ithala

SOC LIMITED

REDEFINE **WEALTH**

2022 ANNUAL FINANCIAL STATEMENTS

ithala
SOC LIMITED

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FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the Annual Financial Statements (AFS) of Ithala SOC Limited (Ithala), comprising:

- The statement of financial position as at 31 March 2022;
- The statement of comprehensive income;
- The statement of changes in equity;
- The statement of cash flow for the year then ended;
- The notes to the AFS, which include a summary of significant accounting policies and other explanatory notes; and
- The Directors' report, in accordance with IFRS, as prescribed by the Accounting Standards Board.

To enable the Directors to meet these responsibilities:

- The Board and management set standards while management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded, and the risk of fraud, error or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Audit and Compliance (ACC), appraises, and when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.
- The ACC, together with the internal audit function, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The company consistently adopts appropriate and recognised accounting policies which are supported by reasonable judgements and estimates, and provides additional disclosures when compliance with the specific requirements in accordance International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the Company's financial position and financial performance.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management. All employees are required to maintain the highest ethical standards in ensuring that the company's practices are concluded in a manner, which is above reproach, in all reasonable circumstances.

The Directors conducted an assessment of the company's ability to continue as a going concern and included appropriate disclosure in the Directors' Report. The basis of accounting was adopted by the Board after enquiring about management and giving due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the company will not be able to continue as a going concern in the year ahead.

The Auditor General of South Africa (AGSA), who was appointed as independent auditor in terms of the Public Audit Act, Act No. 25 of 2004 and the PFMA, audited the company's AFS. Their report is presented on pages 6 to 9.

Approval of the annual financial statements

The AFS of Ithala was approved by the Board on 29 July 2022 and are signed on their behalf by:

Mr Mpumzi Pupuma
Lead Independent Director

Dr Thulani Vilakazi
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATION

I hereby confirm in my capacity as Company Secretary of Ithala, that for the year that ended 31 March 2022, the Company has filed all required returns and notices in terms of the Companies Act, 2008 and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up-to- date.

Nomusa Mzimela
Company Secretary

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON ITHALA SOC LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

l. I have audited the financial statements of Ithala SOC Limited set out on pages 15 to 89, which comprise the statement of financial position as at 31 March 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Ithala SOC Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.l of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

6. The entity incurred a net loss of R51,97 million {2021: R31,65 million) for the year ended 31 March 2022. Included in the net loss are losses recognised for the year of R9,40 million due to the July 2021 civil unrest and Covid-19 related costs.

7. The Prudential Authority extended the entity's banking licence exemption to 15 December 2023 subject to the entity, together with its stakeholders, fulfilling conditions set out in the exemption notice. The entity continues to rely on the financial support of its parent entity to maintain the required capital in terms of the conditions of the banking license exemption.

8. These events and conditions, along with other matters as set forth in note 1.2, indicate that material uncertainties exist which may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Material losses and impairments

l 0. As disclosed in note 8 to the financial statements, a material loss of R4,21 million (2021: R9,42 million) was incurred as a result of the write-off of loans and advances.

Responsibilities of the accounting authority for the financial statements

11. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for programme 1: financial and shareholder perspective, presented on pages 15 to 88 of the annual performance report of the entity for the year ended 31 March 2022.

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programme.

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. The annual performance report on pages 15 to 88 includes information on the achievement of planned targets for the year.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 1: financial and shareholder perspective. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material finding on compliance with specific matters in key legislation is as follows:

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R53,47 million as disclosed in note 27 to the annual financial statements, as required by section 51 (1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by payments made on the procurement of goods and services not in accordance with the supply chain management (SCM) process and on expired service level agreements.

OTHER INFORMATION

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported on in the auditor's report.

27. My opinion on the financial statements, report on performance information and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I arri required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

31. Management did not implement adequate controls around SCM processes to prevent irregular expenditure.

OTHER REPORTS

32. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

33. The entity's forensic investigator is conducting six investigations into alleged irregularities in the current and prior year relating to the theft of assets, information technology and procurement processes. These investigations are in progress at the date of this report.

Audit related services

34. Agreed upon procedures reports were issued to the Prudential Authority relating to Banks Act returns issued in terms of the Banks Act of South Africa, 1990 (Act No.94 of 1990).

35. A report was issued to the National Credit Regulator on compliance with the National Credit Act of South Africa, 2005 (Act No.34 of 2005).

36. A report was issued to the National Department of Human Settlements relating to the annual return submitted in accordance with the Home Loans and Mortgage Disclosures Act of South Africa, 2000 (Act No.63 of 2000).

37. A limited assurance report was issued to the Registrar of Financial SeNices Providers on compliance in terms of section 19(3) of the Financial Advisory and Intermediary SeNices Act, 2002 (Act No. 37 of 2002).

Auditor- General

Pietermaritzburg
31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

AUDIT AND COMPLIANCE COMMITTEE REPORT

The Audit and Compliance Committee (ACC) presents its report for the financial year that ended 31 March 2022 as required by regulation 27.1.10(b) and (c) of the Treasury Regulations [In terms of section 51(1)(a)(ii) and 76(4)(d) of the PFMA, section 94(7)(f) of the Companies Act, the Banks Act, and the Code of Corporate Practices and Conduct set out in the King IV Report on Corporate Governance.

The ACC was constituted in accordance with applicable legislation and regulations.

Purpose of the ACC

The ACC is a Committee of the Board and in addition to having specific statutory responsibilities in terms of the Companies Act, assists the Board through advising and making submissions on financial reporting, and oversees the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company.

Terms of reference

The ACC adopted formal terms of reference that was approved by the Board and has executed its duties during the past financial year in accordance with these terms of reference.

Membership and attendance

The ACC consists of three members, all of whom are Independent Non-Executive Directors. The Committee meets at least four times per year.

The names of the members and attendance at meetings are recorded in the corporate governance section of the integrated report.

The CEO, CFO, Senior Executives of the company and representatives from the external and internal auditors attend the Committee meetings by invitation only.

The internal and external auditors have unrestricted access to the ACC.

Statutory duties

In the execution of its statutory duties during the past financial year, the ACC:

- Believes that the appointment of the AGSA as auditor complies with the relevant provisions of the Companies Act and the PFMA;
- Reviewed and approved the fees to be paid to the AGSA as disclosed in Note 22 of the AFS;
- Reviewed and approved the terms of engagement of the AGSA;
- Reviewed the quality of financial information;
- Reviewed the integrated AR and AFS;
- Received no complaints relating to:
    - o The accounting practices and internal audit of the company;
    - o The content or auditing of its financial statements;
    - o The internal fnancial controls of the company; and
    - o Any other related matters.
- Made a submission to the Board on matters concerning the company's accounting policies, financial controls, records and reporting; and
- Concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

Oversight of risk management

The ACC:

- Received assurance that the processes and procedures followed by the Risk and Capital Management Committee (RCMC) are adequate to ensure that financial risks are identified and monitored; and
- Satisfied itself that the following areas were appropriately addressed:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risk as it relates to financial reporting; and
  - IT risk as it relates to financial reporting.

Internal financial controls

The ACC:

- Reviewed the effectiveness of the Company's system of internal financial controls, including receiving assurance from management, internal audit and external audit;
- Reviewed significant issues raised through the internal and external audit processes;
- Reviewed policies and procedures for preventing and detecting fraud; and
- Reviewed significant cases of misconduct or fraud or any other unethical activity by employees of the company.

Based on the processes and assurances obtained from the different assurance providers, the Committee believes that internal financial controls require significant improvement, and is, however, comfortable with management's action plans to address the identified weaknesses.

Regulatory compliance

The Committee is of the opinion that controls over compliance with laws and regulations are partially effective, however, viable action plans are in place to address the areas of concern.

External audit

The ACC:

- Reviewed the external audit scope to ensure that the critical areas of the business are being addressed; and
- Reviewed the external auditor's report including issues arising out of the external audit.

The external auditors furthermore provided written assurance to the ACC that they remained independent of the company.

Details of the external auditor's fees are set out in Note 22 of the AFS.

Internal audit

The ACC:

- Reviewed and recommended the internal audit charter for approval;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Reviewed internal audit reports, including the response of management to issues raised therein;
- Satisfied itself that the internal audit function has the necessary resources, budget, and standing/authority within the company to discharge its functions;
- Approved the internal audit plan; and
- Encouraged cooperation between external and internal audit.

Combined assurance model

In addition to its normal activities, The Committee is dealing with the augmentation and the enhancement of the combined assurance model for the company.

The Committee determined that a process of coordinating all assurance activities is appropriate to address the significant risks facing the company for each principal risk and business area.

The model will be owned and managed by internal audit, with the risk and compliance function being an integral part of the process.

The Committee recognises that there will be continuous enhancement of both the processes and its activities as it matures the approach to fully integrated reporting, particularly in respect of non-financial issues.

Finance function

The position of Chief Financial Officer is currently vacant. The Board has identified a suitable candidate who possesses the appropriate expertise and experience to meet the responsibilities of this role and is currently awaiting the Prudential Authority's approval. In the interim, Mr Mohamed Gafoor, has been caretaking the role.

The Committee believes the filling of the CFO and Treasury Manger positions will enhance the required expertise and skills within the finance function.

Based on the processes and assurances obtained, the ACC believes that Ithala's accounting practices are effective.

Integrated annual report

Based on processes and assurances obtained, we recommend the integrated annual report to the Board for approval.

On behalf of the ACC

Mrs Given Sibiya CA (SA)
Chairperson

The Directors of Ithala take pleasure in presenting their report, for the year that ended 31 March 2022.

Introduction

Ithala is wholly-owned by IDFC, which, in turn, is wholly-owned by the KwaZulu-Natal Provincial Government. Formally established in 2001 to enhance the Group's capital position through its deposit- taking capability, the company's purpose is to provide financial services to the people of KwaZulu- Natal in areas where such services were not readily available in the past, thereby contributing to the province's socio-economic development.

Taxation

The South African Revenue Service (SARS), granted Ithala an income tax exemption in accordance with section 10(1) (cA) (ii) of the Income Tax Act.

Changes in Directors

A full list of Directors is included in the Corporate Governance Report. There were no new appointments to the Board during the period under review and one resignation.

Resignations:

- Mr S Shabalala (resigned 27 October 2021)

The Board thanks the outgoing director for his dedicated service.

Going concern

Ithala posted a loss of R51.97 million (2021: R31.6 million) for the year ended 31 March 2022. Included in the net loss are losses recognized as a result of the July 2021 civil unrest (R9.4 million) and COVID- 19 related cost (R1.8 million). The SASRIA claims of R13.7 million were expected to be received in the financial year to recovery the unrest losses. However, only R1.8 million was received during the financial year. As at 31 March 2022 the Company's total assets exceeded total liabilities by R369.7 million (31 March 2021: R356.5 million) and total surplus funds were R635 million (31 March 2021: R848 million). As at statement of financial position date the capital adequacy ratio of the Company was 18.3% (March 2021: 17.4%). This level is above the minimum capital adequacy ratio required by the South African Reserve Bank of 15%.

The Company has prepared a detailed strategy to achieve the goal of operating under a banking license with sustainable financial performance and strong management capability to manage and grow the entity. A strategic tilt has been applied to the corporate strategy with a Rebuild-Remodel- Reimagine focus that will be applied from 2020 to 2025, thereby accelerating operating efficiency improvements. In order for the objectives of the next phase (Rebuild) of Ithala's Strategic Recovery Program to be executed successfully, a review of the short-to medium and long-term goals was conducted to understand the business considered these major trends in the market. For Ithala, a major focus in short-term is to dedicate focus and resources to increase sales revenue and reduce costs. In the context of the above, and continuing on the journey to financial sustainability, a loss is budgeted for the 2023 and 2024 financial year of R59.8 million and R13.5 million respectively. Thereafter a projected profit of R52.4 million is budgeted in the 2025 financial year.

The Prudential Authority has extended the company's banking license exemption until 15 December 2023, subject to the company fulfilling certain conditions.

Although the Company incurred a loss and is reliant on the continued support of its holding company and other government entities for the implementation of its turnaround plan, the Board expects all obligations to be settled in the normal course of business and has accordingly adopted the going concern basis of accounting in the preparation of the Annual Financial Statements.

Financial results

The results of Ithala for the year that ended 31 March 2022 are disclosed in the AFS, as set out on pages 15 to 88.

Dividends

No dividends were declared or paid during the period under review.

Directors and Company Secretary

Information relating to the Directors is included on pages 63 to 64. Information relating to the Company Secretary is included in the integrated annual report. The Directors' interest in share capital and contracts, and Directors' remuneration are disclosed in the notes to the AFS.

Material events after reporting period

The material events after reporting date have been disclosed under Note 33 of the AFS.

The Directors are not aware of any other events, which are material to the financial position of the company that occurred between the statement of financial position date and the date of approval of the AFS.

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

		2022	2021
ASSETS	**Note(s)**	**R '000**	**R '000**
Cash and cash equivalents	3	426 355	536 972
Statutory investments and reserves	4	272 401	244 990
Investments and deposits with banks	5	194 191	292 367
Inventory	6	1 499	2 734
Receivables	7	19 337	13 965
Loans and advances to customers	8	2 047 328	1 951 729
Properties in possession	9	535	570
Tangible assets and right-of-use assets	10	80 622	70 569
Intangible assets	11	3 299	3 780
Total Assets		**3 045 567**	**3 117 676**
LIABILITIES			
Trade and other payables	12	143 835	136 754
Provisions	13	450	450
Loan account with holding company	14	17 899	2 901
Customer deposits	15	2 467 105	2 578 551
Long service obligation	16	4 154	5 096
Retirement benefit obligation	16	42 428	37 378
Total Liabilities		**2 675 871**	**2 761 130**
EQUITY			
Share capital	17	190	190
Share premium	17	723 381	658 258
Actuarial reserve	16	13 348	14 564
Accumulated loss		(367 223)	(316 466)
Total equity		**369 696**	**356 546**
Total Equity and Liabilities		**3 045 567**	**3 117 676**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Note(s)	2022 R '000	2021 R '000
Interest income from an effective interest rate	18	199 847	200 403
Interest expenditure from an effective interest rate	19	(57 631)	(70 287)
Net interest income		**142 216**	**130 116**
Non-interest revenue	20	169 501	156 761
Credit impairments reversed	29	7 257	36 015
Other income	21	11 794	12 186
Operating income		**330 768**	**335 078**
Interest expense on non-trading activities	19	(10 170)	(10 308)
Operating expenses	22	(371 355)	(355 401)
Loss for the year		**(50 757)**	**(30 631)**
Other comprehensive loss:			
Items that may not be reclassified to profit or loss:			
Actuarial losses	16	(1 216)	(1 015)
Total comprehensive loss for the year		**(51 973)**	**(31 646)**
Attributable to:			
Equity holders of the Company		(51 973)	(31 646)

STATEMENT OF CHANGES IN EQUITY

AS AT MARCH 31, 2022

	Share capital	Share premium	Total share capital	Actuarial reserve	Accumulated loss	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Balance at April 1, 2020	**190**	**599 258**	**599 448**	**15 579**	**(285 835)**	**329 192**
Loss for the year	-	-	-	-	(30 631)	(30 631)
Other comprehensive loss	-	-	-	(1 015)	-	(1 015)
Issue of shares	-	59 000	59 000	-	-	59 000
Balance at April 1, 2021	**190**	**658 258**	**658 448**	**14 564**	**(316 466)**	**356 546**
Loss for the year	-	-	-	-	(50 757)	(50 757)
Other comprehensive loss	-	-	-	(1 216)	-	(1 216)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(1 216)**	**(50 757)**	**(51 973)**
Issue of shares	-	65 123	65 123	-	-	65 123
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**65 123**	**65 123**	**-**	**-**	**65 123**
Balance at March 31, 2022	**190**	**723 381**	**723 571**	**13 348**	**(367 223)**	**369 696**
Note(s)	17	17	17	16		

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Note(s)	2022 R '000	2021 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(50 757)	(30 631)
ADJUSTMENTS FOR:			
Non-cash items included in loss for the year	23	19 259	(1 233)
Increase in operating liabilities	24	(100 443)	(7 525)
Decrease in operating assets	24	(96 913)	(155 116)
Cash used in from operating activities		**(228 854)**	**(194 505)**
INVESTING ACTIVITIES			
Acquisition and additions of tangible assets	10	(7 361)	(5 419)
Acquisition and additions of intangible assets	11	(105)	(1 283)
Acquisition of investment/cash receipt of investment		102 754	(27 789)
(Increase) / Decrease in statutory investments and reserves		(27 526)	(61 502)
Net cash (utilised) / generated by investing activities		**67 762**	**(95 993)**
FINANCING ACTIVITIES			
Proceeds from shares issued	17	65 123	59 000
Payment of capital portion of lease liability	30	(14 648)	(15 790)
Net cash generated by financing activities		**50 475**	**43 210**
Net movement in cash for the year		**(110 617)**	**(247 288)**
Cash and cash equivalents at the beginning of the year	3	536 972	784 261
Cash and cash equivalents at end of year	3	**426 355**	**536 973**
Additional information on the operational cash flows from interest			
Interest received		199 847	200 403
Interest paid		(62 973)	(74 976)

CORPORATE INFORMATION

The Company provides key retail banking services including savings and home loan products primarily to previously unbanked citizens. The Company is wholly-owned by the Ithala Development Finance Corporation Limited, a finance development agency which is in turn wholly-owned by the KwaZulu-Natal Provincial Government.

