Credit facilities | 42.9 | 0.3 | 27.3 | 70.5 |
| **At 30 September 2021** | **302.0** | **0.3** | **88.0** | **390.3** |

| COMPANY | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 3,002.0 | - | - | 3,002.0 |
| New assets originated | 4,318.5 | - | - | 4,318.5 |
| At 30 September 2020 | 7,320.5 | - | - | 7,320.5 |

# Explanatory Notes

30 SEPTEMBER 2021

**16. LOANS AND ADVANCES (CONT'D)**

**(b) Corporate credit facilities (cont'd)**

**(iv) Expected credit loss - Corporate credit facilities**

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 0.5 | - | 17.1 | 17.6 |
| New assets originated | - | - | 4.7 | 4.7 |
| Assets derecognised or repaid (excluding write offs) | (0.4) | - | - | (0.4) |
| Reclassification | 2.3 | - | 15.1 | 17.4 |
| Changes to estimates and assumptions used for ECL calculations | 0.6 | 0.1 | 7.3 | 8.0 |
| **At 30 September 2021** | **3.0** | **0.1** | **44.2** | **47.3** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 0.1 | - | 11.7 | 11.8 |
| Assets derecognised or repaid (excluding write offs) | (0.2) | - | (0.7) | (0.9) |
| Impact of impairment losses and year end ECL of exposures transferred between stages | 0.6 | - | 6.1 | 6.7 |
| At 30 September 2020 | 0.5 | - | 17.1 | 17.6 |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 26.1 | - | - | 26.1 |
| Amalgamation adjustment | 0.7 | - | 16.9 | 17.6 |
| New assets originated | - | - | 4.7 | 4.7 |
| Assets derecognised or repaid (excluding write offs) | (0.4) | - | - | (0.4) |
| Reclassification | 2.3 | - | 15.1 | 17.4 |
| Changes to estimates and assumptions used for ECL calculations | 0.6 | 0.1 | 7.3 | 8.0 |
| **At 30 September 2021** | **29.3** | **0.1** | **44.0** | **73.4** |

| COMPANY | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 11.1 | - | - | 11.1 |
| New assets originated | 15.0 | - | - | 15.0 |
| At 30 September 2020 | 26.1 | - | - | 26.1 |

# Explanatory Notes

30 SEPTEMBER 2021

## 16. LOANS AND ADVANCES (CONT'D)

### (c) Factoring receivables

**(i) Factoring receivables breakdown before impairment:**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Receivable from customers | **264.7** | 359.9 | **264.7** | - |
| Fund of guarantee | **(125.7)** | (140.5) | **(125.7)** | - |
| | **139.0** | 219.4 | **139.0** | - |

Fund of guarantee represents the portion of the receivables from customers for which the Company has not financed.

**(ii) Credit quality – Factoring receivables**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1 (d).

| **GROUP & COMPANY** | | **2021** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **TOTAL** |
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** |
| Performing | 123.7 | - | - | 123.7 |
| Watchlist | - | 2.0 | - | 2.0 |
| Non-performing | - | - | 13.3 | 13.3 |
| | **123.7** | **2.0** | **13.3** | **139.0** |

| **GROUP** | | **2020** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **TOTAL** |
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** |
| Performing | 196.4 | - | - | 196.4 |
| Watchlist | - | 6.9 | - | 6.9 |
| Non-performing | - | - | 16.1 | 16.1 |
| | **196.4** | **6.9** | **16.1** | **219.4** |

**(iii) Gross carrying amount – Factoring debtors**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Credit facilities is as follows:

| **GROUP** | | **2021** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **TOTAL** |
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2020 | 196.4 | 6.9 | 16.1 | 219.4 |
| New assets originated or purchased | 81.9 | 0.4 | 1.0 | 83.3 |
| Assets derecognised or repaid (excluding write offs) | (157.0) | (3.8) | - | (160.8) |
| Transfers to Stage 1 | 1.5 | (1.5) | - | - |
| Transfers to Stage 3 | 0.9 | - | (0.9) | - |
| Amounts written off | - | - | (2.9) | (2.9) |
| At 30 September 2021 | **123.7** | **2.0** | **13.3** | **139.0** |

| **COMPANY** | | **2021** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **TOTAL** |
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 196.4 | 6.9 | 16.1 | 219.4 |
| New assets originated or purchased | 81.9 | 0.4 | 1.0 | 83.3 |
| Assets derecognised or repaid (excluding write offs) | (157.0) | (3.8) | - | (160.8) |
| Transfers to Stage 1 | 1.5 | (1.5) | - | - |
| Transfers to Stage 3 | 0.9 | - | (0.9) | - |
| Amounts written off | - | - | (2.9) | (2.9) |
| **At 30 September 2021** | **123.7** | **2.0** | **13.3** | **139.0** |

# Explanatory Notes

30 SEPTEMBER 2021

**(c) Factoring receivables**

**(iii) Gross carrying amount – Factoring debtors (Cont'd)**

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | - | 261.1 | 20.5 | 281.6 |
| New assets originated or purchased | 62.5 | 6.2 | - | 68.7 |
| Assets derecognised or repaid (excluding write offs) | (86.3) | (37.7) | (2.2) | (126.2) |
| Transfers to Stage 3 | - | (2.5) | 2.5 | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | 220.2 | (220.2) | - | - |
| Amounts written off | - | - | (4.7) | (4.7) |
| At 30 September 2020 | 196.4 | 6.9 | 16.1 | 219.4 |

**(iv) Expected credit loss – Factoring receivables**

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 1.0 | - | 16.2 | 17.2 |
| New assets originated | 1.0 | - | - | 1.0 |
| Assets derecognised or repaid (excluding write offs) | (0.2) | - | - | (0.2) |
| Changes to estimates and assumptions | 0.5 | - | - | 0.5 |
| Amounts written off | - | - | (2.9) | (2.9) |
| **At 30 September 2021** | **2.3** | **-** | **13.3** | **15.6** |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 1.0 | - | 16.2 | 17.2 |
| New assets originated | 1.0 | - | - | 1.0 |
| Assets derecognised or repaid (excluding write offs) | (0.2) | - | - | (0.2) |
| Changes to estimates and assumptions | 0.5 | - | - | 0.5 |
| Amounts written off | - | - | (2.9) | (2.9) |
| **At 30 September 2021** | **2.3** | **-** | **13.3** | **15.6** |

# Explanatory Notes

30 SEPTEMBER 2021

**16. LOANS AND ADVANCES (CONT'D)**

**(c) Factoring receivables (cont'd)**

**(iv) Expected credit loss – Factoring receivables (cont'd)**

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | - | 2.1 | 20.5 | 22.6 |
| Assets derecognised or repaid (excluding write offs) | (0.8) | (0.3) | (2.5) | (3.6) |
| Impact of impairment losses and year end ECL of exposures transferred between stages | 1.8 | (1.8) | 2.9 | 2.9 |
| Amounts written off | - | - | (4.7) | (4.7) |
| At 30 September 2020 | 1.0 | - | 16.2 | 17.2 |

**(d) Card receivables**

Card receivables are receivable within 3 months.

**(i) Credit quality – Card receivables before impairment**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.1 (d).

| GROUP AND COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| Performing | 205.6 | - | - | 205.6 |
| Watchlist | - | 44.7 | - | 44.7 |
| Non-performing | - | - | 53.6 | 53.6 |
| | **205.6** | **44.7** | **53.6** | **303.9** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| Performing | 192.6 | - | - | 192.6 |
| Watchlist | - | 45.4 | - | 45.4 |
| Non-performing | - | - | 77.4 | 77.4 |
| | 192.6 | 45.4 | 77.4 | 315.4 |

# Explanatory Notes

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## 16. LOANS AND ADVANCES (CONT'D)

### (d) Card receivables (cont'd)

### (ii) Gross carrying amount - Card receivables

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Credit facilities is as follows:

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 192.6 | 45.4 | 77.4 | 315.4 |
| New assets originated or purchased | 66.9 | 14.0 | 12.9 | 93.8 |
| Assets derecognised or repaid (excluding write offs) | (66.8) | (5.4) | (27.8) | (100.0) |
| Transfers to Stage 1 | 37.6 | (26.5) | (11.1) | - |
| Transfers to Stage 2 | (19.5) | 24.6 | (5.1) | - |
| Transfers to Stage 3 | (5.2) | (7.4) | 12.6 | - |
| Amounts written off | - | - | (5.3) | (5.3) |
| **At 30 September 2021** | **205.6** | **44.7** | **53.6** | **303.9** |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 192.6 | 45.4 | 77.4 | 315.4 |
| New assets originated or purchased | 66.9 | 14.0 | 12.9 | 93.8 |
| Assets derecognised or repaid (excluding write offs) | (66.8) | (5.4) | (27.8) | (100.0) |
| Transfers to Stage 1 | 37.6 | (26.5) | (11.1) | - |
| Transfers to Stage 2 | (19.5) | 24.6 | (5.1) | - |
| Transfers to Stage 3 | (5.2) | (7.4) | 12.6 | - |
| Amounts written off | - | - | (5.3) | (5.3) |
| **At 30 September 2021** | **205.6** | **44.7** | **53.6** | **303.9** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 231.1 | 76.7 | 66.0 | 373.8 |
| New assets originated or purchased | 43.1 | 10.8 | 19.9 | 73.8 |
| Assets derecognised or repaid (excluding write offs) | (85.7) | (12.6) | (12.9) | (111.2) |
| Transfers to Stage 1 | 42.2 | (38.6) | (3.6) | - |
| Transfers to Stage 2 | (25.6) | 26.2 | (0.6) | - |
| Transfers to Stage 3 | (12.5) | (17.1) | 29.6 | - |
| Amounts written off | - | - | (21.0) | (21.0) |
| At 30 September 2020 | 192.6 | 45.4 | 77.4 | 315.4 |

# Explanatory Notes

30 SEPTEMBER 2021

**16. LOANS AND ADVANCES (CONT'D)**

**(d) Card receivables (cont'd)**

**(iii) Expected credit loss - Card receivables**

| GROUP | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | 0.5 | 1.4 | 48.3 | 50.2 |
| New assets originated or purchased | 0.2 | (0.1) | 3.3 | 3.4 |
| Assets derecognised or repaid (excluding write offs) | (0.3) | (1.3) | (28.0) | (29.6) |
| Transfers to Stage 1 | 1.1 | - | (1.1) | - |
| Transfers to Stage 2 | - | 0.6 | (0.6) | - |
| Transfers to Stage 3 | - | - | - | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | (1.0) | (0.5) | 4.9 | 3.4 |
| Changes to estimates and assumptions | 4.6 | 2.6 | 12.0 | 19.2 |
| Amounts written off | - | - | (5.3) | (5.3) |
| **At 30 September 2021** | **5.1** | **2.7** | **33.5** | **41.3** |

| COMPANY | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2020 | - | - | - | - |
| Amalgamation adjustment | 0.5 | 1.4 | 48.3 | 50.2 |
| New assets originated or purchased | 0.2 | (0.1) | 3.3 | 3.4 |
| Assets derecognised or repaid (excluding write offs) | (0.3) | (1.3) | (28.0) | (29.6) |
| Transfers to Stage 1 | 1.1 | - | (1.1) | - |
| Transfers to Stage 2 | - | 0.6 | (0.6) | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | (1.0) | (0.5) | 4.9 | 3.4 |
| Changes to estimates and assumptions | 4.6 | 2.6 | 12.0 | 19.2 |
| Amounts written off | - | - | (5.3) | (5.3) |
| **At 30 September 2021** | **5.1** | **2.7** | **33.5** | **41.3** |

| GROUP | 2020 | | | |
|---|---|---|---|---|
| | Stage 1 MUR m | Stage 2 MUR m | Stage 3 MUR m | TOTAL MUR m |
| At 1 October 2019 | 0.4 | 0.1 | 34.2 | 34.7 |
| New assets originated or purchased | 0.1 | 0.1 | 12.8 | 13.0 |
| Assets derecognised or repaid (excluding write offs) | (0.4) | - | - | (0.4) |
| Transfers to Stage 1 | 0.4 | (0.1) | (0.3) | - |
| Impact of impairment losses and year end ECL of exposures transferred between stages | - | 1.3 | 22.6 | 23.9 |
| Amounts written off | - | - | (21.0) | (21.0) |
| At 30 September 2020 | 0.5 | 1.4 | 48.3 | 50.2 |

