LA PRUDENCE LEASING FINANCE CO. LTD.

ANNUAL REPORT
31 DECEMBER 2019

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CORPORATE GOVERNANCE REPORT 2019

La Prudence Leasing Finance Co. Ltd (hereinafter as "the Company" or "La Prudence Leasing") is a Public Interest Entity as defined by the Financial Reporting Act 2004 and is required to abide by the National Code of Corporate Governance 2016 ('the Code') and also to the Bank of Mauritius' Guideline on Corporate Governance (Revised October 2017), and to report accordingly.

The Board of Directors ('Board') of La Prudence Leasing is committed to uphold the highest standards of integrity, accountability and transparency in the governance of the Company and acknowledges its responsibility for applying and implementing the eight principles set out in the Code and for meeting all legal and regulatory requirements.

1. GOVERNANCE STRUCTURE

The Board is fully aware of its role and responsibility for providing and maintaining good corporate governance. In respect of the implementation of the Code, the Board approved the following documents which can be viewed on its website: http://www.prudenceleasing.com/

- Board Charter
- Position Statements of its senior governance positions. A description of the position statements of key governance positions is available in the Board Charter
- Code of Ethics
- Organisational Chart and Statement of Accountabilities
- Constitution of the Company. There are no material clauses to be highlighted in the Constitution of the Company as it duly complies with the provisions of the Companies Act 2001. The Constitution however provides for restrictions on transfer of shares.

The Board has decided to regularly review the Board and Committees' charter upon recommendation of the Corporate Governance, Nomination and Remuneration Committee.

2. STRUCTURE OF BOARD AND COMMITTEES

The Board

The unitary Board consisted of nine members as at 31 December 2019. The Company's constitution stipulates that the Board shall consist of not less than 5 or more than 15 Directors.

The directors come from different professional backgrounds with varied skills, expertise and strong business experience. The Board is satisfied that its actual size and composition is well balanced for it to assume fully its responsibilities while discharging its duties effectively with one executive, four non-executive, four independent directors including one female director. The Board is also satisfied that the number of independent directors not having any relationship with the Company or with the majority shareholders is adequate.

Members	Date of Appointment/ Resignation	Board of Directors	Corporate Governance, Nomination and Remuneration Committee	Audit Committee	Risk and Conduct Review Committee	Assets and Liabilities Committee
Oosman Mushtaq	03/03/2016 (Director) 21/10/2016 (Chairperson)	Chairperson and INED	Member			Member
Fon Sing Max Tony Kim Tow	23/12/2013	NED				
	Resigned wef 24/12/2019					
Leung Lam Hing Jhonny Vee Fah	07/01/2020	NED				
Garsee Gopeechand	23/12/2013	INED		Chairperson	Member	Member
Huet d'Arlon de Froberville Jean Bruno	24/01/2018	NED				

Members	Date of Appointment/ Resignation	Board of Directors	Corporate Governance, Nomination and Remuneration Committee	Audit Committee	Risk and Conduct Review Committee	Assets and Liabilities Committee
Lionnet Gerard Aristide	03/12/2015	INED		Member	Chairperson	Chairperson
Maurel Philippe Olivier	30/06/2016	NED	Member		Member	
Lagesse Marie Danielle	29/01/2016	INED	Chairperson	Member	Member	
Yue-Chi-Ming Clement	22/06/2017	ED	Member		Member	Member
De La Hogue Stephanie Anne Sophie	28/06/2013 Resigned wef 27/06/2019	NED	Member			Member
Galea Dominique	30/09/2019	NED				
COMPANY SECRETARY:						
ECS Secretaries Ltd	07/01/2001					

Definitions: NED: Non-Executive Director – INED: Independent Non-Executive Director – ED: Executive Director

All the Directors are residents in Mauritius and three of them have terminated their 6th year's tenure of office during the current year under review: Mrs Stephanie de La Hogue who resigned on 27 June 2019, Mr Fon Sing who resigned on 23 December 2019 and Mr Gopeechand Garsee who, however has applied for an extension of service. The tenure of office for Mr Gopeechand Garsee has, upon approval of the Bank of Mauritius been extended for a further period of six months up to 22 June 2020.

The two Non-Executive Directors, Mrs Anne Sophie Stephanie de La Hogue and Mr Tony Kim Tow Max Fon Sing who resigned during the year have been replaced respectively by Mr Marie Henri Dominique Galea and Mr Jhonny Vee Fah Leung Lam Hing.

The sole shareholder is fairly represented on the Board through the four NEDs.

The Directors' profiles, skills and biographies can be viewed on pages 5 to 8 of the report or http://www.prudenceleasing.com/

The Company Secretary

The Company Secretariat function has been entrusted to ECS Secretaries Ltd through a service agreement. This company is an independent provider of company secretarial services since more than two decades, and employs fully qualified secretaries from the Chartered Institute of Chartered Secretaries to fulfil its duties as Company Secretary in accordance with qualifications required by the Companies Act 2001.

Board and Committees Processes

Board meetings are held at least five times a year and each committee meets at least four times a year. Additional meetings may be convened to deliberate urgent matters. Certain decisions are taken by way of written resolutions. Calendar of Board and Board committee meetings are set well in advance.

Attendance at Board and Committee Meetings

Members	Board (out of 5 meetings)	Corporate Governance, Nomination and Remuneration Committee (out of 5 meetings)	Audit Committee (out of 5 meetings)	Risk and Conduct Review Committee (out of 4 meetings)	Assets and Liabilities Committee (out of 4 meetings)
Oosman Mushtaq	5	4			3
Fon Sing Max Tony Kim Tow	5				
Garsee Gopeechand	5		4	3	3
Huet d'Arlon de Froberville Jean Bruno	4				
Lionnet Gerard Aristide	5		5	4	3

Members	Board (out of 5 meetings)	Corporate Governance, Nomination and Remuneration Committee (out of 5 meetings)	Audit Committee (out of 5 meetings)	Risk and Conduct Review Committee (out of 4 meetings)	Assets and Liabilities Committee (out of 4 meetings)
Maurel Philippe Olivier	4	1			2
Lagesse Marie Danielle	3	4	5	4	
Yue-Chi-Ming Clement	5	4		4	4
De La Hogue Stephanie	3	2			2
Galea Dominique	1				

Board Committees

The Board has approved the composition and the terms of reference of the following committees in order to assist it in the execution of its policies and its decision-making process: Audit Committee, Risk and Conduct Review Committee, Corporate Governance, Nomination and Remuneration Committee, and Assets and Liabilities Committee.

The Chairpersons of the four committees are invited to report verbally to the directors during board meetings, such reports being duly minuted.

Each Committee is governed by a charter as approved by the Board and which are published on the Company's website: http://www.prudenceleasing.com/

Composition of the four committees are found in the table on page 2 and 3.

Mrs Karishma Chumun-Ramphul and after her resignation on 31st October 2019, Mrs Dominique Nicolin acted as secretary of the four above-mentioned Committees.

Audit Committee

The Audit Committee's activities involve a strategic reappraisal of the audit assurance plan, review of all financial information, continued challenge of the Company's risk process and tolerance, an internal audit effectiveness review, continued understanding of key business areas and their associated risks, and improving ongoing Committee learning.
The main areas of focus of the Audit Committee during the year under review were:

- Approval of Internal and External Audit Plan
- Perusal of audit reports from the Internal and External Auditors and monitor the remedial actions
- Examination and review the audited Financial Statements
- Examination and review quarterly Financials
- Discussing the adequacy of allowance for Credit Impairment

Risk and Conduct Review Committee

Pursuant to Section 54 of the Banking Act 2004, the Board of Directors are required to maintain adequate internal control systems that commensurate with the nature and volume of its activities and various types of risks to which it is exposed. In view of delivering its roles and responsibilities, the Board of Directors has set up a Risk and Conduct Review Committee (the Committee) to work on the technical aspect and report thereon. The Risk and Conduct Review Committee assists the Board in setting up risk strategies and to assess and monitor the risk management process. The Committee also advises the Board on risk issues.

The Committee is also responsible for monitoring and reviewing related party transactions, their terms and conditions and ensuring adherence to the established procedures and compliance with the Bank of Mauritius Guidelines.

The main areas of focus of the Risk and Conduct Review Committee during the year under review were:

- Approval of Related Party Transactions
- Reviewing the company's risk appetite
- Reviewing andoversee the Enterprise Wide Risk Management framework and Risk Register
- Formulating, reviewing and approving policies on monitoring and managing risk exposures.

Corporate Governance, Nomination and Remuneration Committee

The Corporate Governance, Nomination and Remuneration Committee is a useful mechanism for making recommendations to the board on all corporate governance provisions to be adopted so that the board remains effective and complies with prevailing corporate governance principles.

The Corporate Governance, Nomination and Remuneration Committee is responsible for the establishment and implementation of systems and procedures to ensure independence of the board from management.

The main areas of focus of the Corporate Governance, Nomination and Remuneration Committee during the year under review were:

- Review and approve salary increase and performance bonus for employees
- Consideration of employee matters
- Directors Training, Directors Induction and Self-Assessment of the Board
- Discuss the progress achieved through the implementation of the Code of Corporate Governance 2016.

Assets and Liabilities Committee

The Assets and Liabilities Committee assists the board in discharging its supervision responsibilities by overseeing all matters as specified in this Terms of Reference. The Assets and Liabilities Committee supports the board in evaluating the adequacy and monitoring the implementation of La Prudence Leasing policies and procedures with regard to the risk appetite, risk monitoring, capital and liquidity management of the Company.

The main areas of focus of the Assets and Liabilities Committee during the year under review were:

- Review of the deposit situation of the company: amounts, maturity, rate and concentration
- Review of the liquidity position on a quarterly basis
- Review of the deposit pricing strategy
- Review of the lease pricing strategy
- Review the capital situation of the company
- Review that all Regulatory and Statutory requirements are duly adhered and any breaches duly remedied.

3. DIRECTOR APPOINTMENT PROCEDURES

Appointment and Re-election of Directors

The Companies Act 2001, the Board Charter, the Constitution of the Company and the guidelines of the Bank of Mauritius set out the relevant procedures which the Board has to abide by in the selection and appointment process. The Board assumes the responsibility for the appointment of directors of the Company.

Directors' Profile

Mushtaq Mohamed Oomar Noormohamed Oosman ("Mushtaq Oosman")
Independent Director from 3 March 2016 and Chairman as from 21 October 2016

The Board of La Prudence Leasing is headed by Mr Mushtaq Oosman, who is a Director holding no direct or indirect interests in the Company, widely known for his independence of mind and extensive experience in corporate and financial matters. He has worked for 30 years at PricewaterhouseCoopers Ltd. He became a Partner of PwC in July 1991. Primarily an Assurance Partner, he was also responsible for Business Recovery Services. He has served on the Governance Board of PwC Africa and was also responsible for the financial affairs of PwC in Mauritius. He is also a fellow of the Institute of Chartered Accountants of England and Wales.

Directorship in listed companies: ENL Land Ltd, Automatic Systems Ltd, MUA Ltd and United Docks Ltd.

Mrs Marie Danielle Lagesse
Independent Director

Danielle Lagesse, born in 1953, is an independent Director of La Prudence Leasing since 29 January 2016. She qualified as Attorney at Law of the Supreme Court of Mauritius in 1980. During her career as a Litigation Lawyer, she was very involved in corporate disputes, including local court cases and international Mediation and Arbitration. She was the Head of Chambers at Etude Lagesse as from 1982 till end of 2016 when she decided to retire. She now acts mainly as private consultant and mediator. She is a founder member and Fellow of the Mauritius Institute of Directors where she was a director for 5 years and was also a Member of the Australian Institute of Directors.

Directorship in other companies: Independent Director of P.O.L.I.C.Y. Limited.

Mr Philippe Olivier Maurel
Non-Executive Director

Mr Philippe Olivier Maurel is a non-executive Director since 30 June 2016. For the past 6 years, he is the Surveyor/Director at Merestone Ltd. He previously worked as Surveyor in Land Surveys Pty Ltd and Cottage and Engineering Surveys in Perth Australia.