The Company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office and principal place of business is Delta Towers Building, 303 Dr. Pixley KaSeme Street (formerly West Street), Durban, South Africa.

The financial statements for the year ended March 31, 2022 were authorised for issue in accordance with a resolution of the directors on Thursday, 29 July 2022.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis utilising the historical cost concept except for the post- retirement medical and defined benefit obligations are measured in terms of the projected unit credit method.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Its interpretations adopted by the IASB, the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements issued by the South African Financial Reporting Standards Council and the South African Companies Act, 2008.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.3.

The annual financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Functional and Presentation Currency

The financial statements are presented in South African Rand, which is the Company's operational currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

1.2 Financial Sustainability

Ithala posted a loss of R51.97 million (2021: R31.6 million) for the year ended 31 March 2022. Included in the net loss are losses recognized as a result of the July 2021 civil unrest (R9.4 million) and COVID-19 related cost (R1.8 million). The SASRIA claims of R13.7 million were expected to be received in the financial year to recovery the unrest losses. However, only R1,8 million was received during the financial year. As at 31 March 2022 the Company's total assets exceeded total liabilities by R369.7 million (31 March 2021: R356.5 million) and total surplus funds were R635 million (31 March 2021: R848 million). As at statement of financial position date the capital adequacy ratio of the Company was 18.3% (March 2021: 17.4%). This level is above the minimum capital adequacy ratio required by the South African Reserve Bank of 15%.

Turnaround Strategy

A detailed strategy has been prepared to achieve the goal of operating under a banking license with sustainable financial performance and strong management capability to manage and grow the entity. A strategic tilt has been applied to the corporate strategy with a Rebuild-Remodel-Reimagine focus that will be applied from 2022 to 2025, thereby accelerating operating efficiency improvements. The strategy provides an operating performance turnaround to achieve profitability and the re-capitalisation required for a successful implementation thereof. The plan outlines an operating model, IT and infrastructure investment, capital funding requirements, and the reduction of external consultant and outsourcing dependencies.

In order for the objectives of the next phase (Rebuild) of Ithala's Strategic Recovery Program to be executed successfully, a review of the short-to medium and long- term goals of the company was conducted to understand the business considered these major trends in the market. For Ithala, a major focus in short-term (FY 2023) is to dedicate focus and resources to the following objectives:

1. Increasing sales revenue

The Company will be focusing on growing non-interest revenue over the next three years. The focus will be on growing fees from transactional banking. The growth comprises increased active debit cards, increase in transaction volumes, and implementation of uniform pricing. The acquisition strategy for debit cards includes on-boarding participants on government contract programs, although acquiring clients is impacted by lockdown restrictions and social distancing.

2. Reducing costs

To address the high cost-to-income ratio, management is currently conducting a review and redesign of the organisation's current operating model. This exercise is expected to eliminate revenue and operational leakages, deliver efficiencies and re- organise the Ithala in a way that makes customer interactions with the business smoother and more efficient. Moreover, the organisation is dedicating focused attention on increasing sales revenue and customer deposits.

In the context of the above, and continuing on the journey to financial sustainability, a loss is budgeted for the 2023 and 2024 financial year of R59.8 million and R13,5 million respectively. Thereafter a projected Profit of R52,4 million is budgeted in the FY2025.

COVID-19 and Civil Unrest

The continued impact of the COVID-19 pandemic on personal finances has had a heavy blown to the Company's net interest income and the customer deposit book growth. This has had a huge impacted on the overall financial performance and the major contributors to the reported losses. Over and above the COVID-19 pandemic, Ithala suffered further losses as result of the civil unrest. Nonetheless, while the 2022 year-end results are reflective of a very challenging operating environment, the Company's liquidity and capital positions still above the predetermined thresholds while the client loans and advances book has increased by from R1.95 billion to R2.05 billion as at 31 March 2022.

Liquidity and Standby Lines of Credit

Cash, deposits with bank and statutory investments amount to R893 million (F2021: R1,074.0 million) as at 31 March 2022 which represents a decrease of R181 million (17%) compared to 31 March 2021. On a monthly basis Ithala is required to hold average statutory investments of at least 7.5% of its liabilities to the public. Ithala holds a buffer of 20% above this value to ensure minimum balances required are not breached in any instance. These funds are not available for use in operational activities. At 31 March 2022, Ithala held R272.6 million (F2021: R245.0 million) in liquid assets which exceeded the total statutory minimum target of 7.5%. The liquidity gap on a contractual basis is negative, on a business as usual basis; however, the Company does not reflect a cumulative negative mismatch in any time band disclosed in the BA300. Thus, overall, the Company has adequate liquid resources to continue operations and to pay its creditors as they become due.

The Company has a R300 million guarantee in place that has been issued by the KZN provincial government expiring at the end of December 2024. This guarantee is ring-fenced to safeguard depositors funding.

Banking License Exemption Notice

The Financial Matters Amendment Act 2019 was assented to by the President and gazette on 23 May 2019, and provide for National State-Owned companies to be eligible to apply for authorization to establish a bank and thus provincial entities which are listed in schedule 3C and 3D of the PFMA are not eligible for authorization to establish a bank, hence Ithala is operating under a banking license exemption expiring in June 2022.

Banking License Exemption Notice Conditions

The terms of the amended Gazette on the new exemption notice requires that the Company to maintain various performance standards in respect of its prudential requirements, profitability and financial sustainability, and corporate governance matters. As at 31 March 2022 the Company has met and exceeded the prudential requirement relative to the capital adequacy ratio, liquidity ratio, leverage ratio, the impaired loans, JAWS ratio and advances as a percentage of total loans and advances ratio. Nonetheless, the Company did not meet two key conditions relating to financial performance: i.e. to remain profitable at all times (R52.0 million loss reported for the financial year), operating within a 78% cost-to-income ratio threshold (117.9% cost-to- income ratio reported for the financial year). As at 31 March 2022, various key management positions prescribed as conditional criteria remain vacant including the Chief Financial Officer, Treasurer, and Chief Operating Officer. However, suitable candidates have been identified for both the Chief Financial Officer and Treasurer. The BA020 application have been submitted to the Prudential Authority for the Chief Financial Officer and the Treasurer.

Banking License Exemption Notice Extension

The Prudential Authority with the approval of the Minister of Finance agreed to extend the banking licence exemption until 15 December 2023 (Gazette 47063, on 22 July 2022), subject to the Company fulfilling the following conditions:

- The Company is required to make an application to the South African Reserve Bank to establish a bank or a mutual bank;
- The Company is required to procure from the Provisional Government of KwaZulu-Natal or National Government an irrevocable and unconditional commitment and guarantee to protect depositors' interest;
- The Company is required to maintain the following performance standards in respect of its prudential requirements:
  - Minimum required capital of the higher of 15% of risk-weight assets or R250 000 000 and;
  - Leverage ration of not less than 4%
- The Company shall maintain a fit and proper Board of Directors and governance arrangements as required in terms of the Banks Act and Directive 4/2018.

A legal application process has been instituted to review a number of the provisions contained in the Exemption Notice to the extent these are considered onerous and unreasonable.

Going Concern Conclusion

Despite posting a net loss, the Company has budgeted to turnaround the business over next three years to report a net profit in the 2025 financial year following the implementation of its strategy recovery program. A comparison to the prior years trading results, excluding the extraordinary events of the civil unrest and the large release of impairments in the prior year, reflects the Company is on a growth trajectory. Revenue has shown growth on both the net interest margin line and the non-interest revenue line. Whereas, expenses have shown a small increase of 2,7%, excluding the unrest cost incurred. In addition, the repo rate has increased in the latter parts of the financial year and is expected to increase further over the next three years which will see additional revenue being generating by the Company. While the performance for the financial year has resulted in negative operating cash out flow, liquidity ratios continue to remain well within prudential requirements. The Company has budgeted to reduce the operating outflows over the next year with the growth in the deposit book. These operating improvement are strengthened by EDTEA's capital funding commitments and support to avail further capital funding opportunities.

Consequently, although the Company incurred a loss and is reliant on the continued support of its holding company and other government entities for the implementation of its turnaround plan, it is expected that all obligations will be settled in the normal course of business and based on the banking license exemption extension, the going concern basis of accounting has been adopted in the preparation of the Annual Financial Statements.

1.3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Company's financial statements, management is required to exercise its judgment in the process of applying the Company's accounting policies, making estimates and assumptions that affect reported income, expenses, assets and liabilities and disclosure of contingent liabilities.

The Company makes estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and assumptions made predominantly relate to going concern, impairment of loans and advances, measurement of lease assets and liabilities and actuarial valuations for employment benefits plans.

The estimates and assumptions which may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Going Concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Management's consideration for preparing the financial statements on the going concern basis is disclosed in Note 1.2.

Measurement of the expected credit loss allowance – IFRS 9

The measurements of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 28, which also sets out key sensitivities of the ECL and to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Measurement of post-retirement obligations and long service awards

The cost of the defined benefit pension plan and long service awards are determined using an actuarial valuation. The actuarial valuation involves assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Refer to Note 16 for the assumptions used.

Measurement of leased asset and leased liability - IFRS 16 (Note 30)

Extension and termination options

Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Factors such as the importance of the underlying assets to our operations, undertaking of significant leasehold improvements and our past practice were taken into account to determine reasonable certainty. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

1.4 TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

Tangible assets comprise computer equipment, furniture and fittings, leasehold improvements, right of use assets, office equipment and motor vehicles.

Refer to note 1.8 for the accounting policy note for right of use asset.

Recognition and measurement.

An item of tangible assets is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Tangible assets and capital work-in-progress are initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of tangible assets are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in statement of comprehensive income in the year in which they are incurred.

Subsequent measurement

Tangible assets are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using the straight-line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Tangible assets are depreciated over the following periods:
- Computer equipment: 3-10 years
- Furniture and fittings: 1-15 years
- Leasehold improvements: 1-10 years
- Office equipment: 2-5 years
- Motor vehicles: 5 years
- Leased property: 1-10 years
- Leased equipment: 1-10 years

Retirement and disposals of tangible assets

A tangible asset shall be derecognised on disposal: or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of a tangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue.

1.5 INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the intangible assets and the costs of the intangible assets can be reliably measured. Intangible assets comprise computer software and licences, and other intangible assets. Intangible assets are recognised at cost.

Intangible assets with a definite useful life are amortised using the straight-line method over their useful economic life, generally not exceeding 20 years. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Computer software and licences

Acquired computer software and licences are capitalized as intangible assets on the basis of the costs incurred to acquire and bring the specific software into use. Capitalised computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight–line method to write-down the cost of intangible assets to their residual values over their estimated useful lives from the date it is available.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. Costs associated with maintaining computer software programmes are recognised as an expense, as and when incurred.

Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system, which will be controlled by the company and has a probable benefit exceeding one year, are recognised as intangible assets. These costs are initially capitalised as work-in-progress up to the date of completion of projects after which the asset is transferred to computer software and accounted for as per the computer software and licences policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis, irrespective of whether there is an indication of impairment. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred

System development costs

Development costs are recognised as intangible assets when the following criteria are met:
- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Retirement and disposals of intangible assets

An intangible asset shall be derecognised on disposal: or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue

Impairment of tangible, Intangible and right of use assets

The carrying amounts of the company's tangible, intangible and right of use assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss when the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for CGU or assets. If any such indication exists, the recoverable amounts of those cash generating units' assets are estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

A reversal of an impairment loss of assets carried at cost or cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. The increased carrying amount of an asset or CGU other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

1.6 FINANCIAL INSTRUMENTS

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as described otherwise:

Initial recognition and measurement

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the financial instrument except for loans and advances which is recognised when the funds are transferred. All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Company commits to purchase (sell) the instruments (trade date accounting).

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net operating income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Financial assets classification and subsequent measurement

The company classifies its financial assets into the following measurement categories based on the company contractual terms and assessment of the business model:

Amortised Cost which consists of the following classes:
- Cash and cash equivalents
- Loans and advances to customers;
- Investment and deposits with banks;
- Receivables; and
- Statutory investments

Fair value through profit or loss (FVTPL), or Fair value through Other Comprehensive income (FVOCI) In the current year the Company had no financial assets classified under fair value business model.

Business Model

The business model reflects how the Company managed the asset in order to generate cash flows. That is whether the Company's objective is solely to collect the contractual cash flow from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of "other" business and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial assets' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of time value of money, credit risk, other basic lending risks and a profit margin consistent with a basic lending arrangement. Based on these factors, the Company classifies its debt into the amortised cost category.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate any equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair value.

Amortised Cost

Assets that are held for collection of contractual cash flows where those cash flows represented SPPI and that are not designated at FVTPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in terms of the Company's expected credit loss policy. A gain or loss from a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income in profit or loss using the effective interest rate method.

Effective interest rate method

The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The effective interest rate method considers all contractual terms of the financial instrument and includes any fees or incremental costs which are directly attributable to the instrument and is an integral part of the effective interest rate, but not future credit losses.

In calculating interest income on Stage 1 and Stage 2 financial assets, the effective interest rate is applied to the gross carrying amount of the asset. However, for Stage 3 financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial instrument is adjusted if the Company revises its estimate of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. For purchased or originated credit-impaired financial assets, the company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

In applying the effective interest method, the company identifies fees that are an integral part of the effective interest rate of loans granted. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. These include origination fees received by the company relating to the creation or acquisition of loans such as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets carried at amortised cost and FVOCI and with the exposures arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company recognises a loss allowance at an amount equal to the lifetime ECL, except for financial assets on which credit risk has not increased significantly since their initial recognition. The loss allowance on financial assets on which credit risk has not increased significantly since their initial recognition are at an amount equal to the 12-month ECL. The loss allowance on receivables are always measured at an amount equal to the lifetime ECL.

Significant increase in credit risk

The Company assesses at each reporting date, whether the credit risk of a financial instrument has increased significantly since initial recognition. This is based on the comparison of the risk of default occurring on the financial instrument as at each reporting date to initial recognition over the expected life of the financial instrument. It considers available reasonable and supportable forward-looking information, including movement in the credit score since initial recognition or the last reporting date.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments.

Impairment of financial assets: Definition of default

The Company defines a default consistent to the internal risk for internal credit risk management purposes for the relevant financial instruments and considers qualitative factors when appropriate.

The Company's criteria in the determination of impairment of a financial asset or group of assets include observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the customer or borrower;
- A breach of contract, such as default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrowers' financial difficulty, granting the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the lender is over indebted; and
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets that may have arisen from global economic conditions that correlate with defaults on the assets because of adverse changes in the financial services sector, which has impacted on borrowers.

A backstop is applied and the financial instrument is considered to be in default if the borrower is more than 90 days due on its contractual payments.

Financial assets subject to re- negotiated terms.

The Company sometimes renegotiates or otherwise modifies the contractual cash flow of loans to customers. When this happens, the Company assesses whether the new terms are substantially different to the original term.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. These loans are not considered to be past due. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Restructuring activities include extended payment arrangements, and deferral of payments, amongst others.