# Explanatory Notes

30 SEPTEMBER 2021

## 17. INVESTMENTS SECURITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Financial assets at FVTPL (a) | **0.8** | 20.8 | **0.8** | 20.8 |
| Financial assets at amortised costs (b) | **127.7** | 8.1 | **119.6** | - |
| | **128.5** | 28.9 | **120.4** | 20.8 |

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | MUR m | MUR m | **MUR m** | MUR m | MUR m | **MUR m** |
| **(a) Financial assets at FVTPL** | Level 1 | Level 3 | **Total** | Level 1 | Level 3 | **Total** |
| **Non current** | | | | | | |
| At 1 October 2019 | **-** | 0.8 | **0.8** | **-** | 0.8 | **0.8** |
| Additions | **20.0** | - | **20.0** | **20.0** | - | **20.0** |
| At 30 September 2020 | **20.0** | 0.8 | **20.8** | **20.0** | 0.8 | **20.8** |
| Disposal | **(20.0)** | - | **(20.0)** | **(20.0)** | - | **(20.0)** |
| **At 30 September 2021** | **-** | **0.8** | **0.8** | **-** | **0.8** | **0.8** |

The Company has an investment in a company based in India. Each year a fair value assessment of the investment is done using the net assets approach which as per management reflects as fair value.

The Net Assets Approach uses the following technique: The value of the investee is determined on the basis of the value of the assets and liabilities as disclosed in its financial statements as at the reporting date. The carrying amount is adjusted for the increase or decrease in the net asset value of the investee.

| **(b) Financial assets at amortised costs** | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| At 1 October | **8.1** | 8.1 | **-** | - |
| Additions | **119.6** | - | **119.6** | - |
| At 30 September | **127.7** | 8.1 | **119.6** | - |

The financial assets' additions during the year comprise of one five-year Government of Mauritius bond amounting to MUR 119.6m with a yield of 2.7% per annum.

## 18. OTHER ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| Trade receivables | **0.4** | 7.0 | **-** | - |
| Less impairment | **-** | (1.8) | **-** | - |
| | **0.4** | 5.2 | **-** | - |
| Prepayments | **48.5** | 46.9 | **47.8** | 1.8 |
| Other receivables | **325.2** | 308.0 | **305.1** | - |
| | **374.1** | 360.1 | **352.9** | 1.8 |
| Receivables from subsidiaries (a) | **-** | - | **8.5** | 48.0 |
| Loan at call to subsidiaries (a) (note 13) | **-** | - | **32.9** | 143.4 |
| Expected credit loss (a) | **-** | - | **(1.2)** | (1.2) |
| | **-** | - | **40.2** | 190.2 |
| | **374.1** | 360.1 | **393.1** | 192.0 |

The carrying amount of other assets approximate their fair values due to their short term nature.

# Explanatory Notes

30 SEPTEMBER 2021

**18. OTHER ASSETS (CONT'D)**

**(a) Receivables from subsidiaries**

Receivables from subsidiaries and related companies are unsecured and carry an interest rate ranging from 2.7% to 6.3%. An analysis of the changes in the gross carrying amounts and the corresponding ECL allowance is as follows :

| **Receivables from subsidiaries** | **Gross carrying amount** | **ECL** |
|---|---|---|
| | **Stage 1** | Stage 1 |
| | **MUR m** | MUR m |
| At 1 October 2019 | 55.4 | 0.5 |
| Repayments | (7.4) | - |
| At 30 September 2020 | 48.0 | 0.5 |
| Amalgamation adjustment | (39.5) | - |
| **At 30 September 2021** | **8.5** | **0.5** |

| **Loan at call to subsidiaries** | **Gross carrying amount** | **ECL** |
|---|---|---|
| | **Stage 1** | Stage 1 |
| | **MUR m** | MUR m |
| At 1 October 2020 | 112.5 | 0.5 |
| Additions | 162.9 | 0.5 |
| Repayments | (132.0) | (0.3) |
| At 30 September 2020 | 143.4 | 0.7 |
| Amalgamation adjustment | (119.9) | - |
| Additions | 9.4 | - |
| **At 30 September 2021** | **32.9** | 0.7 |

**19. INVENTORIES**

| | **GROUP** | | **COMPANY** | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| **Cost** | | | | |
| Consumables | **3.0** | 2.0 | **3.0** | - |

**20. INVESTMENTS IN SUBSIDIARIES**

| | **COMPANY** | |
|---|---|---|
| | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m |
| At 1 October | **1,118.1** | 1,130.3 |
| Elimination of investment on amalgamation | **(963.3)** | - |
| Impairment | **-** | (12.2) |
| At 30 September | **154.8** | 1,118.1 |

**(a) Elimination of investment on amalgamation**
On amalgamation of the 5 subsidiaries with and into Cim Financial Services Ltd (refer to Accounting policies 2.4), the investments of the respective companies by the Holding company were eliminated against cost of investments.

**(b) Impairment of investments**
In preparing the financial statements, the directors make an assessment regarding the recoverability of its investment in subsidiaries to determine if any impairment is required. In cases where the carrying amounts are greater than the recoverable amounts, the carrying amounts are reduced to their recoverable amounts.

As at 30 September 2021, the Company assessed for impairment of its investments in subsidiaries, in accordance with IAS 36 - Impairment of Assets where a value in use approach has been used. No impairment charge was recognised for 2021 (2020:MUR 12.2M).

# Explanatory Notes

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**20. INVESTMENTS IN SUBSIDIARIES**

**(b) Details pertaining to the subsidiaries**

| | | | Proportion of direct ownership (%) | | Proportion of indirect ownership (%) | | |
|---|---|---|---|---|---|---|---|
| **Name of subsidiaries** | **Principal activity** | **Stated Capital (MUR000s)** | **Sep-21** | **Sep-20** | **Sep-21** | **Sep-20** | **Year end** |
| **Finance** | | | | | | | |
| Cim Finance Ltd* | Credit card business, factoring, consumer finance, leasing | 860,000 | **-** | 100.0 | **-** | - | 30 September |
| Cim Forex Ltd | Forex dealer | 27,000 | **100.0** | 100.0 | **-** | - | 30 September |
| Cim Agencies Ltd* | Insurance agent | 500 | **-** | 100.0 | **-** | - | 30 September |
| Mauritian Eagle Leasing Company Ltd* | Leasing | 690,000 | **-** | 100.0 | **-** | - | 30 September |
| **Investments** | | | | | | | |
| Cim Management Services Ltd* | Management services | 100 | **-** | 100.0 | **-** | - | 30 September |
| Cim Shared Services Ltd* | Support activities | 1 | **-** | 100.0 | **-** | - | 30 September |
| Cim International Holdings Ltd | Investment holding | 195,943 | **100.0** | 100.0 | **-** | - | 30 September |
| Cim Kenya Ltd | Holding company | - | **100.0** | 100.0 | **-** | - | 30 September |
| Cim Credit Kenya Ltd | Provision of retail credit | 3 | **-** | - | **100.0** | 100.0 | 30 September |
| Cim Insurance Agency Ltd | Insurance agent | 37 | **-** | - | **100.0** | 100.0 | 30 September |
| Cim Administrators Ltd | Secretarial services | 25 | **100.0** | 100.0 | **-** | - | 30 September |
| Cim Learning Centre Ltd | Investment holding | 1,000 | **100.0** | 100.0 | **-** | - | 30 September |
| Key Financial Services Ltd | Investment holding | 300 | **-** | - | **100.0** | 100.0 | 30 September |
| The Oceanic Trust Co. Ltd | Corporate trustee | 426 | **-** | - | **100.0** | 100.0 | 30 September |
| Cim Investments Ltd | Dormant | - | **100.0** | 100.0 | **-** | - | 30 September |

All the companies have only ordinary shares.
The above subsidiaries are incorporated in Mauritius except for Cim Credit Kenya Ltd and Cim Insurance Agency Ltd which are incorporated in Kenya.
* These 5 companies have been amalgamated into the Holding Company Cim Financial Services Ltd after the financial year end, on the 1st October 2020, refer to note 2.4 - Amalgamation of entities under common control.
◊ Excluding companies under liquidation and dormant companies.

# Explanatory Notes

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## 21. INVESTMENTS IN ASSOCIATES

### (a) Movement in investment in associates

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| At 1 October | **24.9** | 141.0 | **-** | 10.4 |
| Share of profit/(loss) | **11.4** | (1.3) | **-** | - |
| Share buyback of associates | **-** | (110.8) | **-** | - |
| Impairment charged | **(21.6)** | (4.4) | **-** | (10.4) |
| Movement in other reserves | **4.4** | 2.9 | **-** | - |
| Dividends | **(4.7)** | (2.5) | **-** | - |
| Transfer to non-current assets classified as held for sale (note 35) | **(14.4)** | - | **-** | - |
| At 30 September | **-** | 24.9 | **-** | - |

### (b) Impairment of investments

As at 30 September 2021, the Group tested for impairment for its investments in associates. Impairment tests were done in accordance with IAS 36 - Impairment of Assets where a value in use approach has been used, with a pre-tax rate of 5.3%. As a result of the assessments the directors have recorded the necessary impairment adjustments to the fair value of its investment in associates and it is treated as held for sale. In October 2021, a sharebuy back of the 2 companies Iveri Payment Technologies Proprietary Ltd and Touchpoint Payment Proprietary Ltd has been effected.
An impairment loss was recognised at Group level amounting to MUR 21.6M for its investment in Iveri Payment Technologies Proprietary Ltd so as to approximate it at its fair value.

### (c) Details of the associates

Details of the associates at the reporting date are as follows:

| | | | | Proportion of direct ownership (%) | | Proportion of indirect ownership (%) | | |
|---|---|---|---|---|---|---|---|---|
| **Name of associates** | **Principal activity** | **Principal place of business** | **Country of incorporation** | **Sep-21** | **Sep-20** | **Sep-21** | **Sep-20** | **Year end** |
| Li & Fung (Mauritius) Ltd | Buying agent | Mauritius | Mauritius | **40.0** | 40.0 | **-** | - | 31 December |
| Dodwell (Mauritius) Ltd | Buying agent | Mauritius | Hong Kong | **40.0** | 40.0 | **-** | - | 31 December |
| iVeri Payment Technologies Proprietary Ltd (ii) | Payment solutions provider | South Africa | South Africa | **-** | - | **49.0** | 49.0 | 31 December |
| Touchpoint Payment Proprietary Limited | Payment solutions provider | South Africa | South Africa | **-** | - | **41.7** | 41.7 | 31 December |
| iVeri Global Limited (ii), (iii) | Software solutions provider | Mauritius | Mauritius | **-** | - | **-** | 49.0 | 31 December |
| Iveri (Mauritius) Ltd (ii), (iii) | Software solutions provider | Mauritius | Mauritius | **-** | - | **-** | 49.0 | 31 December |

(i) All of the above associates are accounted for using the equity method in the consolidated financial statements.
(ii) Although Cim group has 49% shareholding, there is still no control due to insufficient representation on the board and hence cannot control decisions.
(iii) There has been a share buyback in these companies during the year and the assets have been distributed.