Directorships in other companies: Coastal Hire Ltd and Multibox Ltd.

Mr Gopeechand Garsee
Independent Director

Gopeechand Garsee, born in 1956, is an independent Director of La Prudence Leasing since 23 December 2013. He has worked for thirty-seven years with Barclays Bank in Mauritius.

From 2000 to 2006, he was Senior Corporate Manager at Barclays Bank Mauritius. From 2006 to 2013, he was Corporate Director/Head of 'Large Corporates' department of the bank.

Mr Garsee having terminated his 6th year's tenure of office during the current year under review, has applied for an extension with the Bank of Mauritius.This has been duly approved and his new terms of office has been extended for a further period of six months up to 22 June 2020.

Directorships in other companies: STR Marketing Ltd, Mesh & Steel Trading Ltd, Desbro Trading Ltd, MRC Wire Products Ltd, Orchid Villas Ltd, ARG Property Development Co. Ltd

Mrs Stephanie Anne Sophie de La Hogue
Non-Executive Director

Stéphanie de La Hogue, born in 1982, has been appointed to the Board as Non-Executive Director since 28 June 2013. She holds a bachelor's degree in marketing from the Institut de Management International de Paris. Stéphanie de La Hogue is in charge of Poivre Corporate Services Ltd, a family group of companies' corporate office. She resigned as Director in June 2019 having terminated her six years in office.

Directorship in other companies: Rey & Lenferna Ltd, Forges Tardieu Ltee, Labelling Industries Ltd, CEAL Ltd, Ducray Lenoir Ltd, Promotion and Development, and Caudan Development.

Mr Max Tony Kim Tow Fon Sing
Non-Executive Director

Max Tony Fon Sing, born in 1962, has been appointed to the Board as Non-Executive Director since 23 December 2013. He graduated in BSc Hons Computing & Mathematics at North London Polytechnic and did his post graduate studies at University of Birmingham leading to a DBA & MBA. He was a System Analyst at Peat Marwick/KPMG and Managing Director of Bona Aluminium & Sign Express.

Directorships in other companies: MaxCity Group of Companies.

He resigned as Director in December 2019 having terminated his six years in office and was replaced by Mr Jhonny Vee Fah Leung Lam Hing who took office on 7 January 2020

Mr Johnny Leung Lam Hing
Non-Executive Director

Johnny Leung Lam Hing , born in 1963, has been appointed to the Board as Non-Excutive Director since 7 January 2020. He started his career in Accountancy at Coopers & Lybrand (Mauritius) in the field of Auditing ,Taxation and special due diligence before qualifying as a Chartered Certified Accountant in 1995.

He also worked as Finance Manager in a telecommunication company before joining MaxCity Group where he has been involved in operations , administration and finance before gradually specializing in Management. He was involved in the implementation of a Simplified Management Style Approach to achieve the group objectives efficiently within their values.

He is also an attendee to the Board of Directors of Sottise Development Ltd since 2012.

Mr Dominique Galea
Non-Executive Director

Mr Dominique Galea, born in 1952, has been appointed to the Board as Non-Executive Director since 30 September 2019. He holds a degree from HEC (Paris) H77. He started his career in the clothing industry by setting up a buying office for overseas buyers (Kasa Textile Ltd). He has since diversified his activities by acquiring controlling stakes in Ducray Lenoir Ltd in 1988, and in Rey & Lenferna Ltd in 1998. He was appointed to the Board of The Mauritius Union Assurance Cy. Ltd in 2010 and is also the Chairperson. Mr Galea is the Chairman of Phoenix Transafrica Holdings Ltd, United Docks Ltd, Rey & Lenferna Ltd and Forges Tardieu Ltd.

Directorship of listed companies: United Docks Ltd, Ascensia Ltd, Forges Tardieu Ltd.

Mr Gerard Lionnet
Independent Director

Gerard Lionnet, born in 1950, has been appointed to the Board as Independent Non-Executive Director since 03 December 2015. He has acquired a long experience at senior management level with a substantial amount of achievements at the Mauritius Commercial Bank Ltd where he ended his career as regional manager of the Curepipe Region leading twelve branches in 2012. He had a large exposure to a wide range of industries and experienced risk management, financial management at the regional level. Mr Lionnet has a wide experience of preparing for, participating and managing proceedings at strategic levels.

Directorships in other companies: None

Mr Jean Bruno Huet d'Arlon de Froberville
Non-Executive Director

Bruno de Froberville, born in 1962, has been appointed to the Board as Non-Executive Director since 24 January 2018. He is currently the General Manager and owner of Square Lines Ltd, a property development company. Bruno has extensive knowledge in the construction sector. From July 1988 to June 1994, he was a Manager at Building Art Ltd. From July 1994 to December 2004, he was the General Manager and owner of B.E.A.M. Ltd (a residential and industrial construction company). From 2005 to 2008, he worked at the property development arm of La Prudence (Mauricienne) Assurance Ltee. He also worked as Marketing Manager at Loom Art Ltd, a manufacturer of hand-made carpets. He was appointed to the board of directors of Mauritius Union Assurance Company Ltd in August 2010. Bruno de Froberville holds an MBA from the University of Birmingham and a Bachelor in Science with a major in Marketing from Louisana State University.

Directorship in other Companies: Mauritius Union Assurance Company Ltd and Mauritius Freeport Development Group Ltd.

Mr Clement Yue-Chi-Ming
Managing Director and Executive Director

Clement Yue Chi Ming, born in 1966, has been appointed as Executive Director to the Board on 22 June 2017. He holds a DipCRM from the Institute of Financial Services (UK) and a BSc (Hons) in Financial Services, UMIST (UK). He is an Associate member of the Institute of Bankers (ACIB) London, UK. He spent 30 years with Barclays Bank Mauritius Ltd, holding various roles in the branch network, Credit Risk, Recovery and Corporate & International Banking Division.

Directorship in other Companies: None

Senior Management

PROFILE OF SENIOR MANAGEMENT

(Late) Mrs Yannick Lai
Head of Operations and HR

Yannick Lai held a Bachelor of Commerce from Concordia University, Canada.

She had broad experience in various investment departments. She worked for one year at Mackenzie Financial Corporation, Canada then joined Spectrum Investments, Canada for three years.

In Mauritius, she was previously employed by La Prudence Mauricienne Assurances as an Analyst in 2002 and joined the Investment Division of Feber in 2009.
She joined La Prudence Leasing Finance Co Ltd in November 2010.

Yannick Lai sadly passed away on 4th May 2019 and her duties have been re-distributed to key personnel of the Company.

Mrs Dominique Nicolin
Chief Operating Officer

Dominique Nicolin holds a Diploma in Management from Challenger, Institute of Technology of Western Australia, and has almost 25 years' experience in the financial services industry. She was previously the Head of Operations at Spice Finance Ltd and has a strong grasp of Credit Risk, Customer Service and Compliance. Dominique has also held the position of Assistant Manager, Customer Service Manager and Money Laundering Reporting Officer over her career, during which she had the opportunity to work with various important players in the financial sector.

She joined La Prudence Leasing Finance Co Ltd in July 2019 as Chief Operating Officer with responsibilities for the Human Resources function.

Mrs Nushrina Chamroo
Head of Finance and Risk Management

Nushrina Chamroo is ACCA qualified. She was previously employed as Accounts Clerk at ATS Ltd from January 2008 to June 2008, as Executive within the Advisory Services of Ernst & Young and performed statutory audits in hospitality ,leasing, Banking and Offshore. She also worked as Accountant at Joonas Industries and Internal Auditor at Poivre Corporate Services Ltd.

She joined La Prudence Leasing Finance Co Ltd as Accountant in 2015 and was promoted to the post of as Head of Finance & Risk Management on a probation period as from January 2019.

Nushrina Chamroo resigned on 13th December 2019 and in replacement, a new Head of Finance and Risk Management has been recruited in January 2020.

Ravindranath Karroo
Head of Recoveries

Ravindranath Karroo holds a BSC (Hons) Economics and has more than 10 years' experience in the financial sector. Ravin has previously worked for CIM Finance Ltd as Team Leader in the Debt Collection and Customer Service Department.

He joined La Prudence Leasing Finance Co Ltd in December 2016.

Karishma Chumun-Ramphul
Head of Compliance and MLRO

Karishma Ramphul holds a BSC (Hons) in Management from the University of Mauritius and a Post Graduate Diploma in Compliance, from the University of Johannesburg.

She has over 10 years of rich professional experience in Compliance and Anti-Money Laundering within the Financial Services Sector. She has worked for Swan, Cim Insurance Ltd and Change Express Ltd.

She joined La Prudence Leasing Finance Co Ltd in January 2017.

Karishma Chumun-Ramphul resigned on 31st October 2019.

La Prudence Leasing Finance Co Ltd has already initiated the process to recruit a new Head of Compliance and MLRO.

Benoit Coosnapa
Head of Sales and Marketing

Benoit Coosnapa holds a Diploma in Financial Services Management – Institute of Financial Services (UK), a Master of Business Administration of the University of Wales. He is a Certified Product Manager of the Association of International Product Marketing & Management (USA) and has more than 25 years' experience with Barclays Bank Mauritius Ltd.

He joined La Prudence Leasing Finance Co Ltd in October 2017.

Vibha Ramdhony
Head of Credit

Ms Vibha Ramdhony is an experienced professional in the Credit field with over 6 years of work experience in the Mauritian domestic financial services industry ranging from banking, credit insurance, risk underwriting and leasing sector. She graduated from the University of Mauritius in 2012 with a bachelor degree in Finance (Minor: Law). She has gained extensive expertise in the credit analysis field over her career and she also followed a professional course from Moody's Credit Rating Agency following which she was awarded the Moody's Analytics Certification on Commercial Lending. With her knowledge in legal aspects of finance, Ms Vibha Ramdhony also has experience in claim handling and debt recovery.

She has worked for Credit Guarantee Insurance Co Ltd, Bank One Ltd and Sicom Financial Services Ltd. She joined La Prudence Leasing Finance Co Ltd since April 2018.

Vibha Ramdhony resigned on 15th September 2019 and in replacement, a new Head of Credit has -been recruited in January 2020.

Director's Induction, Professional development and Succession Planning

The Board assumes the responsibilities for succession planning, for identifying specific training needs of the directors and for the induction of new directors as provided in the Board Charter. The Board of Directors believe that suitable plans are in place for the orderly succession of appointments to the Board and to senior management positions to maintain the appropriate balance of knowledge, skills and development within the company and the Board.

Each Board member receives an induction and orientation upon joining the Board. The exercise is carried out by the Chairman of the Board and the Managing Director. This process does contribute to ensuring a well-informed and competent Board.

In addition, Temple Professionals Ltd (TPRO), a leading institution dedicated to legal and AML/CFT training for professionals in Mauritius, conducted an AML/CFT training for All Directors and Senior Officers in March 2019.

The Company provides the necessary resources for developing and updating its directors' knowledge and capabilities. Professional and technical documents were made available to the Directors for their ongoing professional development. During Board Meetings, time is allowed for open discussions on current topics allowing improvement of Director's knowledge.

4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

Directors are aware of their legal duties.

The Board ascertains that all conflicts-of-interest transactions and related party transactions have been conducted in accordance with the Conflicts-of-Interest Manual and Related Parties Transaction Policy and Code of Ethics as disclosed on the Company's website. Related Parties Transactions are contained within the regulatory limits of the Bank of Mauritius

Moreover, at the beginning of each meeting of the Board, the Chairman invites the directors to declare any potential source of conflicts of interests to be thereafter recorded in the Register of Interests kept by the Company. This Register is available to the shareholder upon request.

Directors' Interest in the Shares of the Company as at 31 December 2019:

The Directors do not hold any direct interests in the ordinary share capital of the Company.

