

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors and risk management policies (continued)

#### (b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group had adopted a policy of only dealing with credit worthy counter parties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are approved and reviewed by key management on a regular basis.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties, except for the Group's largest customer which represents 11% (2021:14%) of the trade receivables of the Group. These counterparties are unrelated and have different characteristics.

The Group's credit risk is primarily attributable to its trade receivables and cash deposited in financial institutions. The amount presented in the statements of financial position are net of allowances for expected credit losses, estimated by management based on prior experience and represents the Company's maximum exposure to credit risk and an on going credit evaluation is performed on the financial conditions of trade receivable, insurance cover is taken for some customers in order to minimise credit risk. Management considers these trade receivables of having a low credit risk as the risk of default from these financial institutions are low.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The maximum exposure to credit risk at the reporting date and the measurement basis used to determine expected credit losses are disclosed in note 12. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

When the trade receivables are referred to attorneys and there is no reasonable expectation of recovery, the debtors are written off.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Bank balances are assessed to have low credit risk at reporting date since these are held in reputable banking institutions. The identified impairment loss on these balances was immaterial.

For long-term receivables, the Company manages the long-term receivables from related parties through considering the purpose of advances and their financial position and forecasted cash flows.

#### (c) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The Group's financial liabilities analysed into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date has been disclosed in note 15(b). All trade and other payables are due within one year.

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

#### THE GROUP

	Weighted average effective interest	Less than 1 month MUR '000	1–3 months MUR '000	3 months to 1 year MUR '000	1–5 years MUR '000	Over 5 years MUR '000	Total MUR '000
<b>2022</b>							
Variable interest rate	2.78%	4 043	11 129	39 180	186 345	–	240 697
Fixed interest rate	3.97%	3 446	10 337	27 564	139 854	–	181 201
Lease liabilities	5.31%	9 193	32 789	85 208	116 922	76 881	320 993
Non-interest bearing:							
Trade and other payables		586 548	207 907	95 865	18 518	1 249	910 087
		603 230	262 162	247 817	461 639	78 130	1 652 978
<b>2021</b>							
Variable interest rate	3.21%	23 779	1 079	39 839	151 541	–	216 238
Fixed interest rate	2.34%	1 986	3 972	58 501	277 646	15 483	357 588
Lease liabilities	5.31%	5 957	11 913	92 361	215 207	82 462	407 900
Non-interest bearing:							
Trade and other payables		711 675	115 974	180 674	–	11 119	1 019 442
		743 397	132 938	371 375	644 394	109 064	2 001 168

Variable interest rate and Fixed interest rate pertain to items in Borrowings.

#### THE COMPANY

	Weighted average effective interest	Less than 1 month MUR '000	1–3 months MUR '000	3 months to 1 year MUR '000	1–5 years MUR '000	Over 5 years MUR '000	Total MUR '000
<b>2022</b>							
Variable interest rate	4.10%	3 036	9 109	24 290	109 305	–	145 740
Fixed interest rate	3.65%	3 446	10 337	27 564	124 040	–	165 387
Lease liabilities	7.57%	6 311	24 309	65 188	69 569	76 881	242 258
Non-interest bearing:							
Trade and other payables		183 923	137 994	32 097	–	–	354 014
		196 716	181 749	149 139	302 914	76 881	907 399
<b>2021</b>							
Variable interest rate	4.10%	540	1 079	39 839	151 541	–	192 999
Fixed interest rate	3.65%	579	1 159	47 545	188 013	–	237 296
Lease liabilities	7.57%	5 800	11 600	52 198	129 152	82 462	281 212
Non-interest bearing:							
Trade and other payables		333 267	93 435	177 337	–	11 119	615 158
		340 186	107 273	316 919	468 706	93 581	1 326 665