**(d)** Share of results of associates include gain on disposal of associates amounting to MUR 6.4m (2020:MUR 6.2m)

# Explanatory Notes

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**21. INVESTMENTS IN ASSOCIATES (CONT'D)**

**(d) Summarised financial information in respect of the Group's associates**

| 2021 | iVeri Payment Technologies Proprietary Ltd | Touchpoint Payment Proprietary Limited |
|---|---|---|
| | MUR m | MUR m |
| Current assets | 40.7 | 39.9 |
| Non current assets | 1.3 | - |
| Current liabilities | (10.0) | 1.1 |
| Net assets | 32.0 | 41.0 |
| Ownership interest | 49% | 42% |
| Share of net assets | 15.7 | 17.1 |
| Impairment | (15.7) | (2.7) |
| Transfer to Non-current assets classified as held for sale | - | (14.4) |
| Carrying value of associates | - | - |
| | | |
| Revenue | 53.0 | 194.6 |
| Profit for the year | 8.4 | 18.7 |
| Other comprehensive income for the year | 5.1 | - |
| Total comprehensive income for the year | **13.5** | **18.7** |
| | | |
| Group's share of profit for the year | 4.1 | 7.8 |
| Group's share of total comprehensive income for the year | 2.2 | 2.2 |
| Dividend paid during the year | - | **(4.7)** |

| 2020 | iVeri Payment Technologies Proprietary Ltd | Touchpoint Payment Proprietary Limited | iVeri Global Limited |
|---|---|---|---|
| | MUR m | MUR m | MUR m |
| Current assets | 24.9 | 17.9 | 10.6 |
| Non current assets | 6.9 | - | - |
| Current liabilities | (6.6) | (3.3) | (1.6) |
| Net assets | 25.2 | 14.6 | 9.0 |
| Ownership interest | 49% | 42% | 49% |
| Share of net assets | 12.3 | 6.1 | 4.4 |
| Goodwill/(impairment) | 6.5 | - | (4.4) |
| Carrying value of associates | 18.8 | 6.1 | - |
| | | | |
| Revenue | 32.9 | 68.0 | 11.4 |
| (Loss)/Profit for the year | (8.9) | 8.7 | (1.2) |
| Other comprehensive income/(loss) for the year | 4.9 | (0.5) | 1.3 |
| Total comprehensive (loss)/income for the year | (4.0) | 8.2 | 0.1 |
| | | | |
| Group's share of (loss)/profit for the year | (4.4) | 3.6 | (0.6) |
| Group's share of total comprehensive income/(loss) for the year | 2.5 | (0.2) | 0.6 |
| Dividend paid during the year | (2.3) | - | - |

# Explanatory Notes

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## 22. EQUIPMENT

| GROUP | Equipment | Vehicles | Total |
|---|---|---|---|
| **Cost or valuation** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2019 | 410.6 | 561.9 | 972.5 |
| Additions | 35.9 | 79.5 | 115.4 |
| Disposal | (18.3) | (103.3) | (121.6) |
| Forex adjustment | 0.2 | - | 0.2 |
| Scrapped assets | (2.9) | (9.9) | (12.8) |
| At 30 September 2020 | 425.5 | 528.2 | 953.7 |
| Additions | 23.3 | 25.7 | 49.0 |
| Scrapped assets | (78.1) | (0.5) | (78.6) |
| Disposals | (8.2) | (82.5) | (90.7) |
| Forex adjustment | 0.1 | - | 0.1 |
| **At 30 September 2021** | **362.6** | **470.9** | **833.5** |

| | Equipment | Vehicles | Total |
|---|---|---|---|
| **Depreciation and impairment** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2019 | 241.0 | 92.6 | 333.6 |
| Charge for the year | 57.6 | 99.0 | 156.6 |
| Scrapped assets | (2.9) | (9.9) | (12.8) |
| Disposal adjustment | (17.2) | (62.8) | (80.0) |
| At 30 September 2020 | 278.5 | 118.9 | 397.4 |
| Charge for the year | 53.7 | 86.2 | 139.9 |
| Scrapped assets | (77.9) | (0.5) | (78.4) |
| Disposal adjustment | (6.7) | (59.7) | (66.4) |
| **At 30 September 2021** | **247.6** | **144.9** | **392.5** |
| | | | |
| **Carrying value** | | | |
| **At 30 September 2021** | **115.0** | **326.0** | **441.0** |
| At 30 September 2020 | 147.0 | 409.3 | 556.3 |

| COMPANY | Equipment | Vehicles | Total |
|---|---|---|---|
| **Cost or valuation** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2020 | - | - | - |
| Amalgamation adjustment | 430.5 | 693.3 | 1,123.8 |
| Additions | 22.9 | 25.7 | 48.6 |
| Scrapped assets | (78.1) | (0.5) | (78.6) |
| Disposal | (8.2) | (82.2) | (90.4) |
| **At 30 September 2021** | **367.1** | **636.3** | **1,003.4** |

| | Equipment | Vehicles | Total |
|---|---|---|---|
| **Depreciation and impairment** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2020 | - | - | - |
| Amalgamation adjustment | 282.1 | 288.3 | 570.4 |
| Charge for the year | 53.0 | 85.9 | 138.9 |
| Scrapped assets | (77.9) | (0.5) | (78.4) |
| Disposal adjustment | (6.6) | (59.7) | (66.3) |
| **At 30 September 2021** | **250.6** | **314.0** | **564.6** |
| | | | |
| **Carrying value** | | | |
| **At 30 September 2021** | **116.5** | **322.3** | **438.8** |
| At 30 September 2020 | - | - | - |

Bank borrowings are secured by floating charges on all the assets of the Group (note 27).

# Explanatory Notes

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## 23. RIGHT-OF-USE ASSETS

### (a) RIGHT-OF-USE ASSETS

| | GROUP | COMPANY |
|---|---|---|
| | Land and Buildings | Land and Buildings |
| | MUR m | MUR m |
| At 1 October 2019 | 221.8 | - |
| Depreciation | (32.5) | - |
| At 30 September 2020 | 189.3 | - |
| Amalgamation adjustment | - | 189.3 |
| Addition | 29.1 | 26.9 |
| Depreciation | (34.9) | (34.4) |
| Other adjustments | 8.9 | 8.6 |
| At 30 September 2021 | **192.4** | **190.4** |

### (b) LEASE LIABILITIES

| | GROUP | COMPANY |
|---|---|---|
| | Land and Buildings | Land and Buildings |
| | MUR m | MUR m |
| At 1 October 2019 | 233.5 | - |
| Interest expense | 11.1 | - |
| Lease payments | (35.3) | - |
| At 30 September 2020 | 209.3 | - |
| Amalgamation adjustment | - | 209.3 |
| Additions | 29.1 | 26.9 |
| Interest expense | 11.3 | 11.1 |
| Lease payments | (39.4) | (39.0) |
| Other adjustments | 9.5 | 9.5 |
| At 30 September 2021 | **219.8** | **217.8** |
| | | |
| Current | 29.0 | 29.0 |
| Non current | 190.8 | 188.8 |
| | **219.8** | **217.8** |

**Nature of leasing activities (in the capacity of lessee)**
The Group leases 17 properties in Mauritius, 2 properties in Rodrigues and 1 property in Kenya. For 2 properties it is customary for the lease contracts to provide for payments to increase each year by inflation. For the remaining 18 properties the lease payments are reset periodically to market rates.

**Variable lease payments**
The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the reporting date of lease payments that are variable.

| GROUP | Sensitivity | | Number of Lease Contracts | | Variable payments % | |
|---|---|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | | | | |
| Property leases with payments linked to inflation | **0.4** | 0.2 | **2** | 3 | 9% | 16% |
| Property leases with periodic uplifts to market rentals | **10.6** | 10.3 | **18** | 16 | 91% | 84% |
| | **11.0** | **10.5** | **20** | **19** | **100%** | **100%** |

| COMPANY | Sensitivity | | Number of Lease Contracts | | Variable payments % | |
|---|---|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | | | | |
| Property leases with payments linked to inflation | **0.4** | 0.2 | **2** | 3 | 11% | 16% |
| Property leases with periodic uplifts to market rentals | **10.5** | 10.3 | **17** | 16 | 89% | 84% |
| | **10.9** | **10.5** | **19** | **19** | **100%** | **100%** |

# Explanatory Notes

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**23. RIGHT-OF-USE ASSETS (CONT'D)**

**Extension and termination options**

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

**Lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of administrative buidings, the following factors are normally the most relevant:

If there are significant penalties to terminate, the Group is typically reasonably certain not to terminate.

If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 30 September 2021, no potential future cash outflows in respect of termination and extension of lease has been recognised.

The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there is no financial effect of revising lease terms to reflect the effect of exercising extension.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Interest expense (included in finance cost) | **11.3** | 11.1 | **11.1** | - |

The total cash outflow for leases in Group in 2021 was MUR 39.4m (2020: MUR 24.2m); made of capital MUR 28.1m (2020: MUR 13.1m) and interest MUR 11.3m (2020: MUR 11.1); and in Company was MUR 39.0m: made up of capital MUR 27.9m and interest MUR 11.1m.

# Explanatory Notes

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## 24. INTANGIBLE ASSETS

| SOFTWARE | Sep-21 MUR m | Sep-20 MUR m |
|---|---|---|
| **(a) GROUP** | | |
| **Cost** | | |
| At 1 October | **269.7** | 243.9 |
| Additions | **25.5** | 54.2 |
| Disposal | **(0.4)** | - |
| Scrapped assets | **1.3** | (27.4) |
| Forex adjustment | **-** | (1.0) |
| At 30 September | **296.1** | 269.7 |
| **Amortisation/Impairment** | | |
| At 1 October | **159.9** | 155.6 |
| Charge for the year | **37.5** | 33.3 |
| Scrapped assets | **(0.1)** | (27.4) |
| Forex adjustments | **0.9** | (1.6) |
| At 30 September | **198.2** | 159.9 |
| **Carrying value** | | |
| At 30 September | **97.9** | 109.8 |

# Explanatory Notes

30 SEPTEMBER 2021

## 24. INTANGIBLE ASSETS (CONT'D)

| SOFTWARE | Sep-21 MUR m | Sep-20 MUR m |
|---|---|---|
| **(b) COMPANY** | | |
| **Cost** | | |
| At 1 October | **0.3** | 0.3 |
| Amalgamation adjustment | **240.3** | - |
| Additions | **25.5** | - |
| Scrapped assets | **(19.1)** | - |
| Disposal | **(0.1)** | - |
| At 30 September | **246.9** | **0.3** |
| **Amortisation** | | |
| At 1 October | **0.3** | 0.2 |
| Amalgamation adjustment | **136.3** | - |
| Charge for the year | **32.8** | 0.1 |
| Scrapped assets | **(19.1)** | - |
| At 30 September | **150.3** | **0.3** |
| **Carrying value** | | |
| At 30 September | **96.6** | **-** |