Indirect interests held by directors in the ordinary share capital of the Company are as follows:

Directors	*Indirect Interest*
Mr Philippe Olivier Maurel	4.63%
Mr Jean Bruno Huet d'Arlon de Froberville	6.08%
Mr Dominique Galea	24.23%
Mr Max Kim Tow Tony Fon Sing	2.23%

Remuneration

Directors

La Prudence Leasing is the wholly-owned subsidiary of Prudence Holding Co Ltd, the remuneration of Directors is decided by the Holding Company after consultation with the Corporate Governance, Nomination and Remuneration Committee of the Company.

The Directors received Rs 8,579,864 as Directors fees including the Managing Directors' salary/bonus during the year. Given its size and the scope of business, the Board is of the opinion that it is not in the best interest of the company to disclose the detailed remuneration of its directors to the full extent recommended. This is due to the sensitivity and confidentiality surrounding the issue of remuneration and consequently its ability to retain its key talents in a competitive environment. The non-executive directors have not received any remuneration in the form of share options or bonuses associated to organisational performance.

Employees

Employees are remunerated as per prevailing market conditions, qualifications, experience, performance and the salary structure within the company.

Performance Evaluation

The Board has, during the current year under review, carried out the evaluation of the effectiveness of the Board, its committees and its individual directors by way of questionnaire. An external facilitator will be appointed to complete the evaluation exercise including individual interviews and discussions with each Board Member in 2020 .

Information, Information Technology and Information Security Governance Policy

The Board is responsible to oversee Information, Information Technology and Information Security Governance Policy within the Company and to ensure that there is a strategic alignment with its business strategy for value creation. The Board has approved the Information Technology Policy of the Company. The Board ensures that the Information Technology Policy is regularly reviewed and monitored and sufficient resources are allocated in the annual budget for the implementation of proper Information Technology and Security framework.

Following recommendation, the Board has approved the appointment of PwC as consultant to analyse all IT related requirements and advise on the best solution driven software.

5. RISK GOVERNANCE AND INTERNAL CONTROL

The Board of directors is responsible for the system of internal control and the governance of risk and is fully committed to continuously maintain adequate control procedures. The Board is ultimately responsible for the setting up and monitoring of the risk management process and reviewing its effectiveness on a regular basis. The Board is assisted by the Risk and Conduct Review Committee. Critical Risks are identified and discussed at Board and Board Committee levels.

An internal Committee has been set up for the implementation of Enterprise-wide Risk Management Framework and the scope of work would include a risk register to identify, evaluate and monitor all risks identified with mitigations and action plan for resolution. The Committee would be apprised of the progress made of the Risk Register and also recommend alignment of the controls and limits to the enterprise level risk appetite and regulatory requirements.

Management is accountable to the Board for the proper design, implementation and enforcement of an effective system of internal controls and ensuring that processes and systems are operating satisfactorily. The audit committee oversees these controls and reviews the effectiveness of the system by ensuring that proper control policies, procedures and activities have been established and are operating as intended. The Board, with the assistance of the audit committee, regularly receives and reviews reports from management and the internal auditor. The reports provide a balanced and independent assessment of the effectiveness of internal controls and also identifies any significant weaknesses in the system to allow remedial action.

The Board derives assurance that the system of internal controls is effective through the 3 lines of defence: (i) Management ensures that internal control measures are designed to identify and assess significant risks, highlight inadequate processes and address control breakdowns (ii) the Company's compliance and risk functions that provide independent oversight of the risk management activities, policies and procedures and internal control measures of the first line of defence. (iii) Internal Audit function provides the Board and senior management with comprehensive assurance based on the highest level of independence and objectivity within the company by providing assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.
The Board maintains full control and direction over strategic, financial, operational, control and compliance issues and ensures that an effective organisational structure is in place in line with good governance practices.

The Risk Management report is found on pages 58 to 72 of the Annual report.

A Whistle Blowing Policy as published on the website provides clear guidance how to report within the Company in case of unlawful or unethical behaviours.

6. REPORTING WITH INTEGRITY

The directors reaffirm their responsibility for preparing the annual report including the annual financial statements in compliance with International Financial Reporting Standards, and The Companies Act 2001, and considers the annual report, taken as a whole, fair balanced and understandable. The Board confirms its commitment in providing therein necessary information for shareholders and stakeholders to assess the Company's position, performance and outlook.

The annual report 2019 is published on the Company's website.

Organizational Overview

La Prudence Leasing Finance Co. Ltd is a private company qualifying as a Public Interest Entity - regulated by the Bank of Mauritius to conduct deposit-taking business and the Financial Services Commission for its leasing business. The Company accepts deposits from the public to finance its lease book. Its core business and expertise over the years have been to facilitate the acquisition of vehicles and equipment for individuals and businesses by providing them with the necessary funding. Its core duty is to focus on its client by providing them targeted solutions with integrity and professionalism. The Company reviews its 3 year rolling strategic plan every year with the objective of strengthening its relationship with its internal and external stakeholders and partners within the leasing industry. The Company's mission is to grow its shareholders' value sustainably so as to be among the top 3 in its market segment while serving passionately its clients through comprehensive, customised financial solutions nurtured by its dedicated employees whom it considers as pivotal to its success. The Company's Organizational Structure is reviewed on a regular basis to adapt to changing business environment and to face with confidence the different challenges and opportunities ahead . The current headcount is 29.

The Company has been able to enlarge and diversify its customer base, reaching a total lease portfolio of Rs 1,384m and a deposit base of Rs 1,403m. Although Prudence Leasing is evolving in a highly competitive environment, it aims at increasing its market share through careful monitoring of its operations and strict compliance to all Regulatory and Statutory requirements.

Overview of the External Environment

The Leasing sector in Mauritius is becoming more and more competitive with the number of net investments in Finance Leases and deposits almost flat over the past years. There is now a more aggressive competitive landscape in which all players are trying to gain higher market share.

Business Model

The Company aims at achieving sustainable growth and is committed to be active, agile, adaptable and accessible and serving passionately all clients in its chosen market segment.

Dividend Policy

A dividend policy will be tabled for approval by the Board of Directors soon. The policy will recommend the quantum of dividends to be declared and paid based on the availability of funds and the Company satisfying the solvency test and the Bank of Mauritius requirements.

Voting Policy

The Company holds an annual meeting with its shareholder to vote on matters including but not limited to the approval of the accounts, approval of dividend, if any , the appointment or re-appointment of Board Directors and the External Auditors.

Health, Safety and Environmental Issues

The Company has developed and implemented social, safety, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory framework.

Social Issues

The Company provides equal opportunity to its employees and any recruitment is generally advertised both internally and externally. There is a performance appraisal for all employees, and rewards are provided depending on the financial performance of the company and the employees individual performance.

Charitable and Political Donations

The Company did not make any political donations during the financial year ended 31 December 2019 (2018 - Rs Nil).

During the year under review the Company has made charitable donations under the CSR initiative of Rs. 152,724 (2018 – Rs. 199,978)

	CSR paid to:	*Amount (Rs) 2019*	*Amount (Rs) 2018*
1	SOS CHILDREN'S VILLAGES MAURITIUS	-	20,000
2	TIPA	19,090	32,494
3	ASSOCIATION D'ALPHABETISATION DE FATIMA	19,090	32,495
4	LION'S CLUB CHARITY EVENT	-	15,000
5	CSR (75% mandatory payment to MRA under APS returns, (2018 50%)	114,543	99,989
	Total CSR paid	152,723	199,978

7. AUDIT

Internal Audit

The board recognises that risk management within the company is key to successfully carry out its objectives and long-term goals. Management is accountable to the Board to identify and implement processes and procedures in order to manage the significant risks.

Internal controls procedures and policies have been designed and implemented by management so as to get comfort that material misstatement or losses are detected.

Further to the approval of the Bank of Mauritius, the Board of Directors has appointed KPMG to act as internal auditor. A letter of Engagement has been signed by both parties and the Internal Audit plan is approved by the Audit Committee. The scope of their intervention includes:

1. Compliance to Bank of Mauritius Guidelines
2. Credit Worthiness and Sanctioning, KYC and Leasing
3. Debtors Management and Impairment
4. Human Resources
5. KYC and Deposit
6. Banking and Disbursements
7. Close the Books
8. Disaster Recovery and Business Continuity
9. IT review

Out of which, the first four were audited during the year under review. The internal auditor has full access to the records, management or employees of the Company. The internal auditor report on a regular basis to the Audit Committee.

Management is responsible for acting on the findings and implementing the recommendations of the internal audit reports. The Audit Committee reviews the effectiveness of the Internal Audit function on an ongoing basis, which is achieved in part, by reviewing and discussing on the internal audit reports. The Audit Committee is satisfied of the independence of the Internal Audit function and they face no restrictions while conducting their internal audit.

External Audit

The Audit Committee approves the appointment of the external auditors on a yearly basis and the prior approval of the Bank of Mauritius is also sought. The Audit Committee is presently satisfied with the effectiveness and performance of the audit team. The Audit Plan is discussed and agreed with the Audit Committee.

Messrs Ernst & Young have been appointed as external auditors of the Company in 2017 and have since been reappointed.

The Company complies with the Code of Corporate Governance, the Financial Reporting Act 2004 and the guidelines of the Bank of Mauritius regarding rotation of external auditors which occurs every five years.

The external auditors are invited to attend certain Audit Committee meetings to discuss the accounts presented, management letters, key audit issues, critical policies and to keep the directors updated on any new accounting standards, methods and terminology. Consultation between the latter and the internal audit team are regularly encouraged. The Audit Committee shall meet with the external auditor without management presence in line with Good Governance practice.

Audit Services and Non-audit services are provided by two completely different and separate teams of Ernst and Young, thus safeguarding the external auditor's objectivity and independence.

The fees charged by the auditors for audit services and other services were:

PricewaterhouseCoopers				
Audit services			-	400,000
Other services - non-audit related			-	766,525
Ernst and Young				
Audit services	715,000	722,500	650,000	-
Other services - non-audit related	195,000	202,700	615,920	-
Total	**910,000**	**925,200**	**1,265,920**	**1,166,525**

The other non-audit services relate to fees paid on account of (i) VAT refund (ii) tax compliance (Ernst and Young have been appointed as the auditors for the year 2019.

8. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

La Prudence Leasing is wholly-owned by the Prudence Holding Co Ltd, who is duly represented on the Board.

Annual General Meetings are conducted in accordance with the provisions of the Companies Act 2001, Constitution and Board Charter.

Key stakeholders of the Company are identified as: Employees, Customers, Financial Institutions, Regulators, Suppliers and partners.

The Company is committed towards an open communication with its key stakeholders and to take into account their expectations in its decision-making process. The Board is satisfied that there is adequate communication between the company and its stakeholders.

Shareholding Structure

The Company is a wholly-owned subsidiary of Prudence Holding Ltd.

Shareholders' Agreement

This is not applicable.

OTHER STATUTORY DISCLOSURES

(Pursuant to Section 221 of the Companies Act 2001)

1. Activities

The main activities of the Company are to conduct non-bank deposit taking business and to provide asset finance through finance leases and operating leases.

2. Directors' Remuneration

Remuneration of Executive and Non-Executive Directors from the Company are set out on page 10.

The directors benefit from an indemnity insurance to cover liabilities while performing their duties to the extent permitted by law.

3. Executive Director's Service Contract

Mr Clement Yue-Chi-Ming, Managing Director, has a contract with indeterminate duration.

4. Auditor's Remuneration

Please refer to page 14 of the report.

5. Contracts of Significance

The contracts of significance subsisting during the year to which the Company is a party and in which a Director is or was materially interested, either directly or indirectly, relates to the operating lease agreements entered into with the United Docks Ltd for the rental of office space at United Docks Business Park amounting to Rs. 1,759,101 for financial year ended 31 December 2019. (2018: Rs. 1,675,334).