Following restructuring, a previously overdue advance is managed together with other similar accounts once the customer demonstrates the ability to make contractual payments for a specific period. Restructuring policies and procedures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

If the terms are substantially different, the Company derecognises the original asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

Write off of financial assets

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include

(i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Loan commitments are measured at fair value, alternatively, measured at amortised cost if both of the following conditions are met:

- The asset held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Derecognition of financial assets

When the Company transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset:

- If the Company transfers substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognised and recognised separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the Company retains substantially all the risks and rewards of ownership of the financial asset, the financial asset continues to be recognised.
- If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company determines whether it has retained control of the financial asset:
- If the Company has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the Company has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (measured at the date of derecognition) and any consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

If the transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities

Classification and measurement

Financial liabilities are initially measured at fair value including transaction costs and subsequently classified and measured at amortised cost. The company's financial liabilities at amortised costs included customer deposits, trade and other payables and a loan account with its holding company

Derecognition of financial liabilities

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are offset only to the extent that their related instruments have been offset in the statement of financial position.

Receivables

Classification

Other receivables are deferred assets which arise as a result of the Company having paid an amount in advance, for which the benefit of the corresponding goods and/or services will only be received within the course of the next 12 months from reporting date.

Trade and other payables

Classification

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in interest expenditure from an effective interest rate (note 19).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 28 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, short-term investments and amounts due from banks on demand or with an original maturity of three months or less from the date of acquisition. Cash and cash equivalents are measured at amortised cost. The amortised cost of the cash and cash equivalents approximates its fair value.

1.7 TAX

Taxation

The Company is not subject to normal tax as a result of an exemption granted in terms of Section 10(1) (CA) (ii) of the Income Tax Act. The Company is however, subject to indirect taxes which comprise non-recoverable value added taxation (VAT) and skills development levies (SDL).

1.8 LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether :

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and.
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in 'trade and other payables' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short- term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.9 INVENTORY

Inventories consist of debit cards and consumables. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula.

1.10 SHARE CAPITAL

Ordinary shares and share premium are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

1.11 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages and salaries, annual leave, sick leave, bonuses, contributions to retirement funds, car allowance, housing subsidy, cellphone allowance and medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

When an employee has rendered service to the company during a period, the company recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund
- As an expense.

Post-retirement medical aid benefits

The company operates a post-retirement medical aid benefit. The scheme is unfunded.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the post-retirement medical aid fund.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date as the valuations are normally performed just before year end.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

Pension fund and provident fund

The company previously had a defined benefit provident fund and a defined benefit pension fund which was funded. The defined benefit plans were closed off and employees were transferred to the Old Mutual defined contribution plans. However, the defined benefit plans still have pensioners who have not yet been transferred to Old Mutual as the company is still waiting for the trustees and FSCA to give the go ahead to transfer the pensioners. Plan assets pertaining to the pensioners are therefore still currently held as at year end.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date as the valuations are normally performed just before year end.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the liability that is outstanding as at year end for the pensioners as well as the plan assets.

When the projected unit credit method calculation results in a potential asset being recognised the net defined benefit asset shall be measured at the fair value of the plan assets less the present value of the defined benefit obligation limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As at year end the potential asset has not been recognised as the plan assets have not yet been allocated to the company by the FSCA as yet for use in the reduction of future contributions or as a refund.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise in other comprehensive income. The net interest expense is determined on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Net interest expense is recognised in profit or loss.

Long service award

The Company amended the long service award policy during the financial year. Based on the new policy, the employee receives a cash reward for every 5 years of continuous service up to 25 years of service. Prior to the new policy, the employee received a certain percentage of the total cost to company in the year the payment is made based on the number of years the employee has rendered service to the company, which should be a minimum of 10 years. The payment of the award is the cost of providing the benefits which is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the long service award.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date as the valuations are normally performed just before year end.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

For the long service award, actuarial gains and losses are recognised in the year in which they arise in profit or loss. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

Termination benefits

If the termination benefits include post-employment benefits, these shall be accounted for as detailed above under post- employment benefits, otherwise termination benefits payable within 12 months after the end of the reporting period are measured in accordance with the requirements of short term benefits. If termination benefits are payable beyond 12 months after the end of the reporting period they are measured in accordance with the requirements of other long term benefits.

1.12 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is measured as the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities, which include certain guarantees other than financial guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events, not wholly within the Company's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

1.13 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attaching to them, and the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or acquire non – current assets are deducted in arriving at the carrying amount of the assets. Except for non-current assets, the grants are recognised as income over the periods necessary to match the grant with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purposes of giving immediate financial support to the Company with no future related cost are recognised in profit or loss in the period in which they are received.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.14 INTEREST INCOME

Interest income is recognised in the statement of comprehensive income on the accrual basis using the effective interest rate method for all financial instruments measured at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

1.15 INTEREST EXPENSE

Interest expenses are recognised in the statement of comprehensive income on the accrual basis using the effective interest rate method for all interest bearing financial instruments.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1.16 NON-INTEREST REVENUE

Fee and commission income

Fee income and commission earned from contracts with customers is recognized when the performance obligation (banking services and delivering agency services) has been satisfied by transferring control of the services to the customer. The amount of the consideration that is expected to be transferred in exchange for the services rendered is the transaction price per the contract.

Other Income

Other income includes amounts recognised for dormant accounts which are greater than five years and efforts have been exhausted to contact the customer to refund the balances. The Company maintains records of dormant accounts recognised as income in line with the Banking Association of South Africa's guidelines. Amounts disclosed are net of amounts refunded to customers who were able to validate their dormant accounts.

1.17 PROPERTIES IN POSSESSION

Properties in possession are properties acquired by the Company which were previously held as collateral for underlying lending arrangements that subsequent to origination, have defaulted.

The Company's properties in possession includes properties registered and available for sale and properties sold for which transfer to a purchaser is in progress. Properties in possession are classified as other assets upon foreclosure of the loan and they have met the reclassification criteria.

The properties are initially recognised at cost. The properties are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to
- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

There has been no impact.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after April 1, 2022 or later periods:

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.

Management is still assessing the impact.

Definition of accounting estimates: Amendments to IAS 8

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimate with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of a change in accounting estimate prospectively remains unchanged.

The effective date of the amendment is for years beginning on or after January 1, 2023.

Management is still assessing the impact.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023.

Management is still assessing the impact.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the is for years beginning on or after January 1, 2023.

Management is still assessing the impact.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendments makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Continent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the company is for years beginning on or after January 1, 2022.

Management is still assessing the impact.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after January 1, 2022.

Management is still assessing the impact.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the company is for years beginning on or after January 1, 2022. Management is still assessing the impact.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after January 1, 2022.

Management is still assessing the impact.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:	2022	2021
	R '000	R '000
Cash on hand	62 857	79 157
Bank balances	69 942	89 277
Call and money market funds	293 556	344 813
Short term investments and deposits with bank	-	23 725
	426 355	**536 972**

Included in cash is an amount of R 13.8 million (2021: R 19.8 million) relating to cash in transit at year-end. The ECL on cash and cash equivalents have not been raised as it was considered immaterial.

4. STATUTORY INVESTMENTS AND RESERVES

	2022	2021
	R '000	R '000
Treasury bills	217 266	194 210
Balances with Central Bank	55 330	50 860
Impairment of statutory investments and reserves	(195)	(80)
Total	**272 401**	**244 990**

The Company invests in statutory investments to ensure that the minimum reserve requirements are met. These funds are not available for use in operational activities. Amounts held as at March 31, 2022 exceed the minimum reserve requirements by R52.5 million (2021: R 40.1 million), and are invested in terms of the Company's capital management policy.

5. INVESTMENTS AND DEPOSITS WITH BANKS

	2022	2021
Investments and deposits with banks are analysed, as follows:	R '000	R '000
Fixed term funds	165 213	257 716
Investments in State Owned Companies	42 995	53 246
	208 208	310 962
Impairment of investments	(14 017)	(18 595)
	194 191	**292 367**
Maturity analysis of investments and deposits with banks		
Maturing up to 1 month	42 995	76 940
Maturing after 1 month but within 3 months	80 172	111 308
Maturing after 3 months but within 6 months	82 007	62 371
Maturing after 6 months but not exceeding 1 year	3 034	60 343
Total	**208 208**	**310 962**
Credit impairments for investments and deposits		
Balance at the beginning of the year	18 595	28 931
Impairments reversed	(4 578)	(10 336)
Balance at the end of the year	**14 017**	**18 595**
Comprising:		
Impairments for performing investments (stage 1 and stage 2)	14 017	18 595
Total credit impairments for loans and advances	**14 017**	**18 595**

The company invests surplus funds with financial institutions that are rated in accordance with Fitch ratings (or equivalent rating) with a minimum long term rating of A and also invest surplus funds in other State Owned Companies (SOC's). The financial institutions, in which surplus cash is invested, are Investec Limited, Nedbank Limited, Standard Bank Limited, First National Bank, ABSA Bank Limited and the Bank of China Limited.

Funds on fixed deposit at ABSA Bank Limited are subject to a general cession in its favour up to an amount of R 60 million (2021: R60 million) for electronic banking facilities granted to the company and R 3 million for a guarantee issued on behalf of the company in favour of the South African Insurance Association. At year-end, funds on fixed deposit with ABSA Bank Limited totalled R 65.2 million (2021: R 65.4 million).

At March 2022 the gross carrying value of investments was R208 million (March 2021: R311.0 million) against which ECL of R14.0 million (March 2021: R18.6 million) was held. Of the ECL, R13.8 million (March 2021: R18.0 million) is from a single investment in Land Bank. The gross carrying value of this investment at 31 March 2022 was R43.0 million (March 2021: R53.2 million). The reduction in the gross carrying value was due to a capital settlement of R10 million (2021:7.2 million). The capital reduction and improved prospects of recovering the investment has reduced the ECL by from R18.0 million to R13.8 million. Refer to note 29 for further details.

The following table contains an analysis of the credit risk exposure of investments based on the internal credit risk rating grades and year-end stage classification. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these investments.

Investments - 2022	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
Credit Risk Rating Grades	R'000	R'000	R'000	R'000
Investment Grade	-	-	-	--
Standard Grade	165 213	-	-	165 213
Low Grade	-	42 995	-	42 995
Default	-	-	-	-
Gross carrying amount	**165 213**	**42 995**	**-**	**208 208**
Loss Allowance	(264)	(13 753)	-	(14 017)
Carrying amount	**164 949**	**29 242**	**-**	**194 191**

Investments - 2021	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
Credit Risk Grades	R'000	R'000	R'000	R'000
Investment Grade	-	-	-	-
Standard Grade	257 716	-	-	257 716
Low Grade	-	53 246	-	53 246
Gross carrying amount	**257 716**	**53 246**	**-**	**310 962**
Loss allowance	(550)	(18 045)	-	(18 595)
Carrying amount	**257 166**	**35 201**	**-**	**292 367**

6. INVENTORY

	2022 R '000	2021 R '000
Debit cards on hand	1 499	2 734

Inventories to the value of R1.3 million have been expensed during the current year (2021: R1.6 million)

7. RECEIVABLES

	2022 R '000	2021 R '000
Receivables	9 576	5 926
Non-financial instruments:		
Prepayments	9 761	8 039
Total trade and other receivables	**19 337**	**13 965**

Receivables include accruals for service fees receivable, insurance premiums due and other recoverables.

8. LOANS AND ADVANCES

	2022 R '000	2021 R '000
Mortgage loans	1 576 196	1 611 594
Housing loans	19 528	24 142
Micro finance - secured loans	539 832	405 835
Micro finance - unsecured loans	352	537
Gross carrying amount	**2 135 908**	**2 042 108**
Initiation fees EIR adjustment	(10 048)	(9 059)
Credit impairments for loans and advances	(78 532)	(81 320)
Net loans and advances	**2 047 328**	**1 951 729**
Maturity analysis		
Maturing:		
Up to 1 month	72 469	108 301
From 1 month to 6 months	71 127	68 152
From 6 months to 1 year	79 692	70 978
From 1 year to 5 years	580 163	513 794
After 5 years	1 332 457	1 280 883
	2 135 908	**2 042 108**

The general terms and conditions for the granting of loans relate to serviceability of the loan by the applicant and adequacy of security provided. The loan pricing is linked to the prevailing prime interest rate.

The maturity analysis is based on the remaining period to contractual maturity date as determined at the end of the year.

	2022	2021
Expected credit loss for loans and advances	**R '000**	**R '000**
Balance at beginning of the year	81 320	107 903
Charge to income statement		
Amounts written off against specific credit impairment	(4 212)	(9 418)
Impairments raised / (reversed)	1 424	(17 165)
Balance at end of the year	**78 532**	**81 320**

	2022	2021
Comprising:	**R '000**	**R '000**
Impairment for performing loans	33 057	33 579
Impairment for non-performing loans	45 475	47 741
Impairment for loans and advances	**78 532**	**81 320**
Credit impairment analysis of non performing loans		
Balance at beginning of the year	47 741	40 697
Impairment accounts written off	(4 212)	(9 418)
Net impairments (reversed)/raised	1 946	16 462
	45 475	**47 741**
Credit impairments analysis of performing loans		
Balance at beginning of the year	33 579	67 206
Net impairments raised	(523)	(33 627)
	33 056	**33 579**
Segmental analysis of impairments in respect of non-performing loans		
Retail - Mortgage	38 639	37 655
Retail - Other	6 836	10 086
	45 475	**47 741**

Non-performing loans and advances - IFRS9

A non-performing loan is an exposure where the credit quality has declined significantly, or an obligation is past due for more than 90 days. An obligation is past due when the borrower has failed to honour it at the point when it fell due.

At March 2022 the value of non-performing loans was R168 million (March 2021: R175 million) against which credit impairments of R45 million (March 2021: R47 million) were held. There was no individual loan or advance included above that exceeds 10% of the Company's qualifying capital reserves as at 31 March 2022.

Impaired loans and advances, and specific credit impairments

Impaired loans and advances are defined as loans and advances in respect of which the Company has raised specific credit impairments. Specific credit impairment is raised in respect of an asset that has triggered a loss event where the security held against the advance is insufficient to cover the total expected losses. Such a loss event may be, for example, significant financial difficulty of the borrower, a breach of contract such as a default, or delinquency in interest or principal payments.

The model aligns to industry standard to not move accounts that were in default back to Stage 1 or Stage 2 immediately after no longer meeting the definition of default (i.e. in excess of 90 days in arrears). Instead, accounts are kept in Stage 3 for a probation/curing period (of around 6 to 12 months for retail portfolios) before moving out of Stage 3.

Portfolio credit impairment

Portfolio credit impairment represents the impairment on loans and advances that have not been specifically impaired. These loans and advances have not yet individually evidenced a loss event. A period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident. This period is generally known as the "emergence period".

Qualitative criteria
- The company considers that the client is unlikely to meet its credit obligations in full without the company having recourse to actions such as realising security (if held).
- The company has applied for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation.
- The client is placed under business rescue in terms of the Companies Act, 71 of 2008.

Impact of Covid-19

The Covid-19 pandemic had a significant impact on the macroeconomic environment, therefore, the ability of borrowers to meet their obligations. The Prudential Authority supported Covid-19 related relief initiatives, such as payment holidays offered by banks, to support the local economy. Consequently, the Prudential Authority issued D3/2020 published 06 April 2020 to enable banks to continue to extend credit to the real economy during the period of financial stress without the need for inappropriate higher capital requirements. The intention of PA was to reinstate the requirements of D7/2015 in full after the impact of Covid- 19 has subsided.

The company adopted D3/2020. For any loan restructured after 06 April 2020 where the below conditions were met, the loan was classified as a 'Covid-19 loan restructure' or 'D3/2020 restructure'. The D3/2020 restructures remained in their respective stage classification (stage 1 or stage 2), instead of being identified as a distressed restructure, in accordance with D7/2015, and consequently classified as credit-impaired (in default). The following conditions were applied:
- the loan was up-to-date (with zero arrears) in the previous month or at the time of application;
- the restructure was due to Covid-19 related factors, based on all reasonable and verifiable information available at the date of restructuring the loan; and
- the loan is expected to remain in an up-to-date status subsequent to the relief period, all other factors remaining constant. If an account was unlikely to stay up-to-date once the restructure period ended, the account was not considered a D3/2020 restructure and treated as a distressed restructure, ie classified as credit-impaired (in default).

If there were adverse changes in the actual or expected circumstances during or after the relief period and the changes were not expected to be temporary in nature over and above the relief provided, such circumstances were deemed to be indicators of distress, the D3/2020 loan would be reclassified as a distressed restructured loan, ie credit-impaired (in default).