## 25. POST-EMPLOYMENT BENEFIT LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **Amounts recognised in the Statements of Financial Position:** | | | | |
| Pension benefits (a) | **33.5** | 51.8 | **33.5** | - |
| Unfunded pension schemes (b) | **24.4** | 45.1 | **24.4** | 45.1 |
| Other retirement benefits (c) | **50.3** | 62.0 | **49.0** | - |
| Other long term employee benefit plan (e) | **11.3** | - | **11.3** | - |
| | **119.5** | 158.9 | **118.2** | 45.1 |
| **Amounts charged to profit or loss:** | | | | |
| Pension benefits (a) | **4.9** | 1.9 | **4.9** | - |
| Unfunded pension schemes (b) | **1.2** | 2.1 | **1.2** | 2.1 |
| Other retirement benefits (c) | **6.5** | 8.1 | **6.2** | - |
| Other long term employee benefit plan (e) | **11.3** | - | **11.3** | - |
| **Total included in employee benefit expense** | **23.9** | 12.1 | **23.6** | 2.1 |
| **Amounts (credited)/charged to other comprehensive income:** | | | | |
| Pension benefits (a) | **(21.2)** | 50.6 | **(21.2)** | - |
| Unfunded pension schemes (b) | **(17.6)** | 10.1 | **(17.6)** | 10.1 |
| Other retirement benefits (c) | **(17.6)** | (0.6) | **(16.5)** | - |
| | **(56.4)** | 60.1 | **(55.3)** | 10.1 |

# Explanatory Notes

30 SEPTEMBER 2021

## 25. POST-EMPLOYMENT BENEFIT LIABILITIES (CONT'D)

### (a) Pension benefits

The Group operates a final salary defined benefit pension plan for some employees. The assets are held separately from the Group under the control of the Management Committee of Rogers Pension Fund (RPF). The Group contributes to the pension plan in respect of some employees who have a No Worse Off Guarantee (NWOG) so that their benefits would not be worse than what they would have earned under a previous defined benefit plan.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| **(i) Amounts recognised in the Statements of Financial Position are as follows:** | | | | |
| Present value of funded obligations | **95.1** | 99.0 | **95.1** | - |
| Fair value of plan assets | **(61.6)** | (47.2) | **(61.6)** | - |
| Liability in the Statements of Financial Position | **33.5** | 51.8 | **33.5** | - |
| **The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:** | | | | |
| At 1 October | **51.8** | 1.1 | **-** | - |
| Amalgamation adjustment | **-** | - | **51.8** | - |
| Charged to profit or loss | **4.9** | 1.9 | **4.9** | - |
| (Credited)/charged to other comprehensive income | **(21.2)** | 50.6 | **(21.2)** | - |
| Contributions paid | **(2.0)** | (1.8) | **(2.0)** | - |
| At 30 September | **33.5** | 51.8 | **33.5** | - |
| **(ii) Amounts recognised in profit or loss and other comprehensive income are as follows:** | | | | |
| *Service cost:* | | | | |
| Current service cost | **3.5** | 1.9 | **3.5** | - |
| Net interest | **1.4** | - | **1.4** | - |
| **Components of amount recognised in profit or loss** | **4.9** | 1.9 | **4.9** | - |
| Return on plan assets above interest cost | **(11.1)** | 3.1 | **(11.1)** | - |
| Liability experience loss | **4.9** | 3.8 | **4.9** | - |
| Liability (gain)/ loss due to change in financial assumptions | **(15.0)** | 43.7 | **(15.0)** | - |
| **Components of amount recognised in other comprehensive income** | **(21.2)** | 50.6 | **(21.2)** | - |

# Explanatory Notes

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**25. POST-EMPLOYMENT BENEFIT LIABILITIES (CONT'D)**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| **(a) Pension benefits (cont'd)** | | | | |
| **(iii) Movements in the defined benefit obligations over the year are as follows:** | | | | |
| At 1 October | **99.0** | 46.6 | **-** | - |
| Amalgamation adjustment | **-** | - | **99.0** | - |
| Current service cost | **3.5** | 1.9 | **3.5** | - |
| Interest expense | **2.7** | 3.0 | **2.7** | - |
| Liability experience loss | **4.9** | 3.8 | **4.9** | - |
| Liability (gain)/loss due to change in financial assumptions | **(15.0)** | 43.7 | **(15.0)** | - |
| At 30 September | **95.1** | 99.0 | **95.1** | - |
| **(iv) Movements in the fair value of plan assets over the year are as follows:** | | | | |
| At 1 October | **47.2** | 45.5 | **-** | - |
| Amalgamation adjustment | **-** | - | **47.2** | - |
| Interest income | **1.3** | 3.0 | **1.3** | - |
| Employer contribution | **2.0** | 1.8 | **2.0** | - |
| Return on plan assets excluding interest income | **11.1** | (3.1) | **11.1** | - |
| At 30 September | **61.6** | 47.2 | **61.6** | - |
| **(v) Sensitivity analysis on defined benefit obligation at end of year** | | | | |
| Increase due to 1% decrease in discount rate | **30.3** | 33.6 | **30.3** | - |
| Decrease due to 1% increase in discount rate | **24.3** | 26.5 | **24.3** | - |

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in the discount rate due to the nature of the liabilities being the difference between a minimum defined benefit liability and the projected defined contribution liabilities, the latter being MUR 64.3m as at 30 September 2021. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

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.

The defined benefit pension plan exposes the Group to actuarial risks such as longevity risk, currency risk, interest rate risk and market risk.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **%** | % | **%** | % |
| **(vi) Allocation of plan assets at end of year:** | | | | |
| Equity - local quoted | **32** | 25 | **32** | n/a |
| Equity - overseas quoted | **27** | 29 | **27** | n/a |
| Debt - local unquoted | **17** | 7 | **17** | n/a |
| Debt - overseas quoted | **12** | 27 | **12** | n/a |
| Property - local | **2** | 2 | **2** | n/a |
| Investment funds | **2** | - | **2** | n/a |
| Cash and other | **8** | 10 | **8** | n/a |
| | **100** | 100 | **100** | n/a |

**(vii) Future cash flows**

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.
- Expected employer contributions to post-employment benefit plans for the year ending 30 September 2022 are MUR 2.0m.
- The average duration of the defined benefit obligations ranges is 6 years.

# Explanatory Notes

30 SEPTEMBER 2021

**25. POST-EMPLOYMENT BENEFIT LIABILITIES (CONT'D)**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| **(a) Pension benefits (cont'd)** | | | | |
| **(viii) Principal actuarial assumptions at end of year:** | | | | |
| Discount rate | **4.5%** | 2.7% | **4.5%** | n/a |
| Future salary increases | **4.0%** | 2.2% | **4.0%** | n/a |
| Future pension increases | **1.0%** | 0.0% | **1.0%** | n/a |
| Average retirement age (ARA) | **60** | 60 | **60** | n/a |
| Average life expectancy for: | | | | |
| - Male at ARA | **19.5 years** | 19.5 years | **19.5 years** | n/a |
| - Female at ARA | **24.2 years** | 24.2 years | **24.2 years** | n/a |

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

*- 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. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate to leverage the return generated by the plan assets.

*- 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.

There has been no plan amendment, curtailment or settlement during the year.

# Explanatory Notes

30 SEPTEMBER 2021

**25. POST-EMPLOYMENT BENEFIT LIABILITIES (CONT'D)**

**(b) Unfunded pension schemes**

Unfunded pension schemes comprise of pensions paid out of cash flow.

| | GROUP & COMPANY | |
|---|---|---|
| | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m |
| **(i) Amounts recognised in the Statements of Financial Position are as follows:** | | |
| Present value of unfunded obligation | **24.4** | 45.1 |
| Liability in the Statements of Financial Position | **24.4** | 45.1 |
| **(ii) Amounts recognised in profit or loss and other comprehensive income are as follows:** | | |
| Net interest on net defined benefit liability | **1.2** | 2.1 |
| **Components of amount recognised in profit or loss** | **1.2** | 2.1 |
| Liability experience (gain)/loss | **(15.2)** | 2.5 |
| Liability (gain)/loss due to change in financial assumptions | **(2.4)** | 7.6 |
| **Components of amount recognised in other comprehensive income** | **(17.6)** | 10.1 |
| **(iii) Movements in liability recognised in Statements of Financial Position:** | | |
| At 1 October | **45.1** | 37.7 |
| Interest expense | **1.2** | 2.1 |
| Other benefits paid | **(4.3)** | (4.8) |
| Liability experience (gain)/loss | **(15.2)** | 2.5 |
| Liability (gain)/loss due to change in financial assumptions | **(2.4)** | 7.6 |
| At 30 September | **24.4** | 45.1 |
| **(iv) Sensitivity Analysis on defined benefit obligation at end of period** | | |
| Increase due to 1% decrease in discount rate | **1.3** | 2.9 |
| Decrease due to 1% increase in discount rate | **1.2** | 2.6 |

The above sensitivity analysis has been carried out by recalculating the present value of the obligation at the end of the period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

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.

# Explanatory Notes

30 SEPTEMBER 2021

**25. POST- EMPLOYMENT BENEFIT LIABILITIES (CONT'D)**

**(b) Unfunded pension schemes (cont'd)**

**(v) Future cash flows**

- The funding policy is to pay benefits out of the Group's cashflow as and when due.
- Expected employer contributions to post-employment benefit plans for the year ending 30 September 2022 are MUR 3.6m.
- The weighted average duration of the defined benefit obligations is 5 years.

| | GROUP & COMPANY | |
|---|---|---|
| | **Sep-21** | Sep-20 |
| **(vi) Principal actuarial assumptions at end of year:** | | |
| Discount rate | **4.5%** | 2.7% |
| Future pension increases | **5.0%** | 2.0% |
| Average retirement age (ARA) | **60** | 60 |
| Average life expectancy for: | | |
| - Male at ARA | **19.5 years** | 19.5 years |
| - Female at ARA | **24.2 years** | 24.2 years |

**(c) Other retirement benefits**

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Workers' Rights Act 2019 (2018-Employment Rights Act 2008) and other benefits. Other retirement benefits comprise full and residual retirement gratuities.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **(i) Amounts recognised in the Statements of Financial Position are as follows:** | | | | |
| Present value of unfunded obligation | **50.3** | 62.0 | **49.0** | - |
| Liability in the Statements of Financial Position | **50.3** | 62.0 | **49.0** | - |
| **(ii) Amounts recognised in profit or loss and other comprehensive income are as follows:** | | | | |
| *Service cost:* | | | | |
| Current service cost | **4.8** | 4.9 | **4.6** | - |
| Net interest on net defined benefit liability | **1.7** | 3.2 | **1.6** | - |
| **Components of amount recognised in profit or loss** | **6.5** | 8.1 | **6.2** | - |
| Liability experience (gain)/loss | **(15.9)** | 1.6 | **(15.0)** | - |
| Liability gain due to change in demographic assumptions | **-** | (22.9) | **-** | - |
| Liability (gain)/loss due to change in financial assumptions | **(1.7)** | 20.7 | **(1.5)** | - |
| **Components of amount recognised in other comprehensive income** | **(17.6)** | (0.6) | **(16.5)** | - |

# Explanatory Notes

30 SEPTEMBER 2021

**25. POST-EMPLOYMENT BENEFIT LIABILITIES (CONT'D)**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **(c) Other retirement benefits (cont'd)** | | | | |
| **(iii) Movements in liability recognised in Statements of Financial Position:** | | | | |
| At 1 October | **62.0** | 55.6 | **-** | - |
| Amalgamation adjustment | **-** | - | **59.9** | - |
| Current service cost | **4.8** | 4.9 | **4.6** | - |
| Interest expense | **1.7** | 3.2 | **1.6** | - |
| Other benefits paid | **(0.6)** | (1.1) | **(0.6)** | - |
| Liability experience (gain)/loss | **(15.9)** | 1.6 | **(15.0)** | - |
| Liability gain due to change in demographic assumptions | **-** | (22.9) | **-** | - |
| Liability (gain)/loss due to change in financial assumptions | **(1.7)** | 20.7 | **(1.5)** | - |
| At 30 September | **50.3** | 62.0 | **49.0** | - |
| **(iv) Sensitivity Analysis on defined benefit obligation at end of period** | | | | - |
| Increase due to 1% decrease in discount rate | **18.3** | 19.1 | **17.3** | n/a |
| Decrease due to 1% increase in discount rate | **14.4** | 15.2 | **13.6** | n/a |

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

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.