6. DIVIDEND PAID

Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Dividend paid per share (Rs)	Nil	Nil	0.50	0.60	NIL	0.75	0.50	0.62	NIL	0.40

LA PRUDENCE LEASING FINANCE CO. LTD.
DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

The directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems
(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards (IFRS)
(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

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

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained
(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently
(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified
(iv) the Code of Corporate Governance has been adhered to in all material aspects and reasons provided for non-compliance.

Approved by the Board of Directors on 21 May 2020 and signed on its behalf by:

....
Mr. Clement Yue Chi-Ming
MANAGING DIRECTOR

....
Mr. Mushtaq Oosman
CHAIRMAN

STATEMENT OF COMPLIANCE

(Section 75(3) of the Financial Reporting Act)

Name of Public Interest Entity: **La Prudence Leasing Finance Co. Ltd**

Reporting Period: **Year ended 31 December 2019**

Throughout the year ended 31 December 2019 to the best of the Board's knowledge, La Prudence Leasing Finance Co. Ltd has not complied with the following principle of the Corporate Governance Code for Mauritius (2016).

The area of non-compliance is:

Principle	Area of non-compliance	Explanation
Principle 4	Remuneration of Directors on an individual basis	Please refer to Paragraph 4 on Page 10 of the report.

....
Mr. Clement Yue Chi-Ming
MANAGING DIRECTOR

....
Mr. Mushtaq Oosman
CHAIRMAN

Date: 21 May 2020

In this management discussion and analysis, the Company has included certain forward-looking statements which have been based on assumptions and projections for the future. There is the risk that forecasts, projections and other postulations contained therein will not materialise and that actual results may vary materially from the plans and expectations. The Company has no plan to update any forward-looking statements periodically. The reader of this report should, therefore, stand cautioned not to place any undue reliance on such statements.

1 FINANCIAL REVIEW

1.1.1 PERFORMANCE AGAINST OBJECTIVES

	Actual 2018 %	Budget 2019 %	Actual 2019 %	Budget 2020 %
AREAS OF PERFORMANCE				
REVENUE GROWTH RATIO				
Revenue growth	**21.50%**	**17.33%**	**9.72%**	**16.26%**
EXPENSE GROWTH RATIO				
Interest expense growth	**7.36%**	**4.80%**	**4.98%**	**4.66%**
PRODUCTIVITY RATIO				
Non-interest expense/(Net interest income + other income)	**78.69%**	**76.94%**	**84.48%**	**79.32%**
OVERALL PERFORMANCE RATIO				
Return on equity	**2.21%**	**7.59%**	**9.65%**	**9.57%**
Return on average assets	**0.29%**	**1.06%**	**1.35%**	**1.12%**
Portfolio quality				
- Ratio of adjustment & provision for credit losses to average leases	**4.73%**	**4.79%**	**3.11%**	**3.24%**

Revenue Growth

Total revenue for the year ended 31 December 2019 increased to 9.72% compared to actual 2018 which was 21.50%. This is mainly explained by the following factors:

- Sales of Finance and Operating Leases have increased in volume compared to 2018 as a result of strong strategic and partnerships actions taken by the management as from beginning of year 2019. The Company is now an active and well-known player in the market
- The pricing strategy of leases has been reviewed during the year to match market rates

Expense Growth ratio

Total interest expenses growth % have decreased by 2.38% compared to actual 2018. This drop in expense growth ratio can be explained by:

- The decrease in repo rates from 3.5% to 3.35% has made fresh Fixed Deposits cheaper than previous years.

Productivity Ratio

The productivity ratio, higher than budget 2019, is due to:

- Significant increase in total operating expenses as a result of extensive marketing campaigns and corporate restructuring. Management has developed new aggressive strategies to increase market share which have impacted on costs in the short run but which will yield sustainable profits in the long run
- A substantial increase in depreciation of Property, Plant & Equipment by 34% over last year due to more vehicles acquired under operating lease agreement

Overall Performance ratio

Return on equity is 9.65% compared to a budget of 7.59% and against 2.21% last year and return on average assets is 1.35% compared to a budget of 1.06%. There has been a reasonable increase in interest income in 2019 and profitability is at Rs. 25.7m before income tax. Interest received on bank deposits at bank/ treasury bills and bonds was higher due to better cash management and increase in bank deposits. The portfolio quality ratio is 3.11% compared to a budget of 4.79% due to impairment provision reversal of Rs 9.5M, and the quality of the book has improved since last year in line with the provisioning per stage. Management has made adequate provision to be in line with the statutory requirement of the regulatory bodies.

1.2 REVIEW BY FINANCIAL PRIORITY AREAS

1.2.1 ASSET TYPE ANALYSIS

Below is a breakdown of the Company's portfolio by asset type. Motor vehicles remain the main assets being financed and represent 85% (2018: 89%) of the total portfolio.

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Agricultural equipment	**17,566**	19,667	19,806
Boat equipment	**6,117**	6,614	9,643
Computer equipment	**29,406**	12,757	27,124
Other equipment	**164,609**	119,487	252,843
Vehicles	**1,201,004**	1,233,880	1,022,397
	1,418,702	1,392,405	1,331,813

1.2.2 REVENUE GROWTH

	2019	2018	2017
	%	%	%
Net Interest Margin (Net Interest income/Total average interest earnings assets)	**3.42%**	3.68%	3.58%
Net Interest Income/Total Average Assets	**2.88%**	2.98%	2.77%

	Income 2019	**Related assets 2019**	Income 2018	Related assets 2018	Income 2017	Related assets 2017
	Rs	**Rs**	Rs	Rs	Rs	Rs
Finance lease income	**112,809,936**	**1,376,629,878**	109,267,234	1,330,474,918	99,296,268	1,286,779,988
Operating lease Income	**45,444,825**	**195,848,025**	34,672,584	163,558,337	19,145,884	116,208,818
Placements and loans to banks	**6,639,256**	**269,729,402**	6,376,973	233,624,300	5,435,580	296,739,651
	164,894,017	**1,842,207,305**	150,316,792	1,727,657,555	123,877,732	1,699,728,457

	Interest expense 2019	**Related liabilities 2019**	Interest expense 2018	Related liabilities 2018	Interest expense 2017	Related liabilities 2017
	Rs	**Rs**	Rs	Rs	Rs	Rs
Loans	**1,222,383**	**50,240,642**	1,028,099	31,778,328	1,544,265	42,991,524
Lease Liability	**313,413**	**4,422,617**	-	-	-	-
Deposits	**65,505,445**	**1,497,031,246**	62,830,668	1,406,568,146	57,934,632	1,336,701,272
	67,041,241	**1,551,694,504**	63,858,768	1,438,346,474	59,478,897	1,379,692,796

	2019	2018	2017
	Rs	Rs	Rs
Net interest income	**52,407,950**	51,785,439	45,252,950
Non-interest income:			
Operating lease rentals	**45,444,825**	34,672,584	19,145,884
Fee income and commissions	**5,978,010**	5,692,438	5,495,293
Other income	**1,338,919**	1,817,959	526,141
Net foreign exchange gain	**954,330**	-	274,027
	53,716,084	42,182,981	25,441,345
Total income	**106,124,034**	93,968,419	70,694,295
Non-interest income/Total income	**50.62%**	44.89%	35.99%

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.3 COST CONTROL

	2019 Rs	2018 Rs	2017 Rs
Non – interest expense			
Staff costs	**33,584,901**	30,264,912	22,697,076
Depreciation of property, plant and equipment	**37,836,567**	28,297,548	14,799,136
Amortisation of intangible assets	**516,223**	494,694	213,239
Other expenses	**17,139,857**	12,116,686	9,361,095
Operating lease expense	**571,609**	1,675,334	1,467,670
Net foreign exchange loss	-	1,095,314	-
Total non-interest expense	**89,649,157**	48,538,216	48,538,216
PRODUCTIVITY RATIO			
Non-interest expense/Total income	**84.48%**	78.69%	68.66%

Non-interest expenses have mostly increased because of the increase in staff cost, professional fees incurred with respect to the digitalization project and depreciation of Property, Plant & Equipment. The increase in depreciation is due to acquisition of assets classified as operating leases during the year. Increase in other expenses is due to foreign currency leases write off of Rs 4M.

1.2.4 CREDIT EXPOSURE AND CONCENTRATION BY SECTOR

	2019 Rs'000	2019 %	2018 Rs'000	2018 %	2017 Rs'000	2017 %
Lendings						
Agriculture and Fishing	**72,242**	**5.09%**	77,364	5.56%	69,362	5.21%
Manufacturing and Textile	**113,264**	**7.98%**	162,389	11.66%	182,092	13.67%
Tourism	**83,980**	**5.92%**	79,591	5.72%	73,407	5.51%
Transport	**130,062**	**9.17%**	127,953	9.19%	89,843	6.74%
Construction and Civil Engineering	**144,591**	**10.19%**	131,828	9.47%	93,167	6.99%
Financial and Business Services	**179,978**	**12.69%**	184,213	13.23%	145,572	10.96%
Traders and Commerce	**312,730**	**22.04%**	285,192	20.48%	279,476	20.98%
ICT Services	**32,518**	**2.29%**	21,037	1.51%	3,825	0.29%
Personal	**4,140**	**0.29%**	4,984	0.36%	13,205	0.99%
Professional	**67,380**	**4.75%**	87,635	6.29%	196,312	14.74%
Media, Entertainment and Recreational Activities	**48,953**	**3.45%**	50,450	3.62%	43,429	3.26%
Freeport Enterprise Certificate Holders	**3,393**	**0.24%**	4,628	0.33%	4,658	0.35%
Infrastructure	**46,247**	**3.26%**	62,270	4.47%	59,233	4.45%
Services Sector	**92,745**	**6.54%**	31,870	2.29%	12,462	0.94%
Education	**30,783**	**2.17%**	32,831	2.36%	27,034	2.03%
Modernisation and Expansion	**5,900**	**0.42%**	3,501	0.25%	4,027	0.30%
Health Development	**47,842**	**3.37%**	44,666	3.21%	34,709	2.61%
Regional Development Certificate Holders	**1,957**	**0.14%**	-	-	-	-
	1,418,702	**100%**	1,392,405	100%	1,331,813	100%

Sectors with the highest credit concentration of the Company during the year were the Traders and Commerce and Financial and Business Services which represents **22.04%** (2018- 20.48% and 2017- 20.98%) and **12.69%** (2018- 13.23% and 2017- 10.96%) respectively of the total investment as shown in the above table.

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY

Total provision as a percentage of net investment in finance lease was 3% at 31 December 2019

	Gross investment in finance leases	Instalments Due	Non-performing leases	Individually Impaired	Collectively Impaired	2019 Total Provision	2018 Total Provision	2017 Total Provision
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture and Fishing	71,638	604	1,716	10	1,216	1,226	1,900	1,206
Manufacturing and Textile	108,051	5,213	11,350	2,412	1,569	3,981	10,701	13,680
Tourism	82,438	1,542	2,482	349	995	1,344	1,829	1,156
Transport	127,502	2,559	2,347	573	2,185	2,758	3,575	1,051
Construction and Civil Engineering	136,982	7,609	7,732	4,411	2,343	6,753	12,268	5,102
Financial and Business Services	171,705	8,273	9,927	6,648	2,048	8,695	11,080	7,937
Traders and Commerce	305,942	6,788	7,601	3,475	4,678	8,153	8,792	6,712
ICT Services	32,057	461	1,399	117	377	494	379	38
Personal	4,125	15	-	-	33	33	60	126
Professional	65,285	2,095	1,886	838	895	1,733	2,918	3,798
Media, Entertainment and Recreational Activities	48,196	757	364	44	796	840	960	434
Freeport Enterprise Certificate Holders	3,384	9	-	-	29	29	60	47
Services Sector	92,111	634	1,351	412	1,102	1,514	447	125
Education	30,737	45	-	-	253	253	393	270
Infrastructure	43,823	2,424	1,757	1,757	777	2,534	4,806	2,964
Modernisation and Expansion	4,756	1,145	1,102	1,102	41	1,143	1,146	40
Health Development	47,618	224	-	-	559	559	616	347
Regional Development Certificate Holders	1,944	13	-	-	29	29	-	-
	1,378,293	40,409	51,014	22,148	19,924	42,072	61,930	45,033

The Company has in respect of non-performing leases a provisioning policy which is in compliance with the requirement of the Guideline on Credit Impairment Measurement issued by the Bank of Mauritius. Non-performing leases relates to leases that have instalments due for more than 3 months and that have been considered in the forward-looking expected credit losses (ECL) computation on an individual basis.