The PA has given notice that D3/2020 is being withdrawn effective 1 April 2022 - going forward, there will be no specific Covid- 19 related debt reliefs, all requests for debt relief will be treated in line with the prior existing directives.

Expected credit Loss Allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:
- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Mortgage loans and Housing loans

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Mortgage loans and Housing loans 2022	Stage 1: 12month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R '000	R '000	R '000	R '000
Loss allowance as at March 31, 2021	2 681	22 748	40 209	65 638
Recalibration of model	(790)	(5 027)	(5 641)	(11 458)
Loss allowance as at March 31, 2021 after recalibration	1 891	17 721	34 568	54 180
Transfers:				
Transfer from Stage 1 to Stage 2	(354)	2 931	-	2 577
Transfer from Stage 1 to Stage 3	(38)	-	1 955	1 917
Transfer from Stage 2 to Stage 3	-	(2 754)	6 973	4 219
Transfer from Stage 2 to Stage 1	949	(4 124)	-	(3 175)
Transfer form Stage 3 to Stage 1	45	-	(1 724)	(1 679)
Transfer from Stage 3 to Stage 2	-	687	(2 565)	(1 878)
New financial assets originated or purchased	237	2 126	241	2 604
Change in PDs/LGDs/EADs	(5 905)	3 804	8 651	6 550
Changes to model assumptions	4 855	(700)	(6 136)	(1 981)
Macroeconomic forecasts	735	577	-	1 312
Financial assets derecognised during the period	(64)	(680)	(3 324)	(4 068)
Total net P&L charge during the period	459	1 866	4 071	6 396
Loss allowance as at March 31, 2022	**2 350**	**19 588**	**38 639**	**60 577**
Write offs	-	-	2 035	2 035

Mortgage loans and Housing loans 2021	Stage 1: 12month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R '000	R '000	R '000	R '000
Loss allowance as at March 31, 2020	14 568	41 182	35 830	91 580
Recalibration of model	(9 807)	(9 956)	1 193	(18 570)
Loss allowance as at March 31, 2020 after recalibration	4 761	31 226	37 023	73 010
Excluding manual overrides as at March 31, 2020	-	-	879	879
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(762)	3 034	-	2 272
Transfer from Stage 1 to Stage 3	(88)	-	2 123	2 035
Transfer from Stage 2 to Stage 3	-	(4 074)	8 804	4 730
Transfer from Stage 2 to Stage 1	2 609	(6 643)	-	(4 034)
Transfer from Stage 3 to Stage 1	24	-	(1 267)	(1 243)
Transfer from Stage 3 to Stage 2	-	204	(972)	(768)
New financial assets originated or purchased	1 430	2 586	-	4 016
Change in PDs/LGDs/EADs	(8 002)	4 125	753	(3 124)
Changes to model assumptions	5 277	(1 504)	(6 765)	(2 992)
Macroeconomic forecasts	(2 414)	(5 706)	-	(8 120)
Applying overrides as at 31 March 2020	-	-	-	-
Financial assets derecognised during the period	(155)	(499)	(370)	(1 024)
Total net P&L charge during the period	**(2 081)**	**(8 477)**	**3 185**	**(7 373)**
Loss allowance as at March 31, 2021	**2 680**	**22 749**	**40 208**	**65 637**
Write-offs	-	-	2 922	2 922

The following table further explains changes in the gross carrying amount of the housing loans portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Mortgage loans and Housing loans 2022	Stage 1: 12month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R '000	R '000	R '000	R '000
Gross carrying amount as at March 31, 2021	1 030 997	449 469	155 268	1 635 734
Recalibration of the model	2 057	(2 057)	-	-
Gross carrying amount as at March 31, 2021	1 033 054	447 412	155 268	1 635 734
Transfers:				
Transfer from Stage 1 to Stage 2	(174 832)	174 832	-	-
Transfer from Stage 1 to Stage 3	(8 682)	-	8 682	-
Transfer from Stage 2 to Stage 1	124 228	(124 228)	-	-
Transfer from Stage 2 to Stage 3	-	(29 303)	29 303	-
Transfer from Stage 3 to Stage 1	14 762	-	(14 762)	-
Transfer from Stage 3 to Stage 2	-	18 533	(18 533)	-
Financial assets derecognised during the period other than write-offs	(45 065)	(26 379)	(14 228)	(85 672)
New financial assets originated or purchased	94 399	35 465	742	130 606
Interest accruals and payments received	(63 176)	(22 970)	1 202	(84 944)
Applying overrides as at March 31, 2022	532	-	(532)	-
Gross carrying amount as at March 31, 2022	**975 220**	**473 363**	**147 143**	**1 595 726**
Write offs	-	-	3 724	3 724

Mortgage loans and Housing loans 2022	Stage 1: 12month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R '000	R '000	R '000	R '000
Gross carrying amount as at March 31, 2021	963 866	467 896	125 451	1 557 213
Recalibration of the model	(33 717)	33 717	-	-
Gross carrying amount as at March 31, 2021	930 149	501 613	125 451	1 557 213
Transfers:				
Transfer from Stage 1 to Stage 2	(107 771)	107 771	-	-
Transfer from Stage 1 to Stage 3	(9 279)	-	9 279	-
Transfer from Stage 2 to Stage 1	110 290	(110 290)	-	-
Transfer from Stage 2 to Stage 3	-	(37 137)	37 137	-
Transfer from Stage 3 to Stage 1	2 602	-	(2 602)	-
Transfer from Stage 3 to Stage 2	-	6 951	(6 951)	-
Financial assets derecognised during the period other than write-offs	(33 719)	(12 418)	(2 374)	(48 511)
New financial assets originated or purchased	203 087	24 183	-	227 270
Interest accruals and payments received	(64 362)	(31 204)	(4 672)	(100 238)
Gross carrying amount as at March 31, 2022	**1 030 997**	**449 469**	**155 268**	**1 635 734**
Write offs	-	-	4 255	4 255

Micro finance - secured

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Micro financed - secured 2022	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Loss allowance as at March 31, 2021	989	7 025	7 124	15 138
Recalibration of the model	114	161	(186)	89
Loss allowance as at March 31, 2021 after calibration	1 103	7 186	6 938	15 227
Movements with P&L impact Transfers:				
Transfer from Stage 1 to Stage 2	(329)	1 782	-	1 453
Transfer from Stage 1 to Stage 3	(51)	-	779	728
Transfer from Stage 2 to Stage 1	717	(1 044)	-	(327)
Transfer from Stage 2 to Stage 3	-	(936)	1 787	851
Transfer from Stage 3 to Stage 1	46	-	(840)	(794)
Transfer from Stage 3 to Stage 2	-	406	(946)	(540)
New financial assets originated or purchased	873	3 789	254	4 916
Change in PDs/LGDs/EADs	(1 963)	(1 829)	837	(2 955)
Macroeconomic forecasts	669	562	-	1 231
Changes to model assumptions and methodologies	1 120	(913)	(1 579)	(1 372)
Financial assets derecognised during the period	(42)	(172)	(565)	(779)
Total P&L charge during the period	1 041	1 645	(273)	2 413
Loss allowance as at March 31, 2022	**2 142**	**8 831**	**6 665**	**17 638**
Write offs	-	-	152	152

Micro finance - secured 2021	Stage 1: 12month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R '000	R '000	R '000	R '000
Loss allowance as at March 31, 2020	1 572	9 616	2 573	13 761
Recalibration of model	(933)	(3 314)	(107)	(4 354)
Loss allowance as at March 31, 2020 after calibration	639	6 302	2 466	9 407
Movements with P&L impact				
Excluding manual overrides as at March 31, 2020	1 370	(2 871)	-	(1 501)
Transfers:				
Transfer from Stage 1 to Stage 2	(512)	1 026	-	514
Transfer from Stage 1 to Stage 3	(247)	-	2 038	1 791
Transfer from Stage 2 to Stage 1	259	(455)	-	(196)
Transfer from Stage 2 to Stage 3	-	(1 124)	2 275	1 151
Transfer from Stage 3 to Stage 1	-	-	(9)	(9)
Transfer from Stage 3 to Stage 2	-	-	(1)	(1)
New financial assets originated or purchased	1 049	4 778	708	6 535
Change in PDs/LGDs/EADs	(840)	1 769	2 606	3 535
Macroeconomic forecasts	(891)	(1 667)	-	(2 558)
Changes to model assumptions and methodologies	205	(513)	(2 941)	(3 249)
Financial assets derecognised during the period	(43)	(220)	(18)	(281)
Total net P&L charge during the period	**350**	**723**	**4 658**	**5 731**
Loss allowance as at March 31, 2021	**989**	**7 025**	**7 124**	**15 138**
Write-offs	-	-	2 068	2 068

The following table further explains changes in the gross carrying amount of the micro financed - secured portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Micro financed - Secured Loans 2022	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Gross carrying amount as at March 31, 2021	317 979	68 368	19 488	405 835
Recalibration of model	(2 283)	2 283	-	-
Gross carrying amount as at March 31, 2021	315 696	70 651	19 488	405 835
Transfers:				
Transfer from Stage 1 to Stage 2	(25 671)	25 671	-	-
Transfer from Stage 1 to Stage 3	(4 529)	-	4 529	-
Transfer from Stage 2 to Stage 1	20 806	(20 806)	-	-
Transfer from Stage 2 to Stage 3	-	(6 507)	6 507	-
Transfer from Stage 3 to Stage 1	3 832	-	(3 832)	-
Transfer from Stage 3 to Stage 2	-	2 533	(2 533)	-
Financial assets derecognised during the period other than write offs	(30 797)	(3 732)	(2 564)	(37 093)
New financial assets originated or purchased	161 586	38 426	1 719	201 731
Interest accruals and payments received	(16 122)	(11 926)	(2 592)	(30 640)
Gross carrying amount as at March 31, 2022	**424 801**	**94 310**	**20 722**	**539 833**
Write-offs	-	-	351	351

Micro financed - Secured Loans 2021	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Gross carrying amount as at March 31, 2020	239 217	86 731	5 668	331 616
Recalibration of model	(307)	307	-	-
Gross carrying amount as at March 31, 2020	238 910	87 038	5 668	331 616
Transfers:				
Transfer from Stage 1 to Stage 2	(6 127)	6 127	-	-
Transfer from Stage 1 to Stage 3	(2 457)	-	2 457	-
Transfer from Stage 2 to Stage 1	34 454	(34 454)	-	-
Transfer from Stage 2 to Stage 3	-	(14 414)	14 414	-
Transfer from Stage 3 to Stage 1	421	-	(421)	-
Transfer from Stage 3 to Stage 2	-	74	(74)	-
Financial assets derecognised during the period other than write-offs	(34 410)	(4 597)	(227)	(39 234)
New financial assets originated or purchased	107 362	34 545	2 029	143 936
Interest accruals and payments received	(20 172)	(5 951)	(4 359)	(30 482)
Gross carrying amount as at March 31, 2021	**317 981**	**68 368**	**19 487**	**405 836**
Write-offs	-	-	2 958	2 958

Micro finance - unsecured

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Micro Finance - Unsecured Loans 2022	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Loss allowance as at March 31, 2021	-	227	309	536
Recalibration of model	-	(89)	(10)	(99)
Loss allowance as at March 31, 2021 after calibration	-	138	299	437
Transfers:				
Change in PDs/LGDs/EAD	-	29	1	30
Financial assets derecognised during the period	-	(22)	(129)	(151)
Total net P&L charge during the period	-	7	(128)	(121)
Loss allowance as at March 31, 2022	**-**	**146**	**171**	**317**
Write-offs	-	-	128	128

Micro finance - unsecured 2021	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Loss allowance as at March 31, 2020	2	248	2 312	2 562
Recalibration of model	(1)	(52)	(1)	(54)
Loss allowance as at March 31, 2020 after calibration	1	196	2 311	2 508
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3	-	(34)	85	51
Change in PDs/LGDs/EADs	-	(2)	(2 026)	(2 028)
Changes to model assumptions	-	-	(50)	(50)
Macroeconomic forecasts	-	(20)	-	(20)
Financial assets derecognised during the period	(1)	(2)	(19)	(22)
Total net P&L charge during the period	**-**	**(58)**	**(2 010)**	**(2 068)**
Loss allowance as at March 31, 2021	**-**	**138**	**301**	**439**
Write-offs	-	-	2 164	2 164

The following table further explains changes in the gross carrying amount of the micro finance - unsecured portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Micro Financed - Unsecured Loans - 2022	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Gross carrying amount as at March 31, 2021	-	228	309	537
Transfers:				
Financial assets derecognised during the period other than write-offs	-	(29)	(136)	(165)
Interest accruals and payments received	-	(23)	3	(20)
Gross carrying amount as at March 31, 2022	**-**	**176**	**176**	**352**
Write-offs	-	-	138	138

Micro Financed - Unsecured Loans - 2021	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifietime ECL	Total
	R '000	R '000	R '000	R '000
Gross carrying amount as at March 31, 2020	25	350	2 371	2 746
Transfers:				
Transfer from Stage 2 to Stage 3	-	(91)	91	-
Financial assets derecognised during the period other than write-offs	(25)	(19)	(25)	(69)
Interest accruals and payments received	-	(13)	(2 128)	(2 141)
Gross carrying amount as at March 31, 2021	**-**	**227**	**309**	**536**
Write-offs	-	-	2 204	2 204

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

	Stage 2		Stage 3	
	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss
	R '000	R '000	R '000	R '000
Housing loans	11 311	-	2 233	-
Micro finance - secured	2 773	-	2 149	-
Total	**14 084**	**-**	**4 382**	**-**

2021	Stage 2: Gross amortised costs before the modification	Stage 2: Net modification gain or loss	Stage 3: Gross amortised cost before the modification	Stage 3: Net modification gain or loss
Housing loans	7 412	-	5 189	-
Micro finance - secured loans	4 066	-	2 985	-
	11 478	**-**	**8 174**	**-**

Mortgage and Housing Loans

The table below shows the credit quality and the maximum exposure to credit risk based on Empirical scores used by the Bank, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology are explained in Note 28 and the entity's impairment assessment and measurement approach is also set out in Note 28.

March 31, 2022 **12 Month PD Range Performing**	Stage 1	Stage 2	Stage 3	Total
0.00%-0.50%	77	1	-	78
0.51%-11.70%	974 611	400 816	-	1 375 427
11.71%-29.50%	-	42 575	-	42 575
29.51%-100%	532	29 971	-	30 503
Non-performing				
100%	-	-	147 145	147 145
Gross Carrying amount	**975 220**	**473 363**	**147 145**	**1 595 728**

March 31, 2021 **12 Month PD Range Performing**	Stage 1	Stage 2	Stage 3	Total
0.00%-0.50%	485 010	16 703	-	501 713
0.51%-11.70%	545 987	382 927	-	928 914
11.71%-29.50%	-	26 358	-	26 358
29.51%-100%	-	23 482	33 026	56 508
Non-performing				
100%	-	-	122 243	122 243
Gross carrying amount	**1 030 997**	**449 470**	**155 269**	**1 635 736**

Secured Loans

The table below shows the credit quality and the maximum exposure to credit risk based on Empirical scores used by the Bank, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology are explained in Note 28 and the entity's impairment assessment and measurement approach is also set out in Note 28.

March 31, 2022 **12 Month PD Range Performing**	Stage 1	Stage 2	Stage 3	Total
0.00%-0.50%	20 074	6	-	20 080
0.51%-11.70%	404 726	67 523	-	472 249
11.71%-29.50%	-	9 737	-	9 737
29.51%-100%	-	17 042	-	17 042
Non-performing 100%	-	-	20 721	20 721
Gross carrying amount	**424 800**	**94 308**	**20 721**	**539 829**

March 31, 2021 **12 Month PD Range Performing**	Stage 1	Stage 2	Stage 3	Total
0.00%-0.50%	22 580	-	-	22 58
0.51%-11.70%	295 399	44 660		340 059
11.71%-29.50%	-	5 022	-	5 022
29.51%-100%	-	18 686	5 058	23 744
Non-performing				
100%	-	-	14 429	14 429
Gross carrying amount	**317 979**	**68 368**	**19 487**	**405 834**

Unsecured Loans

The table below shows the credit quality and the maximum exposure to credit risk based on Empirical scores used by the Bank, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology are explained in Note 28 and the entity's impairment assessment and measurement approach is also set out in Note 28.