In relation to the residual retirement gratuities, the results are particularly sensitive to a change in the discount rate due to the nature of liabilities being the difference between the pure retirement gratuities under the Employment Rights Act 2008 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Company's share of contributions. The latter's amount is MUR 118.9m as at 30 September 2021.

**(v) Future cash flows**

- The funding policy is to pay benefits out of the Group's cashflow as and when due.
- Expected employer contributions to post-employment benefit plans for the year ending 30 September 2022 are MUR 0.3m.
- The weighted average duration of the defined benefit obligations ranges between 15 year and 16 years.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| **(vi) Principal actuarial assumptions at end of year:** | | | | |
| Discount rate | **4.5%** | 2.7% | **4.5%** | 0.0% |
| Future salary increases | **4.0%** | 2.2% | **4.0%** | 0.0% |
| Future pension increases | **1.0%** | 0.0% | **1.0%** | 0.0% |
| Average retirement age (ARA) | **65** | 65 | **65** | - |
| Average life expectancy for: | | | | |
| - Male at ARA | **15.9 years** | 15.9 years | **15.9 years** | - |
| - Female at ARA | **20 years** | 20 years | **20 years** | - |

**(d) Contribution to the defined contribution plans amounted to MUR 12.6m (2020: MUR 12.0m).**

# Explanatory Notes

30 SEPTEMBER 2021

## 25. POST-EMPLOYMENT BENEFIT LIABILITIES (CONT'D)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| **(e) Other long term employee benefit plan** | | | | |
| At 1 October | **-** | | **-** | - |
| Effect of adopting amendments to WRA 2019 | **11.3** | - | **11.3** | - |
| At 30 September | **11.3** | - | **11.3** | - |

Section 47 (1) of the Workers Right Act 2019 (WRA 2019) requires that a worker who remains in continuous employment with the same employer for a period of at least 5 consecutive years shall be entitled to vacation leave of not more than 30 days, whether taken consecutively or otherwise, for every period of 5 consecutive years, to be spent abroad, locally or partly abroad and partly locally.
The Group has recognised in the Statement of Profit or Loss the expected costs of the vacation leaves.
The provision for vacation leaves does not take into account any period of employment prior to 24 October 2019 to meet the requirement of the WRA 2019.

## 26. DEFERRED TAXATION

The following amounts are shown in the Statement of Financial Position:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| **Deferred tax assets** | **275.8** | 188.8 | **275.8** | - |
| **Deferred tax liabilities** | **(33.2)** | (16.4) | **(33.1)** | - |
| | **242.6** | 172.4 | **242.7** | - |

At the end of the reporting period, the Group had no unused tax losses. On 30 September 2020 the amount of unused tax losses was MUR 19.1m. The Group lost all the unused tax losses upon amalgamation, which occurred in October 2020.

**Deferred tax assets/(liabilities)**
**GROUP**

| | Impairment allowance | Post employment benefit | Excess of lease liabilities over right-of-use assets | Accelerated tax depreciation | Tax losses | Total |
|---|---|---|---|---|---|---|
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** |
| At 1 October 2019 | 40.0 | 1.0 | - | (2.3) | 7.1 | 45.8 |
| Credited/(charged) to profit or loss | 46.4 | 1.1 | 3.0 | (5.2) | - | 45.3 |
| Effect of no partial exemption | 78.9 | 4.3 | - | (8.9) | - | 74.3 |
| Credited to other comprehensive income (note 12) | - | 7.0 | - | - | - | 7.0 |
| At 30 September 2020 | 165.3 | 13.4 | 3.0 | (16.4) | 7.1 | 172.4 |
| Credited/(charged) to profit or loss | **85.8** | **30.2** | **1.5** | **(16.7)** | **(7.1)** | **93.7** |
| Charged to comprehensive income (note 12) | **-** | **(23.5)** | **-** | **-** | **-** | **(23.5)** |
| At 30 September 2021 | **251.1** | **20.1** | **4.5** | **(33.1)** | **-** | **242.6** |
| Deferred tax asset | **251.1** | **20.2** | **4.5** | **-** | **-** | **275.8** |
| Deferred tax liability | **-** | **(0.1)** | **-** | **(33.1)** | **-** | **(33.2)** |
| | **251.1** | **20.1** | **4.5** | **(33.1)** | **-** | **242.6** |

**COMPANY**

| | Impairment allowance | Post employment benefit | Right of use | Accelerated tax depreciation | Tax losses | Total |
|---|---|---|---|---|---|---|
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** |
| At 30 September 2020 | **-** | **-** | **-** | **-** | **-** | **-** |
| Amalgamation adjustment | **165.3** | **13.4** | **3.0** | **(16.4)** | **7.1** | **172.4** |
| Credited/(charged) to profit or loss | **85.8** | **30.3** | **1.5** | **(16.7)** | **(7.1)** | **93.8** |
| Charged to comprehensive income (note 12) | **-** | **(23.5)** | **-** | **-** | **-** | **(23.5)** |
| At 30 September 2021 | **251.1** | **20.2** | **4.5** | **(33.1)** | **-** | **242.7** |
| Deferred tax asset | **251.1** | **20.2** | **4.5** | **-** | **-** | **275.8** |
| Deferred tax liability | **-** | **-** | **-** | **(33.1)** | **-** | **(33.1)** |
| | **251.1** | **20.2** | **4.5** | **(33.1)** | **-** | **242.7** |

# Explanatory Notes

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## 27. OTHER BORROWED FUNDS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **(a) Non current** | | | | |
| Bank and other borrowings - Secured (d) | **2,680.4** | 1,153.1 | **2,680.4** | - |
| Bank and other borrowings - Unsecured | **4,035.9** | 4,002.5 | **4,035.9** | 3,988.0 |
| | **6,716.3** | 5,155.6 | **6,716.3** | 3,988.0 |
| **Current** | | | | |
| Bank overdrafts (note 13) | **24.5** | - | **1.7** | - |
| Bank and other borrowings - Secured (d) | **2,932.4** | 3,592.7 | **2,932.4** | 337.5 |
| Bank and other borrowings - Unsecured | **158.5** | 1,088.3 | **281.1** | 1,161.7 |
| | **3,115.4** | 4,681.0 | **3,215.2** | 1,499.2 |
| **Total** | **9,831.7** | 9,836.6 | **9,931.5** | 5,487.2 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 MUR m** | Sep-20 MUR m | **Sep-21 MUR m** | Sep-20 MUR m |
| **(b) Non current borrowings analysed as follows:** | | | | |
| Repayable otherwise than by instalments: | | | | |
| After one year and before two years | | | | |
| Others | **1,609.7** | - | **1,609.7** | - |
| After two years and before three years | | | | |
| Others | **-** | 2,578.2 | **-** | 1,578.3 |
| After three years and before five years | | | | |
| Others | **2,134.2** | 2,129.2 | **2,134.2** | 2,129.2 |
| After five years | **280.5** | 280.5 | **280.5** | 280.5 |
| Repayable by instalments: | | | | |
| After one year and before two years | **2,623.4** | 133.2 | **2,623.4** | - |
| After two years and before three years | **52.9** | 33.6 | **52.9** | - |
| After three years and before five years | **15.6** | 0.9 | **15.6** | - |
| | **6,716.3** | 5,155.6 | **6,716.3** | 3,988.0 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21 %** | Sep-20 % | **Sep-21 %** | Sep-20 % |
| **(c)** The effective interest rates at the end of the reporting period were as follows: | | | | |
| Bank overdrafts | **3.45 - 12.00** | 3.45 - 12.00 | **3.45** | - |
| Bank and other borrowings - Secured | **2.50 - 5.40** | 2.50 - 5.40 | **4.25** | 4.25 |
| Bank and other borrowings - Unsecured | **0.75 - 5.00** | 0.75 - 6.30 | **0.75 - 5.00** | 2.50 - 6.30 |

# Explanatory Notes

30 SEPTEMBER 2021

## 27. OTHER BORROWED FUNDS (CONT'D)

**(d)** The secured bank and other borrowings are secured by floating charges over all the respective assets of the relevant companies of the Group.

**(e)** The carrying amounts of the other borrowed funds are denominated in the following currencies:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| MUR and others | **9,805.0** | 9,831.2 | **9,803.5** | 5,487.2 |
| KES | **22.8** | - | **-** | - |
| EURO | **3.5** | 4.8 | **3.5** | - |
| USD | **0.4** | 0.6 | **124.5** | - |
| | **9,831.7** | 9,836.6 | **9,931.5** | 5,487.2 |

Reconciliation of liabilities arising from financing activities:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| At 1 October | **9,836.6** | 9,078.3 | **5,487.2** | 1,203.3 |
| Amalgamation adjustment | **-** | - | **4,349.4** | - |
| Proceeds | **9,276.5** | 8,718.4 | **9,399.1** | 6,485.2 |
| Repayments | **(9,411.7)** | (8,072.6) | **(9,411.7)** | (2,262.5) |
| | **(135.2)** | 645.8 | **(12.6)** | 4,222.7 |
| Interest movement | **105.5** | 112.5 | **105.5** | 61.2 |
| Foreign exchange difference | **0.3** | - | **0.3** | - |
| | **105.8** | 112.5 | **105.8** | 61.2 |
| At 30 September | **9,807.2** | 9,836.6 | **9,929.8** | 5,487.2 |
| Bank overdrafts (note 13) | **24.5** | - | **1.7** | - |
| | **9,831.7** | 9,836.6 | **9,931.5** | 5,487.2 |

## 28. OTHER LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Trade payables | **470.3** | 389.9 | **468.0** | - |
| Accruals | **101.3** | 105.8 | **130.1** | 4.8 |
| Other payables* | **799.0** | 683.9 | **758.3** | 1.1 |
| Deferred income | **219.4** | 192.4 | **219.4** | - |
| | **1,590.0** | 1,372.0 | **1,575.8** | 5.9 |

The carrying amount of the payables is considered as a reasonable approximation of fair value due to their short term nature. Trade payables and other payables are secured by floating charge on all assets of the Group, interest free and payable within 3 months. Deferred income includes merchant discount which is recognised and released to profit or loss in accordance to note 2.8(e).

* Other payables include Credit Agreement dealers and Leasing trade creditors

Included in other payables is an amount of MUR 16.6m representing Government Wages Allowance Scheme unutilised as to date.