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Net investment in finance lease Rs	Non-Performing Leases Rs	Provision for impairment Rs	B/A %	C/B %	C/A %
31 December 2019	A	B	C			
Lendings						
Agriculture and Fishing	72,242	1,716	1,226	2.37%	71.49%	1.70%
Manufacturing and Textile	113,264	11,350	3,981	10.02%	35.07%	3.51%
Tourism	83,980	2,482	1,344	2.96%	54.15%	1.60%
Transport	130,062	2,347	2,758	1.80%	117.49%	2.12%
Construction and Civil Engineering	144,591	7,732	6,753	5.35%	87.34%	4.67%
Financial and Business Services	179,978	9,927	8,695	5.52%	87.60%	4.83%
Traders and Commerce	312,730	7,601	8,153	2.43%	107.26%	2.61%
ICT Services	32,518	1,399	494	4.30%	35.33%	1.52%
Personal	4,140	-	33	0.00%	0.00%	0.79%
Professional	67,380	1,886	1,733	2.80%	91.88%	2.57%
Media, Entertainment and Recreational Activities	48,953	364	840	0.74%	230.97%	1.72%
Freeport Enterprise Certificate Holders	3,393	-	29	0.00%	0.00%	0.86%
Services Sector	92,745	1,351	1,514	1.46%	112.07%	1.63%
Education	30,783	-	253	0.00%	0.00%	0.82%
Infrastructure	46,247	1,757	2,534	3.80%	0.00%	5.48%
Modernisation and Expansion	5,900	1,102	1,143	18.67%	0.00%	19.37%
Health Development Certificate Holders	47,842	-	559	0.00%	0.00%	1.17%
Regional Development Certificate Holders	1,957	-	29	0.00%	0.00%	1.47%
	1,418,702	51,014	42,072	3.60%	82.47%	2.97%

During the year 2019, there was one restructured lease amounting to Rs 279,412. The client was irregular with payment and the vehicle was repossessed. However, after negotiation with client, LPLF decided to reschedule the lease based on client's capacity to pay.

	Net investment in finance lease Rs	Non-Performing Leases Rs	Provision for impairment Rs	B/A %	C/B %	C/A %
31 December 2018	A	B	C			
Lendings						
Agriculture and Fishing	77,364	1,195	1,900	1.55%	158.90%	2.46%
Manufacturing and Textile	162,389	23,918	10,701	12.18%	54.10%	6.59%
Tourism	79,591	571	1,829	0.72%	320.57%	2.30%
Transport	127,953	4,098	3,575	3.20%	87.25%	2.79%
Construction and Civil Engineering	131,828	18,091	12,268	13.72%	67.82%	9.31%
Financial and Business Services	184,213	9,843	11,080	5.34%	112.57%	6.01%
Traders and Commerce	285,192	7,539	8,792	2.64%	116.63%	3.08%
ICT Services	21,037	-	379	0.00%	0.00%	1.80%
Personal	4,984	-	60	0.00%	0.00%	1.20%
Professional	87,636	2,453	2,918	2.80%	118.96%	3.33%
Media, Entertainment and Recreational Activities	50,450	862	960	1.71%	111.38%	1.90%
Freeport Enterprise Certificate Holders	4,628	-	60	0.00%	0.00%	1.29%
Services Sector	31,871	-	447	0.00%	0.00%	1.40%
Education	32,831	-	393	0.00%	0.00%	1.20%
Infrastructure	62,271	7,656	4,806	12.30%	62.77%	7.72%
Modernisation and Expansion	3,501	1,097	1,146	31.34%	104.45%	32.73%
Health Development Certificate Holders	44,666	-	616	0.00%	100.00%	1.38%
	1,392,405	77,323	61,930	5.26%	84.62%	4.45%

During the year 2018, there was one restructured lease amounting to Rs 7,667,631. The lease was rescheduled for a longer repayment period than initially agreed.

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Gross including instalment due Leases	Non-Performing Leases	Provision for impairment	B/A	C/B	C/A
	Rs	Rs	Rs	%	%	%
31 December 2017	A	B	C			
Lendings						
Agriculture and Fishing	69,362	518	1,206	0.75%	232.81%	1.74%
Manufacturing and Textile	182,091	32,317	13,680	17.75%	42.33%	7.51%
Tourism	73,407	1,869	1,156	2.55%	61.85%	1.57%
Transport	89,843	1,629	1,051	1.81%	64.52%	1.17%
Construction and Civil Engineering	93,167	12,932	5,102	13.88%	39.45%	5.48%
Financial and Business Services	145,572	11,725	7,937	8.05%	67.69%	5.45%
Traders and Commerce	279,476	8,985	6,712	3.21%	74.70%	2.40%
ICT Services	3,826	450	38	11.76%	8.44%	0.99%
Personal	13,205	-	126	0.00%	0.00%	0.95%
Professional	196,312	3,831	3,798	1.95%	99.14%	1.93%
Media, Entertainment and Recreational Activities	43,429	715	434	1.65%	60.70%	1.00%
Freeport Enterprise Certificate Holders	4,658	-	47	0.00%	0.00%	1.00%
Other	-	-	-	0.00%	0.00%	0.00%
Services Sector	12,462	-	125	0.00%	0.00%	1.00%
Education	27,034	2,891	270	10.69%	9.34%	1.00%
Infrastructure	59,233	2,975	2,964	5.02%	99.63%	5.00%
Modernisation and Expansion	4,027	1,133	40	28.14%	3.53%	1.00%
Health Development Certificate Holders	34,709	-	347	0.00%	0.00%	1.00%
	1,331,813	81,970	45,033	6.15%	54.94%	3.38%

During the year 2017 there were no restructured lease.

	Opening balance	ECL Allowance	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31-Dec-19					
Portfolio provision for impairment losses					
Agriculture and fishing	1,371	-	-	(155)	1,216
Manufacturing/textile	2,392	-	-	(823)	1,569
Tourism	1,609	-	-	(614)	995
Transport	2,428	-	-	(243)	2,185
Construction and civil engineering	1,840	503	-	-	2,343
Financial and business services	3,032	-	-	(984)	2,048
Traders/commerce	4,820	-	-	(262)	4,558
ICT Services	379	-	-	(2)	377
Personal	60	-	-	(27)	33
Professional	1,279	-	-	(383)	895
Media entertainment and recreational activities	844	-	-	(48)	796
Freeport enterprise certificate holders	60	-	-	(31)	29
Services Sector	447	654	-	-	1,102
Education	393	-	-	(139)	253
Infrastructure	788	-	-	(12)	777
Modernisation and Expansion	49	-	-	(8)	41
Health Development Certificate Holders	616	-	-	(57)	559
Regional Development Certificate Holders	-	29	-	-	29
	22,407	**1,185**	**-**	**(3,789)**	**19,803**

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Opening balance	ECL Allowance	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31-Dec-19					
Specific provision for impairment losses					
Agriculture and fishing	528	-	(518)	-	10
Manufacturing/textile	8,310	-	(5,554)	(344)	2,412
Tourism	220	129	-	-	349
Transport	1,147	-	-	(574)	573
Traders/Commerce	3,972	589	(965)	-	3,595
Personal	-	-	-	-	-
Construction and civil engineering	10,429	-	-	(6,018)	4,411
Professional	1,640	60	(862)	-	838
Financial and business services	8,046	528	(1,926)	-	6,647
Infrastructure	4,017	-	(493)	(1,767)	1,757
Modernisation and Expansion	1,097	5	-	-	1,102
Media, Entertainment and Recreational Activities	117	-	-	(73)	44
ICT Services	-	117	-	-	117
Services Sector	-	412	-	-	412
	39,523	1,840	(10,319)	(8,776)	22,268
Total provisioning for impairment losses	61,930	3,025	(10,319)	(12,565)	42,072

	Opening balance	Provision for the year	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31-Dec-18					
Portfolio provision for impairment losses					
Agriculture and fishing	688	683	-	-	1,371
Manufacturing/textile	1,663	729	-	-	2,392
Tourism	725	884	-	-	1,609
Transport	897	1,531	-	-	2,428
Construction and civil engineering	879	961	-	-	1,840
Financial and business services	1,376	1,656	-	-	3,033
Traders/commerce	2,752	2,069	-	-	4,820
ICT Services	38	341	-	-	379
Personal	127	-	-	(67)	60
Professional	1,935	-	-	(657)	1,279
Freeport enterprise certificate holders	47	13	-	-	60
Media entertainment and recreational activities	434	410	-	-	844
Other	-	-	-	-	-
Services Sector	125	323	-	-	447
Education	270	122	-	-	393
Infrastructure	564	225	-	-	788
Modernisation and Expansion	40	9	-	-	49
Health Development Certificate Holders	347	269	-	-	616
	12,907	10,224	-	(723)	22,407

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Opening balance	Provision for the year	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31-Dec-18					
Specific provision for impairment losses					
Agriculture and fishing	518	10	-	-	528
Manufacturing/textile	11,166	-	-	(2,856)	8,310
Tourism	431	-	-	(211)	220
Transport	154	993	-	-	1,147
Traders/Commerce	4,371	-	-	(400)	3,972
Personal	-	-	-	-	-
Construction and civil engineering	4,224	6,205	-	-	10,429
Professional	2,681	-	-	(1,043)	1,640
Financial and business services	6,180	1,867	-	-	8,046
Infrastructure	2,401	1,618	-	-	4,018
Modernisation and Expansion	-	1,097	-	-	1,097
Media entertainment and recreational activities	-	116	-	-	117
	32,126	11,906	-	(4,510)	39,523
Total provisioning for impairment losses	45,033	22,130	-	(5,233)	61,930

	Opening balance	Provision for the year	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31-Dec-17					
Portfolio provision for impairment losses					
Agriculture and fishing	480	208	-	-	688
Manufacturing/textile	1,606	57	-	-	1,663
Tourism	728	-	-	(3)	725
Transport	621	276	-	-	897
Construction and civil engineering	963	-	-	(84)	879
Financial and business services	932	444	-	-	1,376
Traders/commerce	2,399	353	-	-	2,752
ICT Services	-	38	-	-	38
Personal	110	17	-	-	127
Professional	1,871	64	-	-	1,935
Freeport enterprise certificate holders	46	1	-	-	47
Media entertainment and recreational activities	396	38	-	-	434
Other	-	-	-	-	-
Services Sector	-	125	-	-	125
Education	213	57	-	-	270
Infrastructure	557	7	-	-	564
Modernisation and Expansion	11	29	-	-	40
Health Development Certificate Holders	182	165	-	-	347
	11,115	1,879	-	(87)	12,907

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Opening balance	Provision for the year	Leases write off	Releases	Closing Balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31-Dec-17					
Specific provision for impairment losses					
Agriculture and fishing	518	-	-	-	518
Manufacturing/textile	8,154	3,560	-	(548)	11,166
Tourism	-	431	-	-	431
Transport	545	154	-	(545)	154
Traders/Commerce	3,575	2,391	(884)	(711)	4,371
Personal	38	-	-	(38)	-
Construction and civil engineering	3,616	653	-	(45)	4,224
Professional	2,120	925	-	(364)	2,681
Financial and business services	4,003	2,191	-	(14)	6,180
Infrastructure	1,049	1,352	-	-	2,401
	23,618	11,657	(884)	(2,265)	32,126
Total provisioning for impairment losses	34,733	13,536	(884)	(2,352)	45,033

Management reviews the debtors ageing on a weekly basis to assess the progress of unpaid lease rentals. Clients having more than 60 days arrears are closely monitored and are often called to discuss the conduct of their leases.