March 31, 2022 12 Month PD Range Performing	Stage 1	Stage 2	Stage 3	Total
0.00%-0.50%	-	-	-	-
0.51%-11.70%	-	-	-	-
11.71%-29.50%	-	87	-	87
29.51%-100%	-	89	-	89
Non-performing				
100%	-		176	176
Gross carrying amount	**-**	**176**	**176**	**352**

March 31, 2021 12 Month PD Range Performing	Stage 1	Stage 2	Stage 3	Total
0.00%-0.50%	-	-	-	-
11.71%-29.50%	-	228	-	228
Non-performing				
100%	-	228	309	309
	-	**228**	**309**	**537**

9. PROPERTIES IN POSSESSION

	2022 R '000	2021 R '000
Properties in possession	535	570

Properties in possession to the value of R 0.03 million have been expensed during the current year (2021: R 1.9 million).

Properties in possession relate to immovable properties that have been repossessed by the Company and mainly comprise private residential dwellings.

10. TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	23 609	(20 212)	3 397	24 132	(20 862)	3 270
Motor vehicles	313	(211)	102	313	(149)	164
Office equipment	32 950	(22 490)	10 460	33 286	(22 361)	10 925
Computer equipment	60 003	(52 606)	7 397	62 322	(53 301)	9 021
Leasehold improvements	47 174	(42 523)	4 651	50 403	(45 890)	4 513
Leased property Note 30	80 311	(30 778)	49 533	64 724	(22 048)	42 676
Leased equipment Note 30	7 037	(1 955)	5 082	-	-	-
Total	**251 397**	**(170 775)**	**80 622**	**235 180**	**(164 611)**	**70 569**

Reconciliation of tangible assets and right-of-use assets - 2022

	Opening balance	Additions / Modification	Disposals	Depreciation / impairment	Total
Furniture and fixtures	3 270	1 039	(230)	(682)	3 397
Motor vehicles	164	-	-	(62)	102
Office equipment	10 925	4 192	(1 396)	(3 261)	10 460
Computer equipment	9 021	557	(225)	(1 956)	7 397
Leasehold improvements	4 513	1 573	(214)	(1 221)	4 651
Leased property	42 676	24 608	(2 728)	(15 023)	49 533
Leased equipment	-	7 037	-	(1 955)	5 082
	70 569	**39 006**	**(4 793)**	**(24 160)**	**80 622**

Reconciliation of tangible assets and right-of-use assets - 2021

	Opening balance	Additions / Modification	Disposals	Depreciation / impairment	Total
Furniture and fixtures	3 598	484	(2)	(810)	3 270
Motor vehicles	230	-	-	(66)	164
Office equipment	9 372	4 810	(118)	(3 139)	10 925
Computer equipment	12 269	125	(1 236)	(2 137)	9 021
Leasehold improvements	5 649	-	-	(1 136)	4 513
Leased property	21 043	38 709	-	(17 076)	42 676
	52 161	**44 128**	**(1 356)**	**(24 364)**	**70 569**

Depreciation of R24.2 million (2021: R24.4 million) and no impairments (2021: Nil) are included in the Statement of Comprehensive Income.During the year the Company wrote off assets with a net book value of R1.8 million (2021: nil) due to the unrest.

11. INTANGIBLE ASSETS

	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	17 550	(16 633)	917	17 550	(16 048)	1 502
Software work in progress	43 465	(41 083)	2 382	43 361	(41 083)	2 278
Total	**61 015**	**(57 716)**	**3 299**	**60 911**	**(57 131)**	**3 780**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1 502	(0)	(586)	916
Software work in progress	2 278	105	-	2 383
	3 780	**105**	**(586)**	**3 299**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	1 675	-	-	652	(825)	1 502
Software work in progress	10 708	1 283	(382)	(652)	(8 679)	2 278
	12 383	**1 283**	**(382)**	**-**	(9 504)	3 780

Amortisation of R0.6 million (2021: R0.8 million) and no impairment (2021: R8.7 million) is included in the Statement of Comprehensive Income.

An amount of R32.4 million was recognised as an intangible asset impairment provision during the 2011 year. This impaired asset relates to the banking system project (Temenos MCB) which was scheduled to be commissioned in June 2010.

Intrinsic value may exist within the capitalised amount from the Temenos MCB project which may be realised on the implementation of a new system.

In 2018 the Company initiated new banking system project for implementation of an integrated enterprise-wide core banking platform with a digital customer centric paradigm expected to modernise the Company's technology as well as close various risk and compliance exceptions. Work-in-progress incurred to the value of R26 million is funded by a R40 million grant received from the KZN government for the purpose of funding the project.System development has been halted and an investigation is in progress to determine the recoverability of the costs incurred. In 2020 financial year end the server that housed the core banking application was damaged and there is uncertainty on the recoverability of this work-in-progress application. Engagement with the service provider is underway to try restore the application. As the carrying value of R26 million has been reduced by the grant funding received, no impairment is required.

No amount (2021: R8.7 million) has been recognised as an intangible asset impairment provision during the 2022 year. The impaired asset relates to development costs incurred on the first phase of a banking system project initiated in 2014 to allow the migration of products from the legacy banking system to a platform provided by an external service provider.This project was subsequently placed on hold. The development costs which were expected to be interfaced with the new enterprise platform have been impaired until the project reaches the integration stage.

12. TRADE AND OTHER PAYABLES

	2022 R '000	2021 R '000
Financial instruments:		
Trade payables	13 772	6 643
Accruals	27 150	26 665
Accrued audit fees	5 163	5 819
Accrued leave pay	8 253	14 985
Accrued 13th cheques	2 048	1 978
Loans and advances reflecting credit balances	4 186	4 039
Deferred Income-Government income	9 304	9 304
Lease liability	61 053	47 085
Sundry Payables	12 906	20 236
	143 835	**136 754**

Grant deferred income relates to a government grant received by the Company for the purposes of assisting it in developing its new banking system. The new banking system has not been fully developed as at year-end, therefore only a portion of the grant has been utilised.

Lease liability reconciliation		
Opening balance	47 085	24 166
Additions	31 645	38 709
Disposals	(3 029)	-
Interest	5 342	4 689
Repayments and other movements	(19 990)	(20 479)
	61 053	**47 085**

13. PROVISIONS

Reconciliation of provisions - 2022

	Opening balance	Additions	Utilised during the year	Total
Provision	450	-	-	450

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Total
Provision	450	-	-	450

A legal dispute arose in the early 2000's between Mr Mthembu and the Company. The matter of contention is that Mr Mthembu purchased a property through the Ithala bulk PIP scheme but has been unable to take occupation of the property as it is currently occupied by a third party. A settlement offer was proposed by the Company to Mr Mthembu to cover the following: The purchase price, interest of his loan, and legal cost which was limited to a specific amount.

14. LOAN ACCOUNT WITH HOLDING COMPANY

	2022 R '000	2021 R '000
Holding company		
Loan account with holding company	17 899	2 901
The loan with the holding company is unsecured, bears no interest and has no fixed repayment terms		
Maturity analysis		
Within 1 year	17 899	2 901

15. CUSTOMER DEPOSITS

	2022 R '000	2021 R '000
Call deposit accounts	82 240	65 245
Savings accounts	1 130 698	1 200 983
Term deposits	1 254 167	1 312 323
	2 467 105	**2 578 551**
Maturity analysis:		
On demand	1 216 860	1 269 146
Up to 1 month	120 669	160 046
From 1 month to 6 months	717 970	796 570
From 6 months to 1 year	376 464	321 039
From 1 year to 5 years	35 142	31 750
	2 467 105	**2 578 551**
Savings accounts are further analysed as follows:		
Savings	730 583	783 753
Trust accounts	54 999	54 776
Debit Card	328 881	337 944
Corporate	16 235	24 510
Total Savings	**1 130 698**	**1 200 983**
Term deposits are further analysed as follows:		
Retail accounts	877 992	879 209
Corporate accounts	376 175	433 114
Total Term deposits	**1 254 167**	**1 312 323**

Savings accounts, as disclosed in the table above, have no fixed terms and are available to customers on demand.

Term deposits are available to customers upon maturity.

16. RETIREMENT BENEFIT OBLIGATIONS

Post-retirement medical obligations

The Company provides post-retirement medical benefits to employees who commenced employment prior to 1 August 2000. These actuarial valuations are conducted annually at statement of financial position date. 85 current and retired employees (2021: 85) are currently covered under the scheme.

The most recent actuarial valuation of the present value of defined benefit obligations were carried out for the current financial year by Alexander Forbes, fellow of the Institute of Actuaries of South Africa and as per the signed report. The present value of the liability was measured using the Projected Unit Credit Method.

The principal actuarial assumptions used included a discount rate of 11.10% (2021: 11.90%) and a health care cost inflation rate of 8.20% (2021: 9.00%). The movement in the liability annualised in the statement of financial position is as follows:

	2022 R '000	2021 R '000
Movement in the defined benefit obligation, is as follows :		
Balance at beginning of the year	37 378	33 163
Current service costs	655	562
Interest costs	4 448	4 189
Net actuarial loss recognised during the year	1 717	1 266
Benefit payment	(1 770)	(1 802)
Balance at end of the year	**42 428**	**37 378**
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	42 428	37 378
Post retirement medical benefits		
Actuarial (loss)/gain		
The actuarial gains arose as a result of the following :		
Change in Real Discount Rate	117	(4 057)
Higher than Expected Healthcare Cost Inflation including Changes in Members' Benefit Options	776	308
Unexpected Changes in Membership	(2 610)	2 483
Total	**(1 717)**	**(1 266)**

Actuarial assumptions used and sensitivity analysis Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2022	2021
Present value of obligation			R '000	R '000
			42 428	37 378
Health care cost inflation	8.20%	+1%	48 053	37 402
		-1%	37 738	37 341
Discount rate	11.10%	+1%	37 895	33 306
		-1%	47 924	42 323
	60 years	+1 year	43 173	35 812
Expected retirement age		-1 year	40 800	38 983

Pension and Provident Fund Schemes

The Company provides retirement benefits to all employees by contributing to pension and provident funds. Membership of either the pension or provident fund is compulsory. The defined benefit pension fund and the defined benefit provident fund are governed by the Pension Funds Act, 1956, with retirement benefits being determined with reference to both pensionable remuneration and years of service. Both funds are closed to new members.

The defined contribution pension fund and defined contribution provident fund are governed by the Pension Funds Act of 1956 and are open to new members and members who have elected to transfer from the defined benefit funds.

Actuarial valuations of the defined benefit pension and provident funds were conducted as at the end of each of the three preceding financial years and the actuary found the funds to be in a sound financial position. An actuarial review conducted as at 31 March 2022 showed that in respect of both the defined benefit pension fund and the defined benefit provident fund, the present value of the obligation was adequately covered by the fair value of the scheme assets.

The most recent actuarial valuation of plan assets and present value of defined benefits obligations were carried out for the current and prior annual financial years by Old Mutual Actuarial Consultants, fellow of the Institute of Actuaries of South Africa and as per the signed report. The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

Defined benefit pension fund

Net asset balance currently recognised

	2022	2021
	R '000	R '000
Amount allowed as a reduction of future contributions	-	3 892
Amount utilized for contributions	-	(3 892)
Asset as per balance sheet	-	-

Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2022	2021
			R '000	R '000
Discount rate	0	+1%	-	-
		-1%	-	-
Expected salary rate	0.00%	+1%	-	-
		-1%	-	-

It was resolved during the 2012 financial year to close the defined benefit pension fund. All active members of the fund have been transferred to a defined contribution fund of the Company as at 31 December 2011. The trustees have agreed to utilize the surplus in the pension fund to fund the employer contributions towards the Old Mutual Superfund. The Company began utilizing the contribution holiday from July 2017.

	2022 R '000	2021 R '000
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of the year	-	305
Interest cost	-	14
Actuarial loss	-	2 084
Benefits paid	-	(2 403)
Balance	**-**	**-**
The movement in the fair value of plan assets over the year, is as follows:		
Balance at beginning of the year	-	2 371
Interest cost	-	239
Benefits paid	-	(2 403)
Actuarial loss	-	(207)
Balance at end of the year	**-**	**-**
Actuarial (loss)/gain		
The actuarial gains arose as a result of the following:		
Actuarial gains/(loss) arising changes in demographic assumptions	-	-
Actuarial gain arising from changes in financial assumptions	-	(207)

The Company expects to make no contributions to the company defined benefit pension fund due to the closure of the fund as disclosed above.

	2022 R '000	2021 R '000
Defined benefit provident fund		
Fair value of plan assets	(4 406)	(3 906)
Surplus	(4 406)	(3 906)
Amount allocated to employer surplus account	4 406	3 906
Asset not recognized due to asset ceiling	-	-
The movement in the defined benefit obligation over the year is as follows :		
The movement in the fair value of plan assets over the year, is as follows:		
Balance at beginning of the year	3 906	3 668
Interest income	-	327
Actuarial gain / (loss)	500	(89)
Balance at end of the year	**4 406**	**3 906**
Actuarial (loss)/gain		
The actuarial gains arose as a result of the following:		
Actuarial gain arising changes in demographic assumptions	(153)	89
Sensitivity analysis – unfunded accrued liability		

	Assumptions	Change	2022 R '000	2021 R '000
Discount rate	0	+1%	-	-
		-1%	-	-
Expected salary rate	0.0%	+1%	-	-
		-1%	-	-

The Company expects to make no contribution (2021: Nil) to the company defined benefit provident fund and no contribution (2021: Nil) to the Old Mutual Superfund defined benefit provident fund during the next financial year due to payment holiday.

	2022 R '000	2021 R '000
Actuarial gains and losses analysis		
Pension and provident fund	500	251
Post retirement medical	(1 716)	(1 266)
	(1 216)	**(1 015)**
Actuarial reserve movement		
Opening balance	14 564	15 579
Actuarial movement	(1 216)	(1 015)
	13 348	**14 564**

	2022 R '000	2021 R '000
Long service obligation		
Balance at beginning of the year	5 096	12 914
Expensed during the year	899	(6 987)
Contributions paid	(1 841)	(831)
Balance at end of the year	**4 154**	**5 096**

	2022 R '000	2021 R '000
Long service obligation		
Balance at beginning of the year	5 096	12 914
Expensed during the year	899	(6 987)
Contributions paid	(1 841)	(831)
Balance at end of the year	**4 154**	**5 096**
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	4,154	5,096
Amounts recognised in the statement of comprehensive income are as follows:		
Current service cost	473	1 343
Interest cost	380	1 416
Net actuarial loss recognised in the year	46	(9 746)
	899	**(6 987)**

Sensitivity analysis

Assumptions	**Change**	2022 R '000	2021 R '000
Present value obligations		4 154	5 096
Average salary inflation	+1%	4 154	5 112
	-1%	4 154	5 080
Average retirement age	-2 years	3 959	4 941
	+2 years	4 292	5 242

Prior to the new policy, the Company provided long service awards to permanent employees in the form of cash at ten years of continuous service and every five years thereafter. The long service award granted was calculated as a percentage of the total cost to company. From 1 April 2021 the calculation will be based on a cash reward for every 5 years of continuous service up to 25 years of service, based on the new approved policy.

An actuarial valuation of the provision for long service awards at 31 March 2022 quantified the present value of obligations at R4.2 million (2021: R5.1 million). These actuarial valuations are conducted annually at statement of financial position date. The most recent actuarial valuation of the long service awards was carried out for the current financial year by Alexander Forbes, fellow of the Institute of Actuaries of South Africa. The present value of the liability was measured using the Projected Unit Credit Method.

The principal actuarial assumptions used included a discount rate of 9.30% (2021: 9.10%) and an average salary inflation of 6.80% (2021: 6.10%).