# Explanatory Notes

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## 29. DIVIDENDS

| | COMPANY | |
|---|---|---|
| | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m |
| Amounts recognised as distributions to equity holders in the year: | | |
| Final dividends paid of MUR 0.10 (2020: MUR 0.16) | **68.0** | 108.9 |
| | **68.0** | 108.9 |

## 30. EQUITY

**Stated Capital**

| | COMPANY 2021 & 2020 | |
|---|---|---|
| | **No of shares** | **Ordinary shares** |
| | **Million** | **MUR m** |
| No par value shares | **680.5** | **680.5** |

The Company has issued 680,522,310 shares of no par value issued at the reporting date. All shares are fully paid and carry equal voting rights. The ordinary shares are classified as equity.

**Capital Reserves**

The capital reserves comprise mainly of the previous Statutory Reserve and General Banking Reserve that were set aside for unforeseeable losses under the Banking Act for one subsidiary of the Group. As the subsidiary is no longer regulated by the Bank of Mauritius, these reserves are no longer legally required. Nonetheless, the board would prefer to maintain these reserves separately from retained earnings. These undistributable reserves are available to be freely transferred within equity if management chooses to do so. Otherwise, they are available for distribution on winding up.

**Retained Earnings**

Retained earnings arise from the accumulation of profits from the profit or loss less any dividends payable for the period.

**Actuarial Losses**

Actuarial losses arise on remeasurement of net defined benefit liability. Remeasurement of the net defined benefit liability, which comprises 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 are not reclassified to profit or loss in subsequent periods.

**Amalgamation Reserves**

The amalgamation reserves comprise of an amount of MUR 587.4m which occurred upon the amalgamation of entities of the Group which were under common control. The Company adopted accounting principles similar to the pooling-of-interest method based on predecessor values and the amalgamation reserve arose as a result of the elimination of the share capital and the investments in the related companies.

**Other Reserves**

Reserves not dealt in above are accounted as other reserves and include mainly Foreign exchange reserves.

# Explanatory Notes

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## 31. EARNINGS PER SHARE

| | | GROUP | |
|---|---|---|---|
| | | **Sep-21** | Sep-20 |
| | | **MUR m** | MUR m |
| Profit for the year | | **417.1** | 190.8 |
| Number of shares used in calculation | | **680,522,310** | 680,522,310 |
| Basic and diluted earnings per share | MUR | **0.61** | 0.28 |

## 32. NOTES TO THE STATEMENTS OF CASH FLOWS

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | | **MUR m** | MUR m | **MUR m** | MUR m |
| **(a) Cash generated from operations** | | | | | |
| Profit before tax | | **511.5** | 268.2 | **551.1** | 129.4 |
| Depreciation of equipment | 22 | **139.9** | 156.6 | **138.9** | - |
| Depreciation of right of use asset | 23 | **34.9** | 32.5 | **34.4** | - |
| Amortisation | 24 | **37.5** | 33.3 | **32.8** | 0.1 |
| Interest income | 5(a) | **(947.1)** | (1,111.7) | **(935.2)** | (76.9) |
| Interest expense | 5(b) | **396.1** | 431.4 | **395.5** | 138.8 |
| Impairment of subsidiaries and associates | 20/21 | **-** | - | **-** | 22.6 |
| Impairment on other assets | | **-** | 2.9 | **-** | - |
| Profit on disposal of investment | | **-** | (19.7) | **-** | - |
| Net impairment losses on financial assets | 10 | **540.0** | 652.6 | **534.8** | 16.2 |
| Profit on disposal of equipment | | **(2.3)** | (2.4) | **(2.3)** | - |
| Investment income | | **-** | - | **-** | (140.0) |
| Foreign exchange gain | | **(5.4)** | (0.9) | **(7.0)** | - |
| Share of results of associates | 21 | **3.8** | 5.7 | **-** | - |
| Post employment benefit expense | 25 | **17.0** | 4.2 | **16.9** | (2.8) |
| | | **725.9** | 452.7 | **759.9** | 87.4 |
| **(b) Changes in working capital** | | | | | |
| Deposit with banks | | **84.1** | (3.2) | **84.1** | - |
| Inventories | | **(1.0)** | 1.7 | **(1.0)** | - |
| Net investment in finance leases and other credit agreements | | **239.1** | 192.0 | **239.1** | - |
| Loan and advances | | **(1,654.2)** | (1,349.6) | **(1,638.3)** | (4,241.9) |
| Investment securities | 17 | **-** | - | **-** | (20.0) |
| Other assets | | **(14.4)** | 75.3 | **120.5** | 39.1 |
| Other liabilities | | **222.2** | (55.7) | **223.2** | (120.9) |
| Cash used in operations | | **(398.3)** | (686.8) | **(212.5)** | (4,256.3) |

**(c) Non Cash transactions**

The principal non cash transactions are movements in expected credit loss and post employment benefit liabilities.

# Explanatory Notes

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## 33. COMMITMENTS

| | GROUP | |
|---|---|---|
| | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m |
| **Operating lease commitments - where the Group is the lessor** | | |
| The future minimum undiscounted lease payments under operating leases are as follows: | | |
| Within one year | **102.3** | 140.3 |
| After one year and before five years | **143.6** | 278.4 |
| Later than 5 years | **6.5** | 3.1 |
| | **252.4** | 421.8 |

The Group has entered into operating leases for motor vehicles that include revenue-related rental payments that are contingent on future levels of revenue. These leases have terms ranging from 1 to 7 years.

## 34. CONTINGENT LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| Financial guarantee | **57.6** | 112.0 | **57.6** | 112.0 |

At 30 September 2021, the Company had contingent liabilities in respect of guarantees from which it is anticipated that no material liabilities would arise.
The Group and Company have given guarantee amounting to MUR 57.6m (2020: MUR 112m) on behalf of a subsidiary.

## 35. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | GROUP |
|---|---|
| | **Sep-21** |
| | **MUR m** |
| Disposal of associate | **14.4** |

One of the subsidiary entered into a Share buy back with iVeri Payment Technology Ltd to disinvest its 49 shares held for a consideration of USD 340,000 during the financial year. Consequently, the Group recognised an impairment of MUR 22.0m during the year. The consideration was fully recovered in November 2021.

# Explanatory Notes

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## 36. RELATED PARTY TRANSACTIONS

During the year the Group transacted with related parties.

Transactions which are not dealt with elsewhere in the financial statements are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **Sep-21** | Sep-20 | **Sep-21** | Sep-20 |
| | **MUR m** | MUR m | **MUR m** | MUR m |
| **Interest income and other income** | | | | |
| Subsidiaries | **-** | - | **9.4** | 199.5 |
| Associates | **2.2** | 2.2 | **2.2** | - |
| **Purchase of goods and services from** | | | | |
| Companies with common shareholders | **35.0** | 36.3 | **33.9** | - |
| **Purchase of plant and equipment** | | | | |
| Companies with common shareholders | **14.6** | 13.1 | **-** | - |
| **Dividend income** | | | | |
| Subsidiaries | **-** | - | **-** | 140.0 |
| Associates | **4.7** | 2.5 | **-** | - |
| **Financial charges** | | | | |
| Subsidiaries | **-** | - | **-** | 6.1 |
| **Loans payable to** | | | | |
| Subsidiaries | **-** | - | **123.9** | 110.0 |
| **Loans and leases receivable from** | | | | |
| Companies with common shareholders | **84.7** | 95.7 | **84.7** | - |
| Subsidiaries | **-** | - | **231.3** | 7,294.5 |
| **Amount owed by** | | | | |
| Companies with common shareholders | **-** | 0.3 | **-** | - |
| Subsidiaries | **-** | - | **-** | 190.2 |
| **Amount owed to** | | | | |
| Companies with common shareholders | **-** | 39.3 | **-** | - |
| **Right-of-use assets** | | | | |
| Companies with common shareholders | **170.1** | 179.6 | **170.1** | - |
| **Lease liabilities** | | | | |
| Companies with common shareholders | **196.7** | 199.6 | **196.7** | - |
| **Remuneration of key management personnel** | | | | |
| Short term employee benefit | **116.2** | 132.1 | **101.8** | - |
| Post employment benefit | **6.9** | 8.4 | **5.7** | 6.8 |
| | **123.1** | 140.5 | **107.5** | 6.8 |

The above transactions have been made at arms' length, on normal commercial terms and in the normal course of business.

The Group has given guarantees to related companies as per Note 34.

The Group has recorded impairment of loans and intercompany receivables relating to amounts owed by related parties. The impairment assessments of these companies were based on ECL.

# Explanatory Notes

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**37. BUSINESS SEGMENTS**

| | Finance | Investments | Group elimination | Total |
|---|---|---|---|---|
| | MUR m | MUR m | MUR m | MUR m |
| **Year ended 30 September 2021** | | | | |
| Interest income | 1,912.7 | 294.4 | (277.9) | 1,929.2 |
| Interest expense | (457.6) | (216.4) | 277.9 | (396.1) |
| Net interest income | 1,455.1 | 78.0 | - | 1,533.1 |
| Lending and agency related income | 592.7 | 3.4 | - | 596.1 |
| Other income | 123.1 | 80.8 | (74.0) | 129.9 |
| Net operating income | 2,170.9 | 162.2 | (74.0) | 2,259.1 |
| Operating expenses | (1,091.2) | (192.0) | 74.0 | (1,209.2) |
| Profit/(loss) before impairment | 1,079.7 | (29.8) | - | 1,049.9 |
| Net impairment losses on financial assets | (534.9) | (5.1) | - | (540.0) |
| Profit/(loss) after impairment | 544.8 | (34.9) | - | 509.9 |
| Foreign exchange gain | 5.2 | 0.2 | - | 5.4 |
| Share of results of associates | - | (3.8) | - | (3.8) |
| Profit/(loss) before tax | 550.0 | (38.5) | - | 511.5 |
| Income tax expense | (88.9) | (5.5) | - | (94.4) |
| Profit/(loss) for the year | 461.1 | (44.0) | - | 417.1 |
| | | | | |
| Assets | 16,262.1 | 6,754.8 | (6,369.4) | 16,647.5 |
| Liabilities | 13,386.2 | 5,065.6 | (6,391.8) | 12,060.0 |
| Capital expenditure | 72.6 | 1.9 | - | 74.5 |
| Depreciation and amortisation | 202.5 | 9.8 | - | 212.3 |

# Explanatory Notes

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## 37. BUSINESS SEGMENTS (CONT'D)

| | Finance | Investments | Group elimination | Total |
|---|---|---|---|---|
| | MUR m | MUR m | MUR m | MUR m |
| **Year ended 30 September 2020** | | | | |
| Interest income | 1,697.9 | 222.4 | (205.6) | 1,714.7 |
| Interest expense | (487.1) | (149.9) | 205.6 | (431.4) |
| Net interest income | 1,210.8 | 72.5 | - | 1,283.3 |
| Lending and agency related income | 640.1 | 4.7 | - | 644.8 |
| Other income | 142.2 | 236.7 | (225.0) | 153.9 |
| Net income | 1,993.1 | 313.9 | (225.0) | 2,082.0 |
| Operating expenses | (1,051.7) | (349.4) | 225.0 | (1,176.1) |
| Profit/(loss) before impairment | 941.4 | (35.5) | - | 905.9 |
| Net impairment losses on financial assets | (599.2) | (53.4) | - | (652.6) |
| Profit/(loss) after impairment | 342.2 | (88.9) | - | 253.3 |
| Foreign exchange gain/(loss) | 1.2 | (0.3) | - | 0.9 |
| Net gain on derecognition of subsidiaries | - | 13.5 | - | 13.5 |
| Share of results of associates | - | 0.5 | - | 0.5 |
| Profit/(loss) before tax | 343.4 | (75.2) | - | 268.2 |
| Income tax expense | (37.6) | (39.8) | - | (77.4) |
| Profit/(loss) for the year | 305.8 | (115.0) | - | 190.8 |
| | | | | |
| Assets | 16,210.8 | 7,923.9 | (8,226.4) | 15,908.3 |
| Liabilities | 13,877.8 | 6,072.4 | (8,241.4) | 11,708.8 |
| Capital expenditure | 140.3 | 29.3 | - | 169.6 |
| Investments in associates | - | 24.9 | - | 24.9 |
| Depreciation and amortisation | 206.4 | 16.0 | - | 222.4 |

For management purposes, the Group is organised into two business segments based on the products and services as follows:

Finance – consumer credit, leasing, card acquiring and issuing, factoring and foreign exchange dealing.