As far as the expected credit loss ('ECL') on leasing facilities is concerned, the Company adopts a micro-prudential approach. Management continuously scrutinises any exposure in arrears. The adoption of IFRS 9 has fundamentally changed the Company's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Company has been recording the allowance for expected credit losses for all leases and other financial assets not held at Fair Value through Profit or Loss. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

Suspension of interest on non-performing facilities is carried out in a structured approach, in line with the relevant Bank of Mauritius Guidelines.

2 CAPITAL STRUCTURE

As a deposit taking institution, the Company is required to maintain net owned funds of not less than Rs200 million.

The Company increased its net owned funds to Rs 200 million in 2008. It maintains at all times a minimum Risk Weighted Capital Adequacy Ratio of at least 10% as required by the Bank of Mauritius.

Leasing companies are required to risk weight the credit risks which form part of their balance sheet assets and maintain a capital adequacy ratio of 10%. For the purpose of assessing capital adequacy, the capital is split into two tiers-Tier 1 core capital and Tier 2 capital.

- Tier 1 capital consist of stated capital, statutory reserve, retained earnings and reserves created by appropriations from post-tax retained earnings. Deferred income taxes and intangible assets are deducted from Tier 1 capital.
- Tier 2 supplementary capital consists of general and portfolio provisions and shall not exceed a maximum of 100% of Tier 1 capital.

At the end of 2019, the Company's capital adequacy ratio was **17.91%** (2018 – 17.21%; 2017 - 18.42%)

2 CAPITAL STRUCTURE (CONTINUED)

The Capital base for the year under review was as follows:

CAPITAL BASE	2019 Rs'000	2018 Rs'000	2017 Rs'000
A.Tier 1 Core Capital			
- Paid up capital	**200,000**	200,000	200,000
- Statutory reserve	**22,791**	19,118	18,354
- General Banking Reserves	**-**	-	-
- Retained earnings	**30,935**	10,753	28,728
	253,726	229,870	247,082
Less			
- Deferred income taxes	**-**	-	(2,757)
- Intangible assets	**(802)**	(1,164)	(402)
Tier 1 capital	**252,924**	228,706	243,923
B. Tier 2 Supplementary Capital			
General provisions/ Portfolio provisions/ general loan loss reserves against unidentified losses	**18,980**	22,407	12,907
Tier 2 capital	**18,980**	22,407	12,907
C. Total Capital			
Tier 1 : Core Capital	**252,924**	228,706	243,923
Tier 2 : Supplementary capital	**18,980**	22,407	12,907
This Total gross capital	**271,904**	251,114	256,830
Total net capital	**271,904**	251,114	256,830
Weighted amount of on-balance sheet assets	**1,518,369**	1,459,239	1,394,399
Capital Adequacy Ratio	**17.91%**	17.21%	18.42%

Statutory reserve

The Banking Act 2004 requires the Company to maintain a statutory reserve, wherein 15% of its net profit after tax is required to be transferred from retained earnings, until such time that the statutory reserve will equal the Company's share capital. The Company has accordingly transferred such provision during the year.

The deposits/Shareholder's equity is disclosed below:

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Total shareholder's equity	253,726	229,870	247,082
Total deposits	1,497,031	1,406,568	1,336,701
Deposits/Shareholder's equity (times)	5.90	6.12	5.41

The Company has maintained above the 10% capital adequacy ratio throughout the year as stipulated by the Bank of Mauritius.

3 RISK MANAGEMENT POLICIES AND CONTROLS

The objective of the Company is to add value to the Company's equity by maximising the risk-adjusted return to the shareholder. The Board of directors is responsible for the reviews, approval and implementation of risk management policies and controls. The Board's approach has been to identify the risk areas, put the necessary controls, ensure continuous assessment, monitor, measure and report.

3.1 CREDIT RISK

Credit risk is the risk of loss due to the inability or unwillingness of counterparty to a financial instrument to fulfil its obligations. This risk is mitigated by a credit assessment of the potential client, adequate deposit by the latter and collateral guarantees.

- The Company employs a range of policies and practices to mitigate credit risk. The most traditional and effective of these is the taking of security for lease given, which is common practice.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

3 RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

3.1 CREDIT RISK (CONTINUED)

Management information reported to the Company includes details of provisions for impairment on leases and receivables and subsequent write-offs. Lease receivables are recognised as soon as the contract with the lessee is signed. From 1 January 2018, the Company adopted IFRS 9 and has been recording the allowance for expected credit losses for all leases and other financial assets not held at Fair Value through Profit or Loss. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

For banks, the Company transacts only with highly reputable financial institutions. The credit quality of the financial asset can be assessed by the historical information about the financial strengths of the financial institutions the Company is dealing with These are reputable institutions in the industry and therefore is an insignificant risk associated to them.

3.2 INTEREST RATE RISK

Interest rate risk relates to the movement in interest rates which has a significant adverse effect on the financial condition of the Company. The principal source of funding for our business is fixed deposits from the public which is mostly on a fixed rate. On the other hand, our leases also are mostly on a fixed rate hence ensuring a constant differential. However, any adverse fluctuation in the prevailing Repo Rate will have an impact on the market rates on both deposits and borrowings raised subsequently. Hence, ensuring that there are no mismatches or gaps in amounts of financial assets and liabilities is very important in order to protect the differential. In order to remain competitive in the market, the Company has consistently adjusted both its deposit and lending rates for all new deposits and leases.

3.3 FOREIGN EXCHANGE RATE RISK

The Company has assets and liabilities that are denominated in Mauritian rupees, United States of America Dollars and Euros. Foreign exchange risk relates to the financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Company. Most of the transactions are performed in Rupees and there is a minimum exposure in foreign currency transaction. Transactional risks are reduced through swaps in local currency where cross currency transactions are made.

3.4 LIQUIDITY AND SOLVENCY RISK

The objective of liquidity management is to ensure that funds are available or there is assurance of the availability of funds, to honour the Company's cash flow commitments as they fall due, including off-balance sheet outflow commitments in a timely and cost-effective manner.

Liquid assets equivalent to not less than 10 per cent of deposit liabilities are maintained at all times. This is monitored continually and a weekly return of liquid assets and deposits is submitted to the Bank of Mauritius. A solvency test, in compliance with the Section 6 of the Mauritian Companies Act 2001, is prepared and reported in the Assets and Liabilities Committee on a quarterly basis.

3.5 OPERATIONAL RISK

Operational risk is controlled by identifying the different business processes and risk areas and implementing proper business procedures, internal controls and backup procedures. The Company makes use of IT system and technology from reputable suppliers and continuously reviews its processes and has a fully-fledged compliance IT function.

The Board of Directors ensures at all times that there are stringent internal controls over the Company's operations and has entrusted the review of internal controls through the Board's Audit Committee to the Company's internal audit function.

3.6 COMPLIANCE RISK

Compliance risk arises from a failure or inability to comply with the laws, regulations or codes applicable to the financial services industry. Non-compliance can lead to fines, public reprimands, and enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate. The Company in a timely manner responds to all queries of its regulators and complies with applicable laws and regulations.

3 RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

3.7 LEGAL RISK

Legal risk is the risk that the business activities of the Company have unintended or unexpected legal consequences. It includes risk arising from:

- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency;
- Actual or potential violations of law or regulation (including activity unauthorized for a leasing company and which may attract a civil or criminal fine or penalty); and
- The possibility of civil claims (including acts or other events which may lead to litigation or other disputes).

The Company identifies and manages legal risk through effective use of its external legal advisers.

3.8 TAX RISK

Tax risk is the risk of loss or increased charges associated with changes in, or errors in the interpretation of, taxation rates or law. The Company has appointed a tax advisor who ensures compliance with the tax laws and regulations in force in Mauritius.

3.9 RISK CONSEQUENCES OF COVID 19

The COVID 19 is affecting nearly all the countries of the world, including Mauritius. It will inevitably impact on the company's assets and liabilities although the extent is difficult to foresee. First of all Market risk for present and new customers to be reassessed carefully. In terms of credit risks should some of our leasing customers fail to settle their monthly instalments, this will affect our cash flow, which in turn impact on our cash and cash equivalents, Finance Leases, Trade Debtors and ECL. Similarly, our liabilities might increase such as Lease Suppliers. Our Liquidity Risk might be impacted thereon. Management is taking all the necessary measures to mitigate the consequences.

4 RELATED PARTY TRANSACTIONS

The Company has on 21 December 2010 set up an Audit and Risk Management committee whose aim, amongst others, is to ensure that Management establishes procedures to comply with the requirements / guidelines on "Related Party Transactions" set down by the Regulatory Body and in compliance with good governance practice. The Committee proposes to review the procedures periodically to ensure their continuing adequacy and enforcement.

As part of its review process, the Committee undertook to review the following:

- risk management policies and prudential limits,
- large exposures and large non-performing accounts,
- all major non-compliance with risk policies and Internal Audit Reports and compliance with statutory and regulatory requirements on risk and exposure limits.
- all major cases of fraud and irregularities relating to operational and other risks.

As at 31 December 2019, the Company's total exposure with related parties was **Rs 91,151,157** (2018 – Rs 109,069,280; 2017 – Rs 106,223,813). This represented **39.86%** (2018 – 29.40%; 2017 – 43.54%) of the Company's Tier 1 Capital, whilst the limit by the Bank of Mauritius Guidelines is 60%.

The guideline was revised in December 2017 by the Bank of Mauritius whereby the definition of fund-based credit exposure should exclude operating leases which came into effect as from 19 December 2017.

4 RELATED PARTY TRANSACTIONS (CONTINUED)

The table below shows the Company's exposure to its top ten related parties at 31 December 2019:

	Capital Outstanding Rs	As a % of Tier 1 capital
REY & LENFERNA LTD	14,147,986	5.57%
CEAL LTD	9,205,690	3.62%
FORGES TARDIEU LIMITED	8,673,882	3.41%
BAIE DU CAP ESTATES LTD	6,050,773	2.38%
MERESTONE LTD	5,779,577	2.27%
MULTIBOX LTD	4,437,963	1.75%
COASTAL HIRE LTD	4,068,004	1.60%
LE PORT FOOD CORNER LTD	2,546,131	1.00%
LABELLING INDUSTRIES LTD	1,995,979	0.79%
E C S SECRETARIES LTD	1,870,551	0.82%
	58,776,536	23.21%

During the year, no exposure to related parties was individually impaired (2018 and 2017 - Nil). Details of Related Party transactions are provided in Note 21 of these financial statements.

5 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Refer to pages 2–17 in the report of corporate governance.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of La Prudence Leasing Finance Co Ltd, (the "company" or "LPLF") presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability of the information provided therein. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

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

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

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

The Company's external auditor, Ernst & Young, has full and free access to the Board of Directors and its Committees to discuss the audit and matters arising thereon, such as its observations on the fairness of financial reporting and adequacy of internal controls.

Authorised for issue by the Board of Directors on 21 May 2020
and signed on its behalf by:

Mr. Clement Yue-Chi-Ming	**Mr. Mushtaq Oosman**	**Mr. Philippe Olivier Maurel**
MANAGING DIRECTOR	**CHAIRMAN**	**NON EXECUTIVE DIRECTOR**

ECS SECRETARIES LTD

3rd Floor Labama House

Sir William Newton Street

Port Louis

SECRETARY'S REPORT

LA PRUDENCE LEASING FINANCE CO. LTD.

Under Section (d) of the Mauritian Companies Act 2001

We certify that we have filed with the Registrar of Companies all such returns as required of the Company under the Mauritian Companies Act 2001 for the financial year ended 31 December 2019.

ECS Secretaries Ltd

SECRETARY

Date: 21 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of La Prudence Leasing Finance Co. Ltd. (the "Company") set out on pages 38 to 93 which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, Banking Act 2004 and Financial Report Act 2004.