17. SHARE CAPITAL

	2022 R '000	2021 R '000
Authorised		
191 000 000 Ordinary shares of 0.1 cent each	191	191
Reconciliation of number of shares issued:		
Reported as at April 1	658 448	599 448
Issue of shares – ordinary shares	65 123	59 000
	723 571	**658 448**

	2022 R '000	2021 R '000
Issued		
Ordinary	190	190
190 053 356 (2021: 190 046 844) ordinary shares of 0.1 cent each issued and fully paid for		
Share premium	723 381	658 258
	723 571	**658 448**

18. INTEREST INCOME FROM AN EFFECTIVE INTEREST RATE

	2022 R '000	2021 R '000
Interest income on call accounts	15 167	20 114
Interest income on fixed deposit accounts	14 585	23 052
Interest income on treasury bills	8 794	8 325
Interest earned on loans and advances to customers	157 083	144 623
Loan origination fees	4 218	4 289
Total interest on loans and advances and surplus funds	**199 847**	**200 403**

19. INTEREST EXPENDITURE FROM AN EFFECTIVE INTEREST RATE

	2022 R '000	2021 R '000
Interest paid on customer deposits	57 631	70 287
Interest arising from post-employment benefits	4 828	5 619
Interest arising from leased liabilities	5 342	4 689
Total	**67 801**	**80 595**

20. NON-INTEREST REVENUE

	2022 R '000	2021 R '000
Revenue from contracts with customers		
Revenue generated by Insurance division		
Commission income	11 293	10 641
Administration fee	1 044	1 035
Funeral cover commission and other fees	651	682
Commission and fee income from banking activities		
Fee income from loans and advances	6 953	6 323
Service fees from customer deposits	149 032	137 594
Other fee income	528	486
	169 501	**156 761**

The Company earns revenue from contracts with customers for rendering banking services and administrating loans. Commissions received are from insurance services rendered to various clients.

21. OTHER INCOME

	2022 R '000	2021 R '000
Dormant account balances recognised in income	8,380	8,259
Bad debts recovered	214	863
Recovery of operating expenses from holding company	406	431
Sundry income	2,794	2,633
	11,794	**12,186**

22. OPERATING EXPENSES

Operating expenditure is stated after the following items:	2022 R '000	2021 R '000
Auditor's remuneration		
Audit fees	5 526	5 950
Adjustment for previous year(s)	178	(223)
	5 704	**5 727**
Amortisation and impairment of intangible assets	586	9 504
Depreciation and impairment of tangible assets and right of use asset	24 160	24 366
Professional fees	5 529	15 493
Short term leases and other cost*	5 911	2 727
Personnel costs (excluding Director's and key management remuneration)	161 990	152 788
Included in personnel costs above are contributions to retirement benefit schemes:		
Defined benefit plans	4 168	3 639
Defined contribution plans	9 072	8 496
	13 240	**12 135**

*Included in other costs are marketing costs and operational costs paid to lessors on certain properties.

Directors' emoluments		
SC Ngidi (resigned 20 April 2020)	-	117
G Sibiya	775	811
M Pupuma (appointed 01 August 2020)	765	461
Inkosi SN Mkhize	875	1 033
S Mnguni (appointed 04 October 2019)	-	-
Z Khanyile (appointed 01 August 2020, resigned 31 October 2020)	-	134
S Shabalala (appointed 01 January 2021, resigned 27 October 2021)	382	150
N Simelane (appointed 01 January 2021)	589	103
	3 386	**2 809**

2022

Executive Directors' remuneration

	Short-term employee benefits	Post-employment benefits	Total
T Vilakazi - Chief Executive Officer	2 588	349	2 937

Appointed Prescribed Officers remuneration	Short-term employee benefits	Post-employment benefits	Termination benefits	Total
S Gwala - Head: HR	1 623	139	-	1 762
S Xolo - Head Marketing and Communication	1 340	110	-	1 450
T Luthuli - Company Secretary (resigned 30 April 2021)	124	11	278	413
S Moodley - Head Retail and Business Banking	1 542	141	-	1 683
C Gumede: Chief Risk Officer (resigned 30 April 2021)	128	11	49	188
A Pather: Head Insurance	1 380	124	-	1 504
L Barnard - Head IT (appointed 01 March 2021, resigned 06 July 2021)	550	50	56	656
S Nsele - Chief Audit Executive	1 382	121	-	1 503
K Nkambule - Compliance Officer	1 423	129	-	1 552
X Khumalo - Head Credit	1 607	143	-	1 750
B Van der Lingen - Chief Risk Officer (appointed 15 November 2021)	422	34	-	456
N Masuku - Company Secretary (appointed 15 November 2021)	351	28	-	379
S Phakathi - Chief Information Officer (appointed 06 January 2022)	413	40	-	453
S Dlamini - Executive Assistant (appointed 01 July 2021)	672	60	-	732
	12 957	**1 141**	**383**	**14 481**

Acting Prescribed Officers remuneration	Short-term employee benefits	Post-employment benefits	Termination benefits	Total
M Gafoor - Acting Chief Financial Officer (appointed 01 September 2021)	669	57	-	726
N Dlamini - Acting Company Secretary (May 2021 to November 2021)	380	29	-	409
N Shewdin - Acting Chief Risk Officer (May 2021 to November 2021)	580	45	-	625
	1 629	**131**	**-**	**1 760**

While the positions of Chief Financial Officer and Chief Risk Officer were vacant, the positions vested with the Chief Executive Officer who delegated authority to the above individuals. The position of Company Secretary vested with the Board who delegated authority to the above individual.

2021

Executive Directors' remuneration

	Short-term employee benefits	Post-employment benefits	Total
T Vilakazi (appointed 01 September 2020)	1 443	197	1 640

Appointed Prescribed Officers remuneration

	Short-term employee benefits	Post-employment benefits	Total
S Gwala - Head: HR	1 622	135	1 757
S Xolo - Head Marketing and Communication	1 235	99	1 334
T Luthuli - Company Secretary	1 588	130	1 718
S Moodley - Head Retail and Business Banking	1 648	137	1 785
C Gumede - Chief Risk Officer	1 619	131	1 750
A Pather - Head Insurance	1 432	118	1 550
L Barnard - Head IT (appointed 01 March 2021)	137	13	150
S Nsele - Chief Audit Executive (appointed 01 September 2020)	750	67	817
K Nkambule - Compliance Officer (appointed 01 August 2020)	904	83	987
X Khumalo - Head Credit (appointed 16 November 2020)	609	48	657
	11 544	**961**	**12 505**

Acting Prescribed Officers remuneration

	Short-term employee benefits	Post-employment benefits	Termination benefits	Total
NN Naidoo - Acting Head Credit (April 2020 to November 2020)	798	55	-	853
N Harryparshad: Acting Head IT (resigned 28 October 2020)	748	-	16	764
	1 546	**55**	**16**	**1 617**

Prescribed officers include every person, by whatever title the office is designated that:

- Exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company or;
- Regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a Significant portion, of the business and activities of the company.

23. OPERATING ACTIVITIES

	2022 R '000	2021 R '000
Non-cash items included in loss for the year		
Depreciation of tangible assets and ROUA	24 160	24 364
Amortisation of intangible assets	586	9 504
Loss on disposal of equipment	2 065	1 356
Credit impairment in loans and advances	(2 793)	(26 583)
Credit impairments on investments and statutory investments	(4 464)	(10 256)
Disposal of intangible asset	-	382
Gain on leases	(295)	-
	19 259	**(1 233)**

24. CHANGES IN OPERATING FUNDS

	2022 R '000	2021 R '000
Increase in operating liabilities		
Increase / (decrease) in customer deposits	(111 446)	4 188
Decrease / (increase) in trade and other payables	(6 887)	3 114
Decrease in long service obligation	(942)	(7 818)
Increase in retirement benefit obligations	3 834	3 200
Decrease / (increase) in loan account with holding company	14 998	(10 209)
	(100 443)	**(7 525)**
Decrease in operating assets		
Increase in loans and advances	(92 811)	(153 032)
Decrease in properties in possession	35	1 884
Increase in receivables	(5 372)	(2 348)
Decrease / (Increase) in inventory	1 235	(1 620)
	(96 913)	**(155 116)**

25. COMMITMENTS

	2022 R '000	2021 R '000
Capital commitment		
• Acquisition of equipment	2 830	508
• Intangible assets	53 384	55 028
	56 214	**55 536**

Capital expenditure will be financed from internal resources.

Unutilised facilities on advances at statement of financial position date were R12.5 million (2021: R28.0 million).

All commitment figures are VAT inclusive.

Intangible assets includes R52.1 million (March 2021: R52.1 million) development costs in respect of a new banking system application project which is currently on hold pending the outcome of investigators regarding the development of the system as well as legal counsel, as raised in the Contingencies note (Note 32).

26. RELATED PARTIES

The holding company is Ithala Development Finance Corporation Limited and the ultimate controlling shareholder is the KwaZulu-Natal Provincial Government through the MEC of the Department of Economic Development, Tourism and Environmental Affairs.

The following are identified as related parties of the company:

Ithala Development Finance Corporation Limited

The nature of the relationship between Ithala Development Finance Corporation Limited and the Company is that of holding company and subsidiary.

The outstanding balance of the current loan accounts is disclosed in Note 14.

	2022 R '000	2021 R '000
Outstanding balances with the holding company		
Outstanding balance on savings and fixed deposits	(17 652)	(14 836)
Loan account with holding company	(17 899)	(2 901)

Savings and fixed deposit agreements entered into with the holding company are done so in the ordinary course of business and under terms no more favourable to those entered into with third parties at arm's length.

The transactions with the holding company during the financial year have been analysed below:

Transactions with the holding company

	2022 R '000	2021 R '000
Interest paid on customer deposits	397	2 004
Shared services	6 763	6 780
Recovery of operating expenses	(406)	(431)
Rental paid	5 524	5 571
Deposits due to property tenants	53 619	50 421
Other costs	-	8 227
Total	**65 897**	**72 572**

KwaZulu-Natal Provincial Government

The Department of Economic Development, Tourism and Environmental Affairs is the ultimate shareholder of the Company.

The Company received deposit funds from various entities within The Department of Economic Development, Tourism and Environmental Affairs' group of companies.

	2022 Deposits due R '000	2022 Interest expense R '000	2021 Deposits due R '000	2021 Interest expense R '000
KwaZulu-Natal Growth Fund Trust	83 846	5 079	85 412	5 104

Key management personnel - Directors of the Company and/or holding company

Directors of the Company and holding company are the individuals responsible for planning, directing and controlling the activities of the Company.

The related party transactions detailed below refer to loans which were granted to key management personnel. Key management personnel compensation is disclosed in Note 22.

	Outstanding balance	Net realized amount of security	Interest received
	R '000	R '000	R'000
Loans granted to executive management of the holding company 2022			
2022	2 287	4 930	136
2021	-	-	-
Loans granted to executive management of the Company 2022			
2022	8 665	10 253	299
2021	4 306	5 261	244

Impairment and terms of business relating to related party loans

Loans to Executive Management are secured by mortgage bonds over properties for housing loans and the market value of the asset for vehicle and asset finance. The Company, in the ordinary course of business, entered into various transactions with related parties. These transactions occur under terms that are no more favourable to those entered into with third parties at arm's length except for housing loans where all full time employees qualify for the prime overdraft rate less 1.75% and vehicle and asset finance where all full time employees qualify for the prime overdraft rate less 1.00% .

No amount has been expensed during this financial year in respect of bad or doubtful debts due from these related parties.

27. FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES AND IRREGULAR EXPENDITURE

Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure incurred in the current year (2021: R 0). Fruitless and wasteful expenditure of R2.6 million relates to the 2017/2018 financial year.

	2022	2021
	R '000	R '000
Opening balance	2 600	2 000
Add: Fruitless and wasteful expenditure - current year	-	-
Add: Prior years' amounts identified in the current year	-	600
	2 600	**2 600**

A R2.0 million sign-on bonus was paid in respect of an executive appointment made in 2017 in recompense for the forfeiture of benefits on resignation from his previous employer to join Ithala SOC. An investigation revealed that the executive should have not received a sign-on bonus, rendering the payment of the sign-on bonus of R2.0 million fruitless and wasteful expenditure. The Board has resolved to recover the R2 million sign-on bonus from the ex-employee through legal process.

The Company paid a recruitment fee for the placement of the executive. Therefore the recruitment fees of R0.6 million paid on the sign-on bonus is regarded as fruitless and wasteful expenditure. The Company has begun legal proceeding and the matter is being defended by the ex-employee. The ex-employee is seeking to amend the notice of motion. The matter will only be set on the opposed roll once the amended Notice of Motion has been filed.

Material losses / Impairments

As disclosed in Note 8, loans and advances to the amount of R4.2 million (2021: R9.4 million) was written-off during the financial year. The Company suffered R1.6 million as a result of a branch robbery in the current year (2021: R3.6 million). No insurance proceeds (March 2021: R1.4 million) were received. There was no staff and other fraud in the current year (2021: R0.2 million). In July 2021 Kwazulu-Natal experienced social unrest and rioting. The Company suffered losses R9.4 million which including the cost to bring affected branches and ATM's back to operation. The Company has put in a claim of R13,7 million from The South African Special Risk Association ('SASRIA). As at 31 March 2022, proceeds of R1.8 million have been received against this claim (refer to note 36 for more details).

There have been no impairments of intangible assets in the current year (2021: R8.7 million). This relates to the development cost incurred on the Enterprise Banking System. These developments can no longer be utilised and have been impaired in the prior year. Refer to Note 11.

Irregular expenditure

An amount of R18.5 million (2021: R 20.9 million) which relates to irregular expenditure was incurred in the current financial year or identified in the current financial year that related to prior years as a result of not complying with the Supply Chain Management Policy. An amount of R 35.0 million has been identified in the current year as irregular expenditure relating to prior years (refer below for more details). The table below reflects a summary of expenditure incurred and condoned by the Accounting Authority:

	2022 R '000	2021 R '000
Opening balance	66 933	46 059
Less: Prior period error*	(9 284)	-
Add: Irregular Expenditure - current year	18 497	20 862
Add: Prior year amounts identified in current year	34 974	12
Irregular Expenditure awaiting condonation	**111 120**	**66 933**

*In the prior year the Company reported R9,3 million as irregular expenditure, however after further investigation it was found that this expenditure is in fact not irregular and is being removed from the irregular expenditure listing.

Analysis of expenditure awaiting condonation per age classification

	2022 R '000	2021 R '000
Current year	18 497	20 874
Prior years	92 623	46 059
Total	**111 120**	**66 933**

Details of irregular expenditure – current year

		2022 R '000	2021 R '000
Incident	Disciplinary steps taken/criminal proceedings		
Expired SLA	Matters under investigation	17 973	11 199
Invoices above SLA amount	Matters under investigation	-	371
No requisition or quotation	Matters under investigation	524	9 284
Variation limit exceeded	Matters under investigation	-	20
Total		**18 497**	**20 874**

The R9.3 million cost incurred in the prior year without a requisition or quotation, relates to professional fees charged to the Company for an investigation initiated by the SARB in its supervisory capacity. The appointment of the service provider was made at the discretion of the SARB under the terms of the Banks Act contrary to the prescripts of the PFMA governing the Company's procurement processes.

The opening balance of prior years' irregular expenditure of R46,1 million is still being investigated. Once the investigation is completed it will be submitted for condonation.

Alleged Irregular Expenditure

No alleged irregular expenditure was identified in the current year. The amount reflected in 2021 relates to the 2018/2019 financial year. This amount is now reflected as irregular expenditure in the current financial after an internal investigation.

	2022 R '000	2021 R '000
Opening balance	-	-
Add: Amounts arising in the current year	-	-
Add: Prior year amounts identified in the current year	-	34 974
	-	**34 974**

The above expenditure of R35.0 million in the prior year relates to systems development and hardware costs paid to Tech Mahindra. This alleged irregular expenditure arose following external investigation into the awarding of the contract from a supply chain management forensic perspective relative to possible non-compliance around supply chain management and information technology due diligence. In the current year this expenditure has been recorded as irregular expenditure. The Company has begun proceeding with Tech Mahindra by instituting a civil claim against them. The attorneys have filed and served the summons on 3 March 2022.

28. FINANCIAL RISK MANAGEMENT

The core function of the Company's risk management department is to identify all key risks impacting the Company, measure these risks, manage the risk positions and determine capital allocations. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and industry best practice.

The Company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The Company's primary financial risks are:
- Credit risk
- Liquidity risk
- Market risk

The Board takes overall responsibility for risk management and approves risk management strategies and policies. Senior management is responsible for its implementation and creating a risk management culture within the Company through communication, education and training. The risk management policies are designed to set appropriate limits and controls. These are reviewed at least annually.

The table below displays an explanation of the classes of financial instruments held and their related measurement categories.