Investments – strategy monitoring, support to SBUs, performance monitoring and statutory reporting.

No operating segments have been aggregated to form the above reportable operating segments.

| **Geographical information** | **Sep-21** | Sep-20 |
|---|---|---|
| **Revenue** | **MUR m** | MUR m |
| - from customers in Mauritius | **2,639.2** | 2,492.2 |
| - located in Kenya | **16.0** | 21.2 |
| | **2,655.2** | 2,513.4 |
| **Non-current assets*** | | |
| - located in Mauritius | **537.4** | 653.3 |
| - located in Kenya | **4.5** | 14.8 |
| | **541.9** | 668.1 |

* Non-current assets exclude financial instruments, deferred tax assets and post employment benefit assets.

## 38. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The immediate holding and ultimate holding companies of CIM Financial Services Ltd are Cim Holdings Ltd and Elgin Ltd respectively. Both companies are incorporated in Mauritius.

# Explanatory Notes

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## 39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities based on when they are expected to be recovered or settled.

| GROUP | 2021 | | | | | | 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Up to 3 months** | **3 - 6 months** | **6 - 12 months** | **1 to 5 years** | **Over 5 years** | **Total** | Up to 3 months | 3 - 6 months | 6 - 12 months | 1 to5 years | Over 5 years | Total |
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** | MUR m | MUR m | MUR m | MUR m | MUR m | MUR m |
| **ASSETS** | | | | | | | | | | | | |
| Cash and bank balances | **341.8** | **-** | **-** | **-** | **-** | **341.8** | 460.7 | - | - | - | - | 460.7 |
| Deposits with banks | **8.9** | **16.4** | **99.9** | **300.9** | **-** | **426.1** | 8.3 | 150.9 | 151.4 | - | 199.6 | 510.2 |
| Non-current assets classified as held for sale | **14.4** | **-** | **-** | **-** | **-** | **14.4** | - | - | - | - | - | - |
| Net investment in leases and other credit agreements | **1,508.0** | **1,036.5** | **1,139.3** | **4,198.9** | **45.5** | **7,928.2** | 1,585.6 | 1,039.9 | 1,227.7 | 4,451.8 | 69.1 | 8,374.1 |
| Loans and advances | **816.2** | **497.6** | **973.1** | **4,122.2** | **15.2** | **6,424.3** | 588.6 | 349.6 | 991.5 | 3,151.9 | 21.6 | 5,103.2 |
| Investments securities | **-** | **-** | **0.8** | **127.7** | **-** | **128.5** | - | - | 20.8 | 8.1 | - | 28.9 |
| Other assets | **321.5** | **2.3** | **50.3** | **-** | **-** | **374.1** | 319.3 | 2.3 | 38.5 | - | - | 360.1 |
| Inventories | **-** | **-** | **-** | **3.0** | **-** | **3.0** | 2.0 | - | - | - | - | 2.0 |
| Investments in associates | **-** | **-** | **-** | **-** | **-** | **-** | - | - | - | 24.9 | | 24.9 |
| Equipment | **-** | **-** | **-** | **-** | **441.0** | **441.0** | - | - | - | - | 556.3 | 556.3 |
| Right-of-use assets | **-** | **-** | **-** | **7.0** | **185.4** | **192.4** | - | - | - | - | 189.3 | 189.3 |
| Deferred tax assets | **-** | **-** | **-** | **-** | **275.8** | **275.8** | - | - | - | - | 188.8 | 188.8 |
| Intangible assets | **-** | **-** | **-** | **-** | **97.9** | **97.9** | - | - | - | - | 109.8 | 109.8 |
| **Total assets** | **3,010.8** | **1,552.8** | **2,263.4** | **8,759.7** | **1,060.8** | **16,647.5** | 2,964.5 | 1,542.7 | 2,429.9 | 7,636.7 | 1,334.5 | 15,908.3 |
| **LIABILITIES** | | | | | | | | | | | | |
| Other borrowed funds | **2,861.5** | **62.6** | **125.2** | **6,501.9** | **280.5** | **9,831.7** | - | - | 4,681.0 | 4,875.1 | 280.5 | 9,836.6 |
| Other liabilities | **1,323.6** | **10.9** | **250.8** | **4.7** | **-** | **1,590.0** | 462.2 | - | 909.8 | - | - | 1,372.0 |
| Lease liabilities | **7.1** | **7.2** | **14.7** | **154.9** | **35.9** | **219.8** | 6.5 | 6.4 | 11.2 | 122.9 | 62.3 | 209.3 |
| Income tax liabilities | **-** | **265.8** | **-** | **-** | **-** | **265.8** | 115.6 | - | - | - | - | 115.6 |
| Deferred tax liabilities | **-** | **-** | **-** | **-** | **33.2** | **33.2** | - | - | - | - | 16.4 | 16.4 |
| Post employment benefit liabilities | **-** | **-** | **-** | **-** | **119.5** | **119.5** | - | - | - | - | 158.9 | 158.9 |
| **Total liabilities** | **4,192.2** | **346.5** | **390.7** | **6,661.5** | **469.1** | **12,060.0** | 584.3 | 6.4 | 5,602.0 | 4,998.0 | 518.1 | 11,708.8 |

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## 39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

The table below shows an analysis of assets and liabilities based on when they are expected to be recovered or settled.

| COMPANY | 2021 | | | | | | 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Up to 3 months** | **3 - 6 months** | **6 - 12 months** | **1 to 5 years** | **Over 5 years** | **Total** | Up to 3 months | 3 - 6 months | 6 - 12 months | 1 to5 years | Over 5 years | Total |
| | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** | **MUR m** | MUR m | MUR m | MUR m | MUR m | MUR m | MUR m |
| **ASSETS** | | | | | | | | | | | | |
| Cash and bank balances | **280.7** | **-** | **-** | **-** | **-** | **280.7** | 18.1 | - | - | - | - | 18.1 |
| Deposits with banks | **8.9** | **16.4** | **99.9** | **300.9** | **-** | **426.1** | - | - | - | - | - | - |
| Net investment in leases and other credit agreements | **1,508.0** | **1,036.5** | **1,139.3** | **4,198.9** | **45.5** | **7,928.2** | - | - | - | - | - | - |
| Loans and advances | **780.2** | **496.6** | **972.5** | **4,123.0** | **216.0** | **6,588.3** | - | - | 3,104.6 | 3,909.3 | 280.5 | 7,294.4 |
| Investments securities | **-** | **-** | **0.8** | **119.6** | **-** | **120.4** | - | - | 20.8 | - | - | 20.8 |
| Other assets | **294.3** | **2.3** | **96.5** | **-** | **-** | **393.1** | 192.0 | - | - | - | - | 192.0 |
| Inventories | **-** | **-** | **-** | **3.0** | **-** | **3.0** | - | - | - | - | - | - |
| Investments in subsidiaries | **-** | **-** | **-** | **-** | **154.8** | **154.8** | - | - | - | - | 1,118.1 | 1,118.1 |
| Equipment | **-** | **-** | **-** | **-** | **438.8** | **438.8** | - | - | - | - | - | - |
| Right-of-use assets | **-** | **-** | **-** | **7.0** | **183.4** | **190.4** | - | - | - | - | - | - |
| Deferred tax assets | **-** | **-** | **-** | **-** | **275.8** | **275.8** | - | - | - | - | - | - |
| Intangible assets | **-** | **-** | **-** | **-** | **96.6** | **96.6** | - | - | - | - | - | - |
| **Total assets** | **2,872.1** | **1,551.8** | **2,309.0** | **8,752.4** | **1,410.9** | **16,896.2** | 210.1 | - | 3,125.4 | 3,909.3 | 1,398.6 | 8,643.4 |
| **LIABILITIES** | | | | | | | | | | | | |
| Other borrowed funds | **2,902.7** | **128.0** | **2,745.1** | **3,861.4** | **294.3** | **9,931.5** | - | - | 1,499.2 | 3,707.5 | 280.5 | 5,487.2 |
| Other liabilities | **1,309.4** | **10.9** | **250.8** | **4.7** | **-** | **1,575.8** | - | - | 5.9 | - | - | 5.9 |
| Lease liabilities | **7.1** | **7.2** | **14.7** | **152.9** | **35.9** | **217.8** | - | - | - | - | - | - |
| Income tax liabilities | **-** | **265.8** | **-** | **-** | **-** | **265.8** | - | 4.6 | - | - | - | 4.6 |
| Deferred tax liabilities | **-** | **-** | **-** | **-** | **33.1** | **33.1** | - | - | - | - | - | - |
| Post employment benefit liabilities | **-** | **-** | **-** | **-** | **118.2** | **118.2** | - | - | - | - | 45.1 | 45.1 |
| **Total liabilities** | **4,219.2** | **411.9** | **3,010.6** | **4,019.0** | **481.5** | **12,142.2** | - | 4.6 | 1,505.1 | 3,707.5 | 325.6 | 5,542.8 |

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## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for financial assets and liabilities at fair value through profit or loss, the Group does not measure its financial assets and financial liabilities at fair value. The table below shows, by class of financial instruments, the comparison of their carrying amounts with their fair values. These fair values are calculated for disclosure purposes only.

| 30 September 2021 | Carrying amounts | Fair value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| | MUR m | MUR m | MUR m | MUR m | MUR m |
| **Financial assets not measured at fair value** | | | | | |
| Net investment in leases and other credit agreements | 7,928.2 | - | - | 8,389.1 | **8,389.1** |
| Loans and advances | | | | | |
| Credit facilities | 5,923.4 | - | - | 6,054.3 | **6,054.3** |
| Corporate credit facilities | 114.9 | - | - | 130.0 | **130.0** |
| Investment securities | - | 127.7 | - | - | **127.7** |
| | **13,966.5** | **127.7** | **-** | **14,573.4** | **14,701.1** |
| **Financial liabilities not measured at fair value** | | | | | |
| Other borrowed funds | 9,831.7 | - | - | 9,831.7 | **9,831.7** |
| | **9,831.7** | **-** | **-** | **9,831.7** | **9,831.7** |

| | |
|---|---|
| **Financial instruments for which the fair value approximates the carrying amount** | |
| **Financial assets** | |
| Cash at bank balances | 341.8 |
| Deposits with banks | 426.1 |
| Loans and advances | |
| Factoring receivables | 123.4 |
| Card receivables | 262.6 |
| Investments securities | 0.8 |
| Other assets | 325.6 |
| | **1,480.3** |
| **Financial liabilities** | |
| Other liabilities | **1,590.0** |

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## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

| 30 September 2020 | Carrying amounts | Fair value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| | MUR m | MUR m | MUR m | MUR m | MUR m |
| **Financial assets not measured at fair value** | | | | | |
| Net investment in leases and other credit agreements | 8,374.1 | - | - | 8,753.8 | 8,753.8 |
| Loans and advances | | | | | |
| Credit facilities | 4,526.5 | - | - | 4,714.9 | 4,714.9 |
| Corporate credit facilities | 109.3 | - | - | 119.0 | 119.0 |
| Investments securities | - | 8.1 | - | - | 8.1 |
| | 13,009.9 | 8.1 | - | 13,587.7 | 13,595.8 |
| **Financial liabilities not measured at fair value** | | | | | |
| Other borrowed funds | 9,836.6 | - | - | 9,836.6 | 9,836.6 |
| | 9,836.6 | - | - | 9,836.6 | 9,836.6 |
| **Financial instruments for which the fair value approximates the carrying amount** | | | | | |
| **Financial assets** | | | | | |
| Cash at bank balances | 460.7 | | | | |
| Deposits with banks | 510.2 | | | | |
| Loans and advances | | | | | |
| Factoring receivables | 202.2 | | | | |
| Card receivables | 265.2 | | | | |
| Investments securities | 20.8 | | | | |
| Other assets | 313.2 | | | | |
| | 1,772.3 | | | | |
| **Financial liabilities** | | | | | |
| Other liabilities | 1,372.0 | | | | |

For financial assets and financial liabilities that have a short-term maturity, the carrying amounts, which are net of impairment, represent a reasonable approximation of their fair value. Such instruments include cash and bank balances, deposits with banks, factoring and card receivables and other liabilities.