Basis for Opinion

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

Key audit matters

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements, as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD. (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Impairment of finance leases to customers</td></tr>
<tr><td>At 31 December 2019 the Company reported total gross finance lease to customers of Rs 1.4bn (2018 Rs 1.4bn) and Rs 42.1m (2018: Rs 61.9m) of expected credit loss provisions.

Key judgements and estimates in respect of the timing and measurement of expected credit losses ("ECL") include:

• Allocation of assets to stage 1,2, or 3 using criteria in accordance with the accounting standard;

• Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;

• Completeness and accuracy of data used to calculate the ECL;

• Inputs and assumptions used to estimate the impact of macro-economic factors;

• Measurements of individually assessed provisions; and

• Accuracy and adequacy of the financial statement disclosures

Given the complexity of the Expect Credit Loss model and the size of finance lease to customers (73 per cent of the total assets), we identified allowance for expected credit losses on financial leases to customer as a key audit matter.</td><td>We tested the design and the operating effectiveness of the processes relevant to the ECL. This included the criteria definition for stages, the allocation of assets into these stages, model governance, data accuracy and completeness, credit monitoring, macro-economic factor, individual provisions and production of journal entries and disclosures.

We challenged the criteria used to allocate an asset to stage 1,2 or 3 in accordance with IFRS 9. We tested assets in stage 1,2 and 3 to verify that they were allocated to the appropriate stage.

With the support of our internal specialist, we tested the assumptions, inputs and formulas used in the ECL model. This included assessing the appropriateness of model design, regression model, formulas used, recalculating the probability of default, loss given default and Exposure at default.

We tested the data used in the ECL calculation by reconciling to source information.

With the assistance of our internal specialist, we assessed the baseline and alternative scenarios, including challenging probability weights. We assessed the macroeconomic factor used and assessed the correlation and impact of the macroeconomic factor to the ECL.

We recalculated a sample of individually assessed provisions including comparing to alternative scenarios.

We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD. (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements

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

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

Other Information

The directors are responsible for the other information. The other information comprises the Report of Corporate Governance, Statement of Compliance, Management Discussion and Analysis, Statement of Management's Responsibility for Financial Reporting and Secretary's Report as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

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

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

Corporate Governance Report

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD. (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Use of our report

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

Building a better
working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD. (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditor, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

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

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

Date: 21 May 2020

LA PRUDENCE LEASING FINANCE CO. LTD.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018	2017
	Rs	Rs	Rs
ASSETS			
Cash and cash equivalents (Note 20)	**53,642,343**	93,041,991	236,605,758
Other financial assets (Note 20)	**216,087,059**	140,582,309	60,133,893
Assets held for sale (Note 25)	**352,535**	1,335,747	-
Finance leases to customers (Note 4)	**1,376,629,878**	1,330,474,918	1,286,779,988
Intangible assets (Note 5)	**801,844**	1,163,686	402,480
Property, equipment and right of use assets (Note 6)	**211,560,451**	168,223,138	119,702,918
Other assets (Note 8)	**25,536,930**	19,770,748	16,247,282
Current income tax assets (Note 11)	**692,265**	-	-
Deferred income tax assets (Note 7)	**-**	-	2,757,267
Total assets	**1,885,303,305**	1,754,592,537	1,722,629,586
LIABILITIES			
Other borrowed funds (Note 10)	**50,240,642**	31,778,328	42,991,524
Deposits from customers (Note 9)	**1,497,031,246**	1,406,568,146	1,336,701,272
Current income tax liabilities (Note 11)	**-**	255,231	369,471
Lease liabilities (Note 29)	**4,422,617**	-	-
Other liabilities (Note 12)	**72,694,481**	81,263,996	95,484,869
Retirement Benefits Obligation (Note 28)	**1,856,599**	613,227	-
Deferred income tax liabilities (Note 7)	**5,331,746**	4,243,553	-
Total liabilities	**1,631,577,331**	1,524,722,481	1,475,547,136
Shareholders' equity			
Share capital (Note 13)	**200,000,000**	200,000,000	200,000,000
Statutory reserve	**22,791,387**	19,117,515	18,354,285
Retained earnings	**30,934,587**	10,752,541	28,728,165
Total equity	**253,725,974**	229,870,056	247,082,450
Total equity and liabilities	**1,885,303,305**	1,754,592,537	1,722,629,586

Authorised for issue by the Board of Directors on 21 May 2020
and signed on its behalf by:

Mr. Clement Yue-Chi-Ming
MANAGING DIRECTOR

Mr. Mushtaq Oosman
CHAIRMAN

Mr. Philippe Olivier Maurel
NON EXECUTIVE DIRECTOR

The notes set out on pages 42 to 93 are an integral part of these financial statements.

LA PRUDENCE LEASING FINANCE CO. LTD.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	2019	2018	2017
	Rs	Rs	Rs
Interest income using EIR (Note 14)	**6,639,256**	6,376,973	104,731,848
Interest income on leases (Note 14)	**112,809,936**	109,267,234	-
Interest expense (Note 14)	**(67,041,241)**	(63,858,768)	(59,478,897)
Net interest income (Note 14)	**52,407,951**	51,785,439	45,252,951
Operating lease rentals	**45,444,825**	34,672,584	19,145,884
Fee and commission income	**5,978,010**	5,692,438	5,495,293
Other Income (Note 15)	**1,340,094**	1,817,959	526,141
Net foreign exchange gain	**954,330**	-	274,027
Operating income	**106,125,210**	93,968,420	70,694,296
Loss incurred on repossessed finance lease	**2,155**	754,225	923,580
Net impairment loss on financial assets (Note 4 (c))	**(9,540,496)**	1,966,959	10,300,726
Loss on assets held for sale (Note 25)	**310,714**	913,571	-
Personnel expenses (Note 16)	**33,584,901**	30,264,912	22,697,076
Operating lease expenses	**572,786**	1,675,334	1,467,670
Depreciation of property, plant and equipment (Note 6)	**37,836,567**	28,297,548	14,799,136
Amortisation of intangible assets (Note 5)	**516,222**	494,694	213,239
Other expenses (Note 17)	**17,139,857**	12,116,686	9,361,095
Net foreign exchange loss	**-**	1,095,314	-
	80,422,706	77,579,243	59,762,522
Profit before tax	**25,702,504**	16,389,177	10,931,774
Income tax expense (Note 11)	**(1,210,023)**	(11,300,980)	(2,206,600)
Profit for the year	**24,492,481**	5,088,197	8,725,174
Other Comprehensive Income			
Other comprehensive income that will not be reclassified to Profit or Loss in subsequent period			
Actuarial (loss) / gain on retirement benefit obligation (Note 28)	**(715,360)**	98,269	-
Income tax effect on actuarial (loss)/gain (Note 7)	**78,797**	(7,218)	-
Other comprehensive income for the year	**(636,563)**	91,051	-
Profit and total comprehensive income for the year, net of tax	**23,855,918**	5,179,248	8,725,174
Earnings per share (Note 18)			
Basic and diluted earnings per share	**1.19**	0.26	0.44

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The notes set out on pages 42 to 93 are an integral part of these financial statements.

LA PRUDENCE LEASING FINANCE CO. LTD.
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2019

	Share capital	Statutory reserve	Retained earnings	Total equity
	Rs	Rs	Rs	Rs
Balance at 1 January 2017	200,000,000	17,045,509	21,311,767	238,357,276
Comprehensive income				
Profit and total comprehensive income for the year, net of tax	-	-	8,725,174	8,725,174
Total comprehensive income for the year, net of tax	-	-	8,725,174	8,725,174
Transactions with owner				
Dividend declared (Note 19)	-	-	-	-
Transfer to statutory reserve	-	1,308,776	(1,308,776))	-
Balance at 31 December 2017	200,000,000	18,354,285	28,728,165	247,082,450
Effect of adopting of new accounting standards 01 January 2018	-	-	(12,391,642)	(12,391,642)
Restated opening balance under IFRS 9	200,000,000	18,354,285	16,336,523	234,690,808
Comprehensive income				
Profit for the year, net of tax	-	-	5,088,197	5,088,197
Other comprehensive income, net of tax	-	-	91,051	91,051
Total comprehensive income for the year, net of tax	-	-	5,179,248	5,179,248
Transactions with owner				
Dividend declared (Note 19)	-	-	(10,000,000)	(10,000,000)
Transfer to statutory reserve	-	763,230	(763,230)	-
Balance at 31 December 2018	**200,000,000**	**19,117,515**	**10,752,541**	**229,870,056**
Comprehensive income				
Profit for the year, net of tax	-	-	**24,492,481**	**24,492,481**
Other comprehensive income, net of tax			**(636,563)**	**(636,563)**
Total comprehensive income for the year, net of tax	-	-	**23,855,918**	**23,855,918**
Transactions with owner				
Dividend declared (Note 19)	-	-	-	-
Transfer to statutory reserve	-	**3,673,872**	**(3,673,872)**	-
Balance at 31 December 2019	200,000,000	22,791,387	30,934,587	**253,725,974**

Statutory reserve

The Banking Act 2004 requires the Company to maintain a statutory reserve, wherein 15% of its profit for the year is required to be transferred from retained earnings, until such time that the statutory reserve will equal the Company's share capital.

LA PRUDENCE LEASING FINANCE CO. LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018	2017
	Rs	Rs	Rs
Cash flows from operating activities			
Profit before income tax	**25,702,504**	16,389,177	10,931,773
Adjustments for items not involving movement of cash:			
Loss incurred on repossessed finance lease	**2,155**	754,225	923,580
Net impairment loss on Financial assets (Note 4(c))	**(9,540,496)**	1,966,959	10,300,726
Depreciation of property, plant and equipment (Note 6)	**37,836,567**	28,297,547	14,799,136
Amortisation of intangible assets (Note 5)	**516,222**	494,694	213,239
Profit on disposal of property, plant and equipment (Note 15)	**117,419**	(1,144,914)	(385,814)
Interest income - cash and cash equivalents (Note 14)	**-**	(544,734)	(1,279,606)
Interest income - other financial assets (Note 14)	**(6,077,392)**	(5,832,239)	(4,155,974)
Unrealised foreign exchange loss/(gain)	**423,924**	330,895	(274,027)
Amount written off property, plant and equipment (Note 6)	**-**	189,097	-
Movement in Retirement Benefit Obligation	**528,012**	711,496	-
Lease written off	**-**	817,906	-
Loss on disposal of other financial assets	**-**	185,250	-
Loss on assets classified as Held for Sale (Note 25)	**310,714**	913,571	-
Interest expense (Note 14)	**66,727,828**	63,858,767	57,934,632
Interest expense Lease liability (Note 14)	**313,413**	-	-
Interest income on finance leases (Note 14)	**(112,809,936)**	(109,267,234)	(99,296,268)
	4,050,934	(1,879,537)	(10,288,603)
Changes in operating assets and liabilities			
Finance leases granted	**(585,599,527)**	(546,674,013)	(601,364,990)
Repayments of finance leases	**548,320,679**	486,082,452	433,525,779
Interest income on finance leases	**112,808,916**	105,532,369	99,115,845
Other assets	**(5,766,182)**	(3,523,466)	6,439,669
Other liabilities	**(8,569,515)**	(14,320,862)	45,995,535
Net cash generated/(used in) operations	**65,245,305**	25,216,943	(26,576,765)
Income tax paid (Note 11)	**(990,529)**	(1,783,581)	(1,082,686)
Net cash generated/(used in) operating activities	**64,254,776**	23,433,362	(27,659,451)
Cash flows from investing activities			
Acquisition of intangible assets (Note 5)	**(154,380)**	(1,255,900)	(56,000)
Acquisition of property, plant and equipment (Note 6)	**(87,140,676)**	(83,860,263)	(71,929,464)
Interest received -cash & cash equivalents & other financial assets	**3,389,142**	2,700,558	4,034,218
Investment in Fixed Deposits (Note 20)	**(105,000,000)**	(142,000,000)	-
Investment in Bonds (Note 20)	**(41,582,970)**	(153,843,166)	(29,977,600)
Maturity of Fixed Deposit (Note 20)	**30,000,000**	142,000,000	-
Maturity of Bonds (Note 20)	**43,766,470**	76,885,916	-
Proceeds from disposal of Held for Sale assets	**1,335,747**	-	-
Disposal proceeds from property, plant and equipment	**11,717,681**	7,827,010	8,261,949
Net cash used in investing activities	**(143,668,986)**	(151,545,845)	(89,666,897)
Cash flows from financing activities			
Deposits repaid	**(318,149,723)**	(392,702,167)	(221,083,516)
Deposits received	**398,697,822**	481,101,648	352,148,442
Loans received	**125,000,000**	75,000,000	20,000,000
Loans repaid	**(106,537,686)**	(86,327,870)	(42,828,549)
Interest paid	**(57,126,240)**	(82,391,373)	(24,128,698)
Principal payment of lease liability	**(1,445,687)**	-	-
Dividends paid (Note 19)	**-**	(10,000,000)	-
Net cash generated/(used in) financing activities	**40,438,486**	(15,319,762)	84,107,679
Net change in cash and cash equivalents	**(38,975,724)**	(143,432,245)	(33,218,669)
Cash and cash equivalents at beginning of year	**93,041,991**	236,605,758	270,406,419
Effect of exchange rate changes on cash and cash equivalents	**(423,924)**	(131,522)	(581,992)
Cash and cash equivalents at end of year (Note 20a)	**53,642,343**	93,041,991	236,605,758

The notes set out on pages 42 to 93 are an integral part of these financial statements.