2022

	Note(s)	Financial assets and liabilities at amortised cost	Non-financial instruments	Total
Cash and cash equivalents	3	426 355	-	426 355
Statutory investments	4	272 596	-	272 596
Investments and deposits with banks	5	208 208	-	208 208
Loans and advances to customers	8	2 135 908	-	2 135 908
Receivables	7	9 576	9 761	19 337
Customer deposits	15	(2 467 105)	-	(2 467 105)
Trade and other payables	12	(74 529)	(69 306)	(143 835)
Loan account with holding company	14	(17 899)	-	(17 899)
		493 110	**(59 545)**	**433 565**

2021

	Note(s)	Financial assets and liabilities at amortised cost	Non-financial instruments	Total
Cash and cash equivalents	3	536 972	-	536 972
Statutory investments	4	245 070	-	245 070
Investments and deposits with banks	5	310 962	-	310 962
Loans and advances to customers	8	2 042 108	-	2 042 108
Receivables	7	5 926	8 039	13 965
Customer deposits	15	(2 578 551)	-	(2 578 551)
Trade and other payables	12	(74 684)	(62 070)	(136 754)
Loan account with holding company	14	(2 901)	-	(2 901)
		484 902	**(54 031)**	**430 871**

The values above are considered to approximate the fair values of the related financial instruments.

Credit risk

Credit risk is the risk of suffering financial loss, should any customers or market counterparties fail to fulfil their contractual obligations to the company. Credit risk arises mainly from commercial and consumer loans and advances. Credit risk is a significant risk requiring management to carefully manage its exposure. Credit risk management and control are centralised within a credit risk management team, which reports to the Chief Executive Officer.

Maximum exposure to credit risk

The maximum exposure is the full amount exposed to credit risk without taking into account any form of security. The table below shows the maximum exposure to credit risk for the relevant component, as disclosed in the statement of financial position.

	Note(s)	2022 R '000	2021 R '000
Credit risk exposures relating to statement of financial position assets:			
Cash and cash equivalents	3	363 498	457 815
Statutory investments	4	272 596	245 070
Investments and deposits with banks	5	208 208	310 962
Loans and advances to customers	8	2 135 908	2 042 108
Receivables	7	19 337	13 965
Total assets subject to credit risk		**2 999 547**	**3 069 920**
Letters of undertaking issued		12 462	28 006

Maturity analysis of credit risk exposures

Residual contractual maturity analysis for credit risk exposures is as follows:

March 31, 2022

Credit risk exposure relating to on statement of financial position assets:

		Up to 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	After 5 years	Total
Cash and cash equivalents	3	363 498	-	-	-	-	363 498
Statutory investments	4	105 168	167 428	-	-	-	272 596
Investments and deposits with banks	5	42 995	162 179	3 034	-	-	208 208
Loans and advances to customers	8	72 469	71 127	79 692	580 163	1 332 457	2 135 908
Receivables	7	-	19 337	-	-	-	19 337
Total assets subject to credit risk		**584 130**	**420 071**	**82 726**	**580 163**	**1 332 457**	**2 999 547**
Letters of undertaking issued		12 462	-	-	-	-	12 462

March 31, 2021

Credit risk exposure relating to on statement of financial position assets:

		Up to 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	After 5 years	Total
Cash and cash equivalents	3	434 090	23 725	-	-	-	457 815
Statutory investments	4	80 781	164 289	-	-	-	245 070
Investments and deposits with banks	5	76 940	173 679	60 343	-	-	310 962
Loans and advances to customers	8	108 301	68 152	70 978	513 794	1 280 883	2 042 108
Receivables	7	-	13 965	-	-	-	13 965
Total assets subject to credit risk		**700 112**	**443 810**	**131 321**	**513 794**	**1 280 883**	**3 069 920**
Letters of undertaking issued		28 006	-	-	-	-	28 006

Individually assessed exposures

The Company considers certain exposures to be individually significant, warranting an assessment of impairment individually. Large exposures are housing loans exceeding R500 000.

Management of credit risk

Loans and advances

Credit risk

The company uses external Credit Risk Scoring provided by the Credit Bureau, TransUnion's Empirica Score is used in the assessment of the probability of default of individual counterparts arising from loans and advances. The borrower's income, expenses, collateral for retail secured exposure is taken in to account and fed in to the Credit Risk Assessment/Affordability Model (CCAM).

Bank and investment balances

The company invests surplus funds with financial institutions that are rated in accordance with Fitch ratings (or equivalent rating) and also invest surplus funds in other State Owned Companies (SOC's). The financial institutions, in which surplus cash is invested, are Investec Limited, Nedbank Limited, Standard Bank Limited, First National Bank and ABSA Bank Limited. Due to investments being held in institutions that are highly-rated, these instruments are neither past due nor impaired.

Credit risk measurement

Loans and advances to customers (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposures varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations of the likelihood of defaults occurring, of the associated loss ratios and of the default correlations between counterparties.

The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument in then moved to 'stage 3'.

Stage 1
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months.

Stage 2 and 3
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information on initial recognition. The ECL is always measured on a lifetime basis (Stage 2 and 3).

A further explanation is provided on how the Company determines appropriate grouping when ECL is measured on a collective basis. Refer to the information below:

The following diagram summarises the impairment requirements under IFRS 9:

March 31, 2022

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit loss	**(Significant increase in credit risk since initial recognition) Lifetime expected credit loss**	**(Credit-impaired assets) Lifetime expected credit losses**
4 493	28 563	45 475

March 31, 2021

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit loss	**(Significant increase in credit risk since initial recognition) Lifetime expected credit loss**	**(Credit-impaired assets) Lifetime expected credit losses**
3 668	29 911	47 741

The key judgements and assumptions adopted by the company in the assessment of stage 2 and stage 3 are addressed below:

SICR

The financial statements considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Probability of Default

From origination of the facility and as at the impairment date, an assessment of the credit risk of the facility is performed and compared to the expectation of the credit risk as at origination of the loan. Historical data was used to estimate the 12-month PD per credit score. For each origination credit score a threshold credit score that would result in 30% increase in the PD was then determined, if the current score of an account falls below the threshold credit score linked to the origination credit score the account is moved to Stage 2. Additionally, all accounts with credit scores below 580 are moved into Stage 2, in line with the Ithala SOC credit policy. For this reason the increase in risk required to be moved to Stage 2 decreases as the origination scores approach this point.

March 31, 2022 Credit Score SICR	PD	SICR PD threshold	Absolute increase	Relative increase
580-600	6.2 %	6.8 %	0.6 %	9.8 %
600-625	4.9 %	6.3 %	1.5 %	30.0 %
625-650	3.6 %	4.7 %	1.1 %	30.0 %
650-675	2.6 %	3.4 %	0.8 %	30.0 %
675-700	1.8 %	2.4 %	0.6 %	30.0 %
700-725	1.3 %	1.7 %	0.4 %	30.0 %
725-750	0.9 %	1.2 %	0.3 %	30.0 %
750-775	0.7 %	0.9 %	0.2 %	30.0 %
775-800	0.5 %	0.7 %	0.2 %	30.0 %
800+	0.5 %	0.6 %	0.1 %	30.0 %

March 31, 2022 Arrears SICR	Performing PD	Arrears PD	Absolute increase	Relative increase
Home loans	1.8 %	21.7 %	20.0 %	1 122.6 %
Pension Backed loans	1.1 %	7.7 %	6.6 %	614.6 %
Unsecured	13.9 %	36.7 %	22.8 %	163.7 %
VAF	6.3 %	29.1 %	22.8 %	359.5 %

March 31, 2021 Credit Score SICR	PD	SICR PD threshold	Absolute increase	Relative increase
580-600	5.5 %	6.2 %	0.7 %	12.9 %
600-625	3.8 %	6.2 %	2.4 %	62.8 %
625-650	2.1 %	5.3 %	3.2 %	150.0 %
650-675	0.9 %	2.2 %	1.3 %	150.0 %
675-700	0.4 %	1.0 %	0.6 %	150.0 %
700+	0.4 %	0.9 %	0.6 %	150.0 %

March 31, 2021 Arrears SICR	Performing PD	Arrears PD	Absolute increase	Relative increase
Home loans	2.1 %	22.8 %	20.7 %	1 011.0 %
Pension Backed loans	1.2 %	6.4 %	5.2 %	415.6 %
Unsecured	12.6 %	46.6 %	34.0 %	269.3 %
VAF	5.4 %	26.4 %	21.0 %	390.9 %

Credit Score SICR table above: The individual credit scores were grouped into bands and the average PD per band is shown, as well as the average PD of the credit scores below which the accounts would be moved into Stage 2.

In the current financial year a new version of the behavioural scores was introduced into the ECL model. This new behavioural score version is broadly aligned to the previous iteration but with a wider distribution of scores. Therefore, while the credit score SICR table is similar to prior years, it should not be directly compared to the prior year's credit score SICR rules as these relied on a different behavioural score version. The updated scores and associated thresholds result in approximately the same volume of accounts triggering SICR.

Days past due

A backstop is applied and the financial instruments are considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2022. The following table shows the impact on the 31 March 2022 ECL allowance of changing the PD thresholds for SICR. Increases in ECL (positive amounts) represent higher impairment allowances that would be recognised:

Lifetime PD band at initial recognition	Actual threshold applied	Change in threshold	Lower threshold	Higher threshold
Housing loans March 31, 2022				
<=545	<=545		17 329	17 329
545-570	545-570		6 304	6 304
570-605	570-605		17 519	17 519
605-625	605-625		6 849	6 849
625-650	625-650		6 020	6 020
650-675	650-675		3 070	3 070
675-999	675-999		3 377	3 377
March 31, 2021				
<=545	<=545		6 288	6 288
545-570	545-570		8 872	8 872
570-605	570-605		22 430	22 430
605-625	605-625	(70)	13 814	13 743
625-650	625-650	(47)	7 271	7 224
650-675	650-675	(74)	4 971	4 897
675-999	675-999	(9)	2 191	2 182
Micro-finance unsecured loans March 31, 2022				
<=550	<=550		149	149
590-625	590-625		19	19
625-999	625-999		149	149
March 31, 2021				
<=550	<=550		93	93
550-590	550-590		193	193
590-625	590-625		64	64
625-999	625-999		89	89
Micro-finance secured loans March 31, 2022				
<=600	<=600	46	11 426	11 472
600-699	600-699	60	6 210	6 270
March 31, 2021				
<=600	<=600	7	7 983	7 976
600-699	600-699	470	7 631	7 161

Definition of default and credit-impaired assets

The Company considers a financial instrument to be in default when one or more of the following criteria are met:

Days past due

The IFRS 9 standard incorporates a further rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3. This assumption has not been rebutted in the model, and all such exposures are automatically transferred into Stage 3 in the staging module of the model.

Status codes

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the Company uses status codes to indicate distressed accounts to be moved to Stage 3. The quantitative criteria are:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of a financial covenant(s)
- Concessions have been made by the lender relating to the borrower's financial difficulty.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management processes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected loss calculation. A backstop is applied and the financial instruments are considered to have met the definition of default if the borrower is more than 90 days past due on its contractual payments.

Transition due to manual override

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the model incorporates the use of manual overrides in order to allow management to transfer exposures to Stage2 and Stage 3 of the impairment model. This can be done on the basis of an individual assessment that indicates a change from management as an active client to a legal collections and rundown process.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:
- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD).
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12M or lifetime basis, where 12M LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a profile from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12M and Lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products this is based on the contractual repayments owed by the borrower over a 12M lifetime basis.This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The 12M and lifetime LGDs are determined based on the factors which impact the recoveries made post-default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Forecasts of these economic variables (the "base economic scenario") are provided by Econometrixs (prior year: Bureau of Economic Research "BER") on a quarterly basis and provide the best estimate view of the economy over the next three years.

The economic variables are reassessed at each reporting date. At 1 April 2021 and 31 March 2022 the Company concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage I, Stage 2, or Stage 3 and hence whether 12M lifetime ECL should be recorded. Following this assessment, the Company measures ECL as either a probability weighted 12M ECL (Stage I), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihood of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linarite and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2022 are set out below. The scenario 'base', 'Optimistic' and 'Downturn' were used for all portfolios.

March 31, 2022

		2023	2024	2025
Household income to disposable income	Base	66	66	68
	Optimistic	63	62	64
	Downturn	63	62	61
Unemployment	Base	35.3	36.5	36.5
	Optimistic	30.3	30.4	30.1
	Downturn	37.8	39.6	41.4
Gross Domestic Product (GDP)	Base	4,691,991	4,792,504	4,883,525
	Optimistic	5,052,052	5,202,903	5,370,568
	Downturn	4,218,409	4,231,642	4,300,907
Consumer Price Index (CPI)	Base	134.98	141.06	147.48
	Optimistic	132.69	138.41	144.37
	Downturn	138.88	146.65	154.89
Repo rate	Base	5.00	5.50	5.75
	Optimistic	6.00	6.00	6.00
	Downturn	7.75	8.25	8.50

March 31, 2021

		2021	2022	2023
Household income to disposable income	Base	76.04	75.68	75.48
	Optimistic	76.22	75.98	76.57
	Downturn	78.76	79.30	76.73
Unemployment	Base	31.60	32.37	32.35
	Optimistic	31.02	31.18	31.05
	Downturn	31.62	32.85	32.90
Gross Domestic Product (GDP)	Base	3027.15	3103.63	3153.85
	Optimistic	3042.44	3152.05	3215.67
	Downturn	3024.85	3054.89	3103.56

The weightings assigned to each economic scenario at March 31, 2022 were as follows:

	Base	Optimistic	Downturn
March 31, 2022			
All portfolios	77%	6%	17%
March 31, 2021			
All portfolios	54%	27%	19%

Scenario Sensitivity

The most significant assumptions affecting the ECL are as follows - 31 March 2022:
- Household Disposable to nett Disposable Income
- Gross Domestic Product (GDP)
- Unemployment
- Consumer Price Index
- Repo rate

The most significant assumptions affecting the ECL allowance are as follows - 31 March 2021:

1. Household Disposable to Disposable Income
2. Gross Domestic Product (GDP)
3. Unemployment

Set out below are the changes to the ECL as at 31 March 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the company's economic variable assumptions (for example, Household Disposable to Disposable Income ECL of increasing estimate by in each of the base, Optimistic, Downturn scenarios).

March 31,2022		Unemployment	Household Debt to nett Disposal Income	Gross Domestic Products (GDP)	Consumer Price Index	REPO
Domestic GDP	[-0.50%]	78 532	78 533	78 529	78 536	78 508
	No change	78 532	78 532	78 532	78 532	78 532
	[+0.50%]	78 535	78 533	78 534	78 537	78 532

March 31, 2021		Unemployment	Household Debt to nett Disposable Income	Gross Domestic Products (GDP)
Domestic GDP	[-0.50%]	81 311	81 319	81 317
	No change	81 320	81 320	81 320
	[+0.50%]	81 329	81 321	81 322

Impact of COVID-19

The Covid-19 pandemic has had a severe impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour. This in turn has had a significant impact on the risks that the Company is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. This high degree of uncertainty required that the Company reassess assumptions and existing methods of estimation and judgements used in the preparation of these financial results. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

IFRS 9 models use the following three parameters in ECL allowance calculations: probability of default (PD), loss given defaults (LGD) and exposure at default (EAD). Judgement and estimates are applied when quantifying the ECL allowance on loans and advances, and even more so now as credit models are not calibrated for events such as the Covid-19 crisis. As the impacts of economic impacts of Covid-19 have filtered through the Company's experience, the model assumptions have been recalibrated to include the deteriorating experience. Adjustments have been made to the PDs through forward-looking information.

As the pandemic continues to progress and evolve, it is challenging to predict the full extent and duration of its business and economic impact. Additionally, as further, distinct economic challenges arise, particularly relating to rising interest rates and inflation, predicting the economic and credit impacts of such an environment becomes increasingly challenging. Management adjustments were therefore required, in addition to the model outputs, to provide a more appropriate assessment of risk. These additional management adjustments require greater governance across the Company and have been robustly challenged and reviewed by the Credit Impairment Committee. A revised selection of variables was employed for the forward looking scenarios. While the economy saw a significant GDP contraction in 2020 and a partial rebound in 2021, the economy is now nearing recovery to pre-Covid-19 levels. However, a new affordability strain is emerging due to rising inflation and interest rates. These factors remained at low levels during the course of the pandemic and did not contribute to the initial downturn. Despite the economy nearing recovery, these new risks present additional uncertainty and a distinct economic strain than what was experienced during the initial Covid-19 contraction. Therefore, predicting and managing these risks presents a new challenge that has necessitated management adjustments to address. A revised selection of variables, which includes CPI and repo rates, has been employed as part of the forward looking scenarios which are being used to adjust PDs for forward-looking information.