The fair value of the net investment in leases and and other credit agreements, credit facilities, corporate credit facilities (included in loans and advances) and other borrowed funds are estimated using cash flow models discounted at the relevant discount rate taking into consideration credit risk, foreign exchange risk, of default and loss given default estimates. As a result, these balances fall under Level 3 of the fair value hierarchy. Market observable data is used when appropriate and when such data is not available, the Group uses historical experience. The discount rates used represent the market rates.

Refer to Note 17 for further details regarding financial assets measured at fair value.

The Companies' financial assets and liabilities approximates its fair value as at 30 September 2021.

## 41. DERECOGNITION OF SUBSIDIARIES

In 2020 the Group derecognised Cim Ethiopia Ltd and Evripay Ltd being in winding up process.
The results of the derecognition in the Group's financial statements are as follows:

| Analysis of assets and liabilities | Sep-20 MUR m |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 120.5 |
| **Net assets** | 120.5 |
| **Gain on derecognition of subsidiaries** | |
| Consideration received | 118.4 |
| Net assets disposed of | (120.5) |
| Cumulative exchange differences in respect of the net assets of the subsidiaries derecognised | 15.6 |
| | 13.5 |
| Net cash inflow on derecognition of subsidiaries | |
| Consideration received in cash and cash equivalents | 118.4 |
| Less cash and cash equivalents derecognised | (120.5) |
| Net cash outflow | (2.1) |

# Explanatory Notes

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## 42. CLASSIFICATION OF FINANCIAL INSTRUMENTS

### Categories of financial instruments

The table below shows the financial assets and liabilities of the Group and the Company classified according to the categories under IFRS 9 and IAS 39 respectively.

| 30 September 2021 | Categories under IFRS 9 | | | | | |
|---|---|---|---|---|---|---|
| | Group | | | Company | | |
| **Financial assets** | **Assets at fair value through profit or loss MUR m** | **Assets at amortised costs MUR m** | **Total MUR m** | **Assets at fair value through profit or loss MUR m** | **Assets at amortised costs MUR m** | **Total MUR m** |
| Cash and bank balances | **-** | **341.8** | **341.8** | **-** | **280.7** | **280.7** |
| Deposits with banks | **-** | **426.1** | **426.1** | **-** | **426.1** | **426.1** |
| Net investment in leases and other credit agreements | **-** | **7,928.2** | **7,928.2** | **-** | **7,928.2** | **7,928.2** |
| Loans and advances | **-** | **6,424.3** | **6,424.3** | **-** | **6,588.3** | **6,588.3** |
| Investments securities | **0.8** | **127.7** | **128.5** | **0.8** | **119.6** | **120.4** |
| Other assets | **-** | **325.6** | **325.6** | **-** | **393.1** | **393.1** |
| | **0.8** | **15,573.7** | **15,574.5** | **0.8** | **15,736.0** | **15,736.8** |

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| **Financial liabilties** | **Liabilities at fair value through profit or loss MUR m** | **Liabilities at amortised cost MUR m** | **Total MUR m** | **Liabilities at fair value through profit or loss MUR m** | **Liabilities at amortised cost MUR m** | **Total MUR m** |
| Other borrowed funds | **-** | **9,831.7** | **9,831.7** | **-** | **9,931.5** | **9,931.5** |
| Other liabilities | **-** | **1,590.0** | **1,590.0** | **-** | **1,575.8** | **1,575.8** |
| | **-** | **11,421.7** | **11,421.7** | **-** | **11,507.3** | **11,507.3** |

| 30 September 2020 | Categories under IFRS 9 | | | | | |
|---|---|---|---|---|---|---|
| | Group | | | Company | | |
| **Financial assets** | **Assets at fair value through profit or loss** MUR m | **Assets at amortised costs** MUR m | **Total** MUR m | **Assets at fair value through profit or loss** MUR m | **Assets at amortised costs** MUR m | **Total** MUR m |
| Cash and bank balances | - | 460.7 | 460.7 | - | 18.1 | 18.1 |
| Deposits with banks | - | 510.2 | 510.2 | - | - | - |
| Net investment in leases and other credit agreements | - | 8,374.1 | 8,374.1 | - | - | - |
| Loans and advances | - | 5,103.2 | 5,103.2 | - | 7,294.4 | 7,294.4 |
| Investments securities | 20.8 | 8.1 | 28.9 | 20.8 | - | 20.8 |
| Other assets | - | 313.2 | 313.2 | - | 192.0 | 192.0 |
| | 20.8 | 14,769.5 | 14,790.3 | 20.8 | 7,504.5 | 7,525.3 |

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| **Financial liabilties** | **Liabilities at fair value through profit or loss** MUR m | **Liabilities at amortised cost** MUR m | **Total** MUR m | **Liabilities at fair value through profit or loss** MUR m | **Liabilities at amortised cost** MUR m | **Total** MUR m |
| Other borrowed funds | - | 9,836.6 | 9,836.6 | - | 5,487.2 | 5,487.2 |
| Other liabilities | - | 1,372.0 | 1,372.0 | - | 5.9 | 5.9 |
| | - | 11,208.6 | 11,208.6 | - | 5,493.1 | 5,493.1 |

# Explanatory Notes

30 SEPTEMBER 2021

## 43. FINANCIAL SUMMARY

| GROUP | | Sep-21 MUR m | Sep-20 MUR m | Sep-19 MUR m |
|---|---|---|---|---|
| **Statements of Profit or Loss and Other Comprehensive Income from continuing operations** | | | | |
| Interest income | | **1,929.2** | 1,714.7 | 1,442.6 |
| Interest expense | | **(396.1)** | (431.4) | (388.2) |
| Net interest income | | **1,533.1** | 1,283.3 | 1,054.4 |
| Lending and agency related income | | **596.1** | 644.8 | 541.1 |
| Other income | | **129.9** | 153.9 | 214.4 |
| Net operating income | | **2,259.1** | 2,082.0 | 1,809.9 |
| Operating expenses | | **(1,209.2)** | (1,176.1) | (1,148.0) |
| Profit before impairment | | **1,049.9** | 905.9 | 661.9 |
| Net impairment losses on financial assets | | **(540.0)** | (652.6) | (180.9) |
| Net gain on de recognition of subsidiaries | | **-** | 13.5 | - |
| Share of results of associates | | **(3.8)** | 0.5 | (32.3) |
| Foreign exchange gain | | **5.4** | 0.9 | 4.4 |
| Profit before taxation | | **511.5** | 268.2 | 453.1 |
| Income tax expense | | **(94.4)** | (77.4) | (86.2) |
| Profit for the year from continuing operations | | **417.1** | 190.8 | 366.9 |
| Other comprehensive income for the year, net of tax | | **38.9** | (39.1) | (4.1) |
| Total comprehensive income from continuing operations for the year | | **456.0** | 151.7 | 362.8 |
| Profit for the year from discontinued operations | | **-** | - | 15.8 |
| Profit for the year | | **456.0** | 151.7 | 378.6 |
| Earnings per share (MUR) | | **0.61** | 0.28 | 0.54 |
| Earnings per share from continuing operations (MUR) | | **0.61** | 0.28 | 0.56 |
| **Statements of Financial Position** | | | | |
| Assets | | **16,647.5** | 15,908.3 | 17,512.7 |
| Stated capital | | **680.5** | 680.5 | 680.5 |
| Retained earnings | | **3,402.8** | 3,053.7 | 2,983.7 |
| Other reserves | | **504.2** | 465.3 | 511.3 |
| Liabilities | | **12,060.0** | 11,708.8 | 10,635.3 |
| | | **16,647.5** | 15,908.3 | 14,810.8 |
| **Stated Capital** | | | | |
| Number of ordinary shares - issued and fully paid | **Units** | **680,522,310** | 680,522,310 | 680,522,310 |

# CIM Financial Services Ltd & SBU's
## List of Directors as at 30 September 2021

| | **Koon Siw** Piang Cheong Chin (Nick Chin) | **Darga** Louis Amedee | **Gujjalu** Rajiv | **Jaunbocus** Fareedooddeen | **Lim Tat Voon** Liong Kee | **Lo Fong** Audrey | **Maharahaje** Panday Woogra Tioumitra | **Motet** Denis | **Parianen** Soopaya | **Ramtoola** Ashraf | **Sathan** Davina | **Somen** David |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cim Administrators Ltd | | | | | | | X | | | | X | |
| Cim CSR Fund Ltd | | | | | | | | | | | | |
| Cim Ethiopia Ltd* | | | | | | | X | | | | | |
| CIM Financial Services Ltd | | X | | X | | | | X | | | | X |
| Cim Forex Ltd | | | X | | X | | | | C | | | |
| Cim Kenya Ltd | | | | | | | X | | | | | |
| Cim Credit Kenya Ltd | X | | | | | | X | | | | | C |
| Cim Insurance Agency Limited | X | | | | | | X | | | | | C |
| Cim International Holdings Ltd | | | | | | | X | | | | | |
| Cim Investments Ltd** | X | | | | | | | | | | | |
| Cim Learning Centre Ltd | | | | | | X | | | | | | |
| Key Financial Services Ltd | | | | | | | | | | X | | |
| The Oceanic Trust Co. Ltd | | | | | | | | | | X | | |

C – Chairman X – In office as director Alt – Alternate Director

*Under liquidation
**Dormant Company

| **Taylor** Colin Geoffrey | **Taylor** Alexander Matthew | **Taylor** Philip Simon | **Taylor** Sebastian Callum | **Taylor** Timothy | **Timol** Aisha | **Van Beuningen** Mark | **Vaudin** Dominique (not yet obtained FSC approval) | **Vaudin** Nicolas | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | | |
| | | | | C | | X | | X | | | | | | | | | | | | |
| | | | | | | X | | | | | | | | | | | | | | |
| X | X | X | Alt | X | C | X | Alt | | | | | | | | | | | | | |
| | | | X | | | X | | | | | | | | | | | | | | |
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# NOTES

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