Estimation of PD, LGD, and SICR

Since the Company's ECL modelling methodology does not automatically consider the typical complexity of the current economic environment, management applied the above macroeconomic scenarios in conjunction with the following considerations, to determine the appropriate management adjustment when recognising ECL losses for the reporting period:

PDs and LGDs

PDs and LGDs were adjusted for forward-looking information, on a portfolio basis.

The management adjustment was further updated by applying a scaling factor to security values, where applicable, to the modelled PDs and LGDs.

The above was, in turn, tested against various qualitative factors including industry forecasts and impacted industry exposures. Appropriate sense checks were performed on the quantitative outcomes.

These PD and LGD adjustments will be reassessed as the impacts of the Covid-19 pandemic become known and the level of customer distress becomes evident within the models.

SICR events

All available information was considered, including, whether a client or a portfolio is experiencing a short-term liquidity constraint, the respective industry and the anticipated arrears in the Covid-19 environment, to determine whether a SICR event, which would result in a shift in the exposure from Stage 1 (12-month expected losses) to Stage 2 (full lifetime expected losses), has taken place.

Impairment losses pre- and post-management adjustments

The table below provides a breakdown of the total ECL recognised at 31 March 2022 to reflect the impairment charge calculated using the Company's approved model together with the management adjustments raised to incorporate the effects of Covid-19.

March 31, 2022	**Impairment losses pre- management adjustments**	**Management adjustments**	**Impairment losses**
Home loans	60 577	-	60 577
Micro finance - secured	17 638	-	17 638
Micro finance - unsecured	317	-	317
	78 532	**-**	**78 532**

March 31, 2021	Impairment losses pre- management adjustments	Management adjustments	Impairment losses
Home loans	61 933	3 704	65 637
Micro finance - secured	15 136	-	15 137
Micro finance - unsecured	441	-	441
	77 510	**3 704**	**81 215**

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the portfolio to be statistically credible.

Where sufficient information is not available internally, industry practice has been that a proxy is considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:
- Credit rating band
- Product type
- Month of book
- Arrears status

The appropriateness of groupings is monitored and reviews on a periodic basis by the Credit Risk team.

Maximum exposure to credit - financial instruments subject to impairment

The company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the company since the prior period.

The company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the company will take possession of collateral to mitigate potential credit losses.

Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Credit impaired assets - March 31, 2022	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Housing loans	1 576 199	57 062	1 519 137	2 831 104
Micro finance - secured	539 829	17 638	522 191	817 210
	2 116 028	**74 700**	**2 041 328**	**3 648 314**

Credit impaired assets - March 31, 2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Housing Loans	1 611 594	61 697	1 549 897	2 707 321
Micro finance - secured	405 835	15 137	390 698	670 235
	2 017 429	**76 834**	**1 940 595**	**3 377 556**

The nature of security that is held by the Company in respect of loans and advances to customers is set out below:

Product	Type of security
Housing loans	Mortgage bond
Home improvement loans	Pledge of pension and provident fund assets
Micro finance – secured loans	Cession of term deposit
Vehicle and taxi finance	Cession of movable asset
Commercial loans and property development loans	Mortgage bonds, cession of income, suretyships and where appropriate key policies

Valuation of security

The amount of the loan is dependent on the value of the security. Therefore prior to a mortgage agreement being concluded, a valuation is done to ascertain the appropriateness of the security. The valuation is done according to the guidelines of the Valuers' Institute of South Africa. The value of the security is updated for the non-performing loans or alternatively, the value at origination remains constant. The value of the security is updated every 3 years for the performing loans using a desktop valuation.

In respect of home improvement loans granted to customers, the pension/provident proceeds are ceded to the company and the loan amount is dependent on the pension/provident amount accumulated at origination of the loan.

In respect of vehicle and taxi finance granted to customers, the amount of the loan is dependent on the market value of the asset financed which has been ceded to the company.

Enforcement of security

In the event of a defaulter failing to rehabilitate an overdue loan, the company will follow due legal process to attach and perfect the security. The properties will first be put on auction by the sheriff of the court and failure to receive an offer equal to or greater than the reserve price at the auction will result in the properties being repossessed and made available for sale.

Write-off policy

The company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation (i) ceasing enforcement activity and (ii) where the company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year ended March 31, 2022 was R 4.2 million (2021: 9.4 million). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written-off due to no reasonable expectation of full recovery.

Credit risk concentration	**2022** **R '000**	**2021** **R '000**
Concentration of credit risk		
Loans granted within the boundaries of KwaZulu-Natal	2 111 344	2 021 670
Loans granted outside the boundaries of KwaZulu-Natal	24 564	20 438
Total	**2 135 908**	**2 042 108**

Liquidity risk

Liquidity risk relates to exposure to funding mismatches due to contractual differences in maturity dates and repayment structures of assets and liabilities resulting in the Company not being able to meet its financial obligations.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework. The Asset and Liability Committee (ALCO) is specifically mandated to ensure appropriate liquid asset and cash reserves in relation to short term funding and stress events are available. ALCO monitors and controls adherence to the risk appetite and regulatory requirements, and ensures that adequate reserves are maintained by continuously monitoring forecasts and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. The tables below represent the contractual and expected maturities of financial liabilities as at the reporting date:

Contractual maturity analysis of financial liabilities as at March 31, 2022

		On demand	Up to one month	1 - 6 months	6 - 12 months	More than one year	Total
		R '000	R '000	R '000	R '000	R '000	R '000
Deposits due to customers	15	1 216 860	120 669	717 970	376 464	35 142	2 467 105
Trade creditors and other payables	12	26 674	32 608	3 957	11 290	-	74 529
Loan account with holding company	14	17 899	-	-	-	-	17 899
Total		**1 261 433**	**153 277**	**721 927**	**387 754**	**35 142**	**2 559 533**
% of weighting		49 %	6 %	28 %	15 %	1 %	100 %

Contractual maturity analysis of financial liabilities as at March 31, 2021

		On Demand to 1 month	One to Six Months	Six months to One year	From 1 to 5 years	From 1 to 5 years	Total
		R '000	R '000	R '000	R '000	R '000	R '000
Customer deposits	3	1 269 146	160 046	796 570	321 039	31 750	2 578 551
Trade creditors and other payables		20 833	37 371	4 332	2 844	9 304	74 684
Loan account with holding company	15	2 901	-	-	-	-	2 901
Bank overdraft	14	-	-	-	-	-	-
		1 292 880	**197 417**	**800 902**	**323 883**	**41 054**	**2 656 136**
		49%	**7%**	**30%**	**12%**	**2%**	**100%**

The maturity analysis is based on the contractual amounts payable (including interest) over the remaining periods to contractual maturity from year-end.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the company held deposits at call of R 294 million (2021: R 345 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Market risk

Interest rate risk

The company is exposed to interest rate risk on loans and advances to customers, deposits with banks and customer deposits (savings and term).

Key assumptions applied in projections and forecast cash flows are that:

- levels of repayments (including prepayments) from existing clients will continue at a similar rate, and
- as a result of clients regularly depositing their incomes and renewing investments, net deposits (based on historical behaviour) continue growing except over the annual festive season during which higher than usual withdrawals are made. Provision for this reduction is made.

The table below demonstrates the re-pricing gap between the Company's assets and liabilities upon the application of a change in market interest rates. The table shows the impact of a 2% (2021: 2%) increase/decrease in interest rates on the interest income of the Company. The scenario analysis is limited to the impact on interest income and expenditure over the period of 12 months. The application of the change in interest rates is applied to a static statement of financial position and is in accordance with Regulation 30 of the Banks Act, 1990.

The sensitivity analysis below has been presented on a net interest income basis to reflect the operations of the Company. The projected impact on the statement of comprehensive income for 12 months due to a 200 basis points increase/ (decrease) in interest rates is as follows:

	2022 R '000	2021 R '000
Increase:		
Impact of increase in yield on assets on comprehensive income	58 188	59 369
Increased net interest income percentage	42%	47%
Impact of increase in cost of funds on comprehensive income	(42 712)	(47 279)
Increased net interest income percentage	(31)%	(38)%
Decrease:		
Impact of decrease in yield on assets on comprehensive income	(58 188)	(59 369)
Increased net interest income percentage	(42)%	(47)%
Impact of decrease in cost of funds on comprehensive income	28 180	31 985
Increased net interest income percentage	20%	25%

As the Company has no assets or liabilities subject to adjustments resultant from market rate fluctuations, equity change is limited to the above changes

Changes from the previous year to this forecast are mainly due to changes in interest rates and the related strategy in application, changes to volume, differing maturities and hence terms of re-pricing

29. CREDIT IMPAIRMENT CHARGES/(REVERSALS)

	2022 R '000	2021 R '000
Net expected credit loss/credit impairments raised and released for loans and advances to customers	(2 793)	(25 759)
Net expected credit loss raised and released for statutory investments	115	80
Net expected credit loss raised and released for investments and deposits with banks	(4 579)	(10 336)
Total	**(7 257)**	**(36 015)**

Included in the release of credit losses for Investments and deposits with banks is the release of ECL of R4,3 million (2021: 9,6 million) on the Land Bank investment. The Company raising ECL on the investment when Land Bank was experiencing liquidity constraints and defaulted on interest and capital obligations. Since then, Land Bank has honoured all interest payments, including arrear interest due. In addition, the Land Bank has also settled capital balances R10.3 million (2021: R7.2 million) during the financial year .The above together with the proposed settlement solution being drafted by the Land Bank has contributed to the release of ECL.

30. LEASES (COMPANY AS LESSEE)

The Company's lease portfolio primarily consist of property, which included branch and ATM space, and printers. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. Lease payments are renegotiated on expiry of the lease to reflect market rentals. The branch and ATM space leases were entered into many years ago.

Extension options

Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in 'trade and other payables' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short- term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 10).

The carrying amounts of right-of-use assets are included in the following line items:

	2022 R '000	2021 R '000
Leased property	49 533	42 676
Leased equipment	5 082	-
	54 615	**42 676**
Additions to right-of-use assets		
Leased property	24 608	38 709
Leased equipment	7 037	-
	31 645	**38 709**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.

	2022 R '000	2021 R '000
Leased property	15 023	17 076
Leased equipment	1 955	-
	16 978	**17 076**
Other disclosures		
Interest expense on lease liabilities	5 342	4 689
Total cash outflow from leases	14 648	15 790

Lease liabilities have been included in the trade and other payables line item on the statement of financial position. Refer to note 12 trade and other payables.

Maturity Analysis - contractual undiscounted cash flows are as follows:

	2022 R '000	2021 R '000
Within one year	21 460	17 607
Two to five years	23 680	18 400

31. CURRENT TAX PAYABLE (RECEIVABLE)

There is no provision for normal taxation as the Company was granted an income tax exemption in accordance with Section 10(1) (CA) (ii) of the Income Tax Act.

32. CONTINGENT LIABILITIES

The Company is a defendant in the following matters or has provided guarantees which may result in possible loss to the Company:

	2022	2021
	R '000	R '000
Mr. PR Bele	-	325
Former employees	2 501	-
South African Insurance Association	3 000	3 000
Tech Mahindra	21 276	21 276
	26 777	**24 601**

Mr. PR Bele

A claim was instituted against the Company by Mr. PR Bele. The claim is for damages allegedly resulting from incorrect investment advice given by a branch manager. The claim has been quantified by the applicant at an amount of R0.3 million. The claim is disputed and defended by the Company, on the basis that no such advice was provided. At year end this matter had been settled.

Former employees

Claims were instituted against the Company by two former employees. Both claims are for alleged unfair retrenchment/ dismissal. The claim has been quantified for an amount of R2.5 million. As at year end both matters are still pending at the Labour Court.

South African Insurance Association Guarantee

The Company has issued a guarantee of R3 million (2020: R3 million) in favour of the South African Insurance Association.

Tech Mahindra

In the financial year 2020 Tech Mahindra submitted invoices for R2.7 million in respect of Licence Fees and R18.6 million in respect of system implementation. These invoices have not been settled as there is a dispute regarding the work completed. Subsequent to financial year end, the Company has received a summon to settle R1,6 million for services they claim were rendered. Following the inclusive findings of a review initiated by the Prudential Authority, the Company is in the process of obtaining independent legal counsel as well as conducting an investigation into the application development and result thereof.

33. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the 31 March 2022 financial year end, Durban and surrounding areas experienced devastating and destructive flooding. Few of Ithala's branches were affected as a result of the floods and were unable to operate for a few days. The cost of the physical damages to the branches were not material, however the Company has lost revenue during the non-operational period and the inaccessibility of branches and ATM's. Management is unable to quantify the losses of the impacts of the KZN floods.

34. CHANGE IN ESTIMATE

Asset Lives

Tangible assets are depreciated over its estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets were reassessed during the current year. The effect of the change in estimate during the current year is as follows:

	2022	2021
	R '000	R '000
Decrease in depreciation	580	1 583
Increase in net book value	580	1 583

The future impact of the change in estimate will result in additional depreciation of R0.6 million being recognised over the remaining life of the asset.

35. LOAN COMMITMENT

At 31 March 2022, the company had loan commitments amounting to R12.5 million (2021: R28.0 million). The loss allowance was estimated using the same impairment modelling methodology as that of loans and advances (refer Risk Management Note 28). Based on actual credit loss experience from previous years and the quantum of the loan commitments, management concluded that that the loss allowance on loan commitments is immaterial and as such no loss allowances have been recognised.

36. CONTINGENT ASSETS

Civil unrest broke out in KZN, during the period 9 to 12 July 2021, resulting in extensive damage to Ithala SOC Limited's branch infrastructure, whereby buildings and infrastructure was vandalised and some buildings set alight.

In summary, the following properties were affected by the unrest:
- 16 Branches Damaged/Vandalised, of which 4 were torched.
- 22 Auto Teller Machines

Claims for the damage had been submitted to SASRIA, which is a state-owned insurer that provides special risk cover to individuals, businesses and government entities that own assets in South Africa. This is a unique cover against risks such as civil commotion, public disorder, strikes, riots and terrorism.

Claims amounting to R13,7 million were submit to SASRIA of which R1.8 million was received during the financial year. An amount of R11,9 million is still awaiting finalisation by SASRIA. The amount is expected to finalised and funds paid to the Company in the new financial year.

CAPITAL MANAGEMENT - UNAUDITED SCHEDULE

Capital requirements

Tier I and Tier II capital is comprised of issued ordinary shares, share premium, (accumulated loss)/retained income and other regulatory adjustments such as deduction of intangible assets. (Accumulated loss)/retained income is appropriated to reserves in July annually, and as such the amounts disclosed exclude profits not approved by the Board.

The capital adequacy assessment process includes identifying the risks that the Company is exposed to, measuring capital requirements for each stand-alone risk and taking into account growth targets. The required capital level is calculated by aggregating the various stand-alone risks and adding a buffer for unforeseen losses.

The primary objective of the Company's capital management strategy is to ensure compliance with the Regulator's requirements as well as the maintenance of a healthy capital adequacy ratio required in order to support its business, maximise shareholder value and instil market and creditor confidence.

As at statement of financial position date the capital adequacy ratio was 18.30% (2021: 17.44%). This level is above the minimum capital adequacy ratio stipulated by the South African Reserve Bank. The capital adequacy ratio is also above the Memorandum of Agreement requirement of 15%.

Capital planning is an integral part of capital management. The Risk and Capital Management Committee has been tasked with assisting the Board in discharging its capital management responsibility, and as such, should there be a need for additional capital, this Committee will drive the necessary processes in line with contingency capital planning.

Capital adequacy

	Regulatory limit			Actual	
	2022	2021		2022	2021
Capital adequacy ratio	>=15.00%	>=15.00%		18.30 %	17.44 %
Primary share capital and reserve funds adequacy ratio	>=11.875%	>=9.625%		17.50 %	16.60 %
Total risk weighted assets (R'000)				2 082 437	2 052 402
Risk weighted assets					
Credit risk weighted assets				1 335 302	1 369 625
Other risk weighted assets				141 894	79 150
Operational risk				605 241	603 627
Total				**2 082 437**	**2 052 402**
Capital structure					
Share capital			17	190	190
Share premium			17	723 381	658 258
Reserves				(355 820)	(313 828)
Prescribed deductions against capital and reserve funds				(3 299)	(3 780)
Total tier I capital				**364 452**	**340 840**
General provisions				16 691	17 120
Total tier II capital				**16 691**	**17 120**
Total qualifying capital				**381 143**	**357 960**

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