LA PRUDENCE LEASING FINANCE CO. LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Index to the notes to the financial statements

1. GENERAL INFORMATION

La Prudence Leasing Finance Co. Ltd (the "Company") is a non-bank deposit taking institution that provides assets finance through finance leases and operating leases. The Company is a limited liability company and is incorporated and domiciled in Mauritius. The address of the registered office and principal place of business is United Docks Business Park, Kwan Tee Street, Caudan, Port-Louis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A Basis of preparation

The financial statements have been prepared on a historical cost basis, except where otherwise stated. The financial statements are presented in Mauritian Rupees rounded to the nearest rupee, except where otherwise stated. The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(a) Critical accounting judgements and estimates

The Company makes judgements, estimates and assumptions affecting the reported amounts of revenues, expenses, assets and liabilities. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Judgements

In preparing the financial statements, the directors had to consider whether the significant risks and rewards of ownership are transferred to the lessees in determining whether the leases should be classified as finance or operating lease. The Board of directors makes use of the guidance as set out in IFRS 16 leases to classify leases between finance and operating leases.

Estimates and assumptions

(a) Impairment losses on leases under IAS 39 effective up to 31 December 2017

The Company reviews its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of leases before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of lessees, or national or local economic conditions that correlate with defaults on assets in the portfolio. The Board of Directors uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced. To determine the amount of impairment losses on impaired leases, the Board of Directors takes into account the recoverable amount of collaterals for Impaired leases as determined by professional valuers.

Non-performing leases relate to leases that have instalments due for more than 3 months and that have been considered in the specific provision for impairment losses on finance leases.

(b) Allowance for ECL on leases under IFRS 9 effective as from 01 January 2018

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different level of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered, accounting judgements and estimates include:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Basis of preparation (Continued)

Estimates and assumptions (Continued)

(b) Allowance for ECL on leases under IFRS 9 effective as from 01 January 2018 (Continued)

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as inflation rate and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The Company shall revise the model every two years for future refinements and possible updates so as to allow the model to adapt with changing environment and economic factors in an efficient manner.

Deferred income tax asset

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The directors have recognised deferred income tax liabilities of **Rs 5,331,746** as at 31 December 2019 (2018: Deferred tax liabilities: Rs 4,243,553; 2017: Deferred tax asset: Rs 2,757,267)as the Company is generating taxable profits and is expected to continue generating taxable profits in the foreseeable future based on budgets and forecasts.

B. Changes in accounting policy and disclosures

(a) New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments have been applied for the first time in 2019, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment applicable to the Company is described below:

	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019

IFRS 16 Leases

In these financial statements, the Company has applied IFRS 16 leases for the first time. The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2019, unless otherwise stated.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance lease using principles as in IAS 17. Therefore IFRS 16 did not have an impact for leases where the Company is the lessor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Changes in accounting policy and disclosures (Continued)

(a) New and amended standards and interpretations (Continued)

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Leases previously accounted for as operating leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. One of the key changes brought by IFRS 16 is the elimination of the classification of leases as either operating leases or finance leases for a lessee, and the introduction of a single lessee accounting model.

Applying the revised model, a lessee is required to recognise a right of use asset together with a lease liability representing the future lease payments for all leases (unless the lease term is shorter than 12 months or the underlying asset is of low value and the related exemptions are elected); and depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income.

The Company applies the short-term lease recognition exemption on its rental expenses pertaining to its branch located in Ebene. Lease payment on short term lease is recognised as an expense on a straight-line basis over the lease term.

The standard provides revised guidance in defining what constitutes a lease and how the lease term is determined as well as enhanced disclosure requirements for both lessees and lessors about its leasing activities and how exposures are managed.

The effective date of IFRS 16 is 1 January 2019. The Company has applied the modified retrospective approach on adoption, with right of use assets measured retrospectively using the Company's transition date incremental borrowing rate.

The implementation of IFRS 16 will require the recognition of right-of-use assets (presented as part of property and equipment) and lease liabilities, together with a debit against retained earnings of Nil (net of deferred tax, non-controlling interests and the release of IAS 17 straight-line reserves).

Based on the above, as at 1 January 2019:

- Right-of-use assets of Rs 5.868,304 were recognised and presented in the statement of financial position within "Property, equipment and right-of-use assets".
- Lease liabilities of Rs 5.868,304 were recognised on the face of the statement of financial position.
- The adoption of IFRS 16 had no impact on the Company's retained earnings.

The lease liabilities as at 1 January 2019 is as follows:

Assets	**Rs.000**
Operating lease commitments as at 31 December 2018	1,675
Commitments not initially recognised	4,864
Total commitment as at 31 December 2018	6,539
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments as at 1 January 2019	5,868
Lease liabilities as at 1 January 2019	5,868

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

D Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

E Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

F Assets Held For Sale

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets classified as held for sale are presented separately as current items in the statement of financial position.

G Financial assets

(i) Classification and Measurement

Under IAS 39 (Up to 31 December 2017)

The Company classifies its financial assets, consisting mainly of cash and cash equivalents, fixed deposits, corporate bonds and other assets such as loans and receivables. The Company does not have any financial assets classified in the other IAS 39 categories of financial assets.

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than : (a) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and that the Company upon initial recognition designates as at fair value through profit or loss; (b) those that the Company upon recognition designates as available-for-sale and; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at the end of every reporting period.

Loan and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs - -and measured subsequently at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Financial assets (Continued)

(i) Classification and Measurement (Continued)

Under IFRS 9 (As from 1 January 2018)

a) Date of recognition

Financial assets and liabilities, with the exception of leases to customers and deposits due to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Leases to customers are recognised when funds are disbursed to the suppliers' accounts. The Company recognises deposits due to customers when funds are transferred to the Company.

b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

c) 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 trading 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.

d) Measurement and categories of financial assets and liabilities

From 1 January 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through Profit or Loss (FVTPL)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures financial assets at its fair value plus, in case of financial assets not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payment of principal and interest' (SPPI) on the principal amount outstanding. This assessment refers to the SPPI test and is performed at an instrument level.

e) The business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolio and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risk are managed;
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

f) The SPPI test

As a second step of its classification process the Company assess the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial assets at initial recognition and may change over the life of the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Financial assets (Continued)

(i) Classification and Measurement (Continued)

Under IFRS 9 (As from 1 January 2018) (Continued)

f) The SPPI test (continued)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such case, the financial asset is required to be measured at fair value through profit or loss.

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Company classifies its financial assets, consisting mainly of cash and cash equivalents, fixed deposits, corporate bills/bonds and other assets under amortized cost measurement model. The Company does not have any financial assets classified in the other IFRS 9 categories of FVOCI and FVTPL.

The classification of the Company's financial assets are as follows:

Financial instrument	Solely Principal Plus Interest	Business model	Classification
Cash and cash equivalents	Yes	Hold to collect	At amortised cost
Fixed deposits	Yes	Hold to collect	At amortised cost
Finance leases to customers	Yes	Hold to collect	At amortised cost
Other assets (excluding nonfinancial assets)	Yes	Hold to collect	At amortised cost

All financial assets consisting of debt instruments are classified as 'hold to collect'. Hence, there are no financial assets that are classified as 'hold to collect and sell'.

(ii) Subsequent measurement

Under IAS 39 (Up to 31 December 2017)

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payment that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR is included in the finance income in the statement of profit or loss. The loss arising from impairment are recognized in the statement of profit or loss.

Under IFRS 9 (As from 1 January 2018)

Financial assets at amortised cost

For purpose of subsequent measurement, the Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the assets are derecognised, modified or impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Financial assets (Continued)

(iii) Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

H Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

(i) The Company is the lessee

Operating lease

Under IAS 17 (Up to 31 December 2018)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The total payments made under operating leases are charged to 'operating lease expenses' on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Under IFRS 16 (As from 1 January 2019)

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right of use assets representing the right of use ,rental of floor space at the United Docks, the underlying data.

Right-of-use assets

The Company recognised right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and the payment of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that trigger the payment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (Continued)

(ii) The Company is the lessor

Operating lease

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Costs, including, depreciation, incurred in earning the lease income are recognised as an expense, Lease rental income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not such basis, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased assets in diminished.

Finance lease

Recognition and initial measurement

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

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

Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

The Company aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's finance lease receivable. Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Estimated unguaranteed residual values used in computing the Company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised any reduction in respect of amounts accrued is recognised immediately.

I Impairment of financial assets carried at amortised cost

Under IAS 39 Model (Up to 31 December 2017)

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Impairment of financial assets carried at amortised cost (Continued)

Under IAS 39 Model (Up to 31 December 2017) (Continued)

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or the obliger;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Significant cash flow or financial difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of lease agreements or conditions;
- The lender for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Initiation of bankruptcy proceedings by the borrower;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Observable data indicating that there is a reasonable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - Adverse change in the payment status of borrowers in the portfolio; and
    - Natural or local economic conditions that correlate with defaults in the assets of that portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

Finance lease to customers

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An allowance for impairment is established if there is objective evidence that the Company will not be able to collect the amount due according to the original contractual terms of the lease. The amount of impairment loss on loans and receivables, comprising mainly of financial leases to customers carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a finance lease or held-to-maturity investment has a variable interest rate, the discount rates for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical experience, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining or selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Impairment of financial assets carried at amortised cost (Continued)

Under IAS 39 Model (Up to 31 December 2017) (Continued)

When a lease is uncollectible, it is written off against the related provision for lease impairment. Such leases are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loans impairment in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses

Under IFRS 9 model (As from 01 January 2018)

Finance lease to customers

The Company has been recording the allowance for expected credit losses for all loan and other financial assets not held at FVTPL. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained as follows:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized. When a financial asset becomes credit impaired and is, therefore regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

The above approach is quantitatively modelled using following formula:

Expected Credit Losses = Probability of default (PD) x Exposure at default (EAD) x Loss given default (LGD)

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset. The Company calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The model uses multiple scenarios to produce probability-weighted lifetime expected credit losses, and is hence forward looking the recognition of credit losses. Economic conditions take a central place in the impairment forecast. Three hypothetical macro-economic scenarios have been considered namely: Baseline Scenario (proxy of current scenario), Adverse Scenario (proxy of bad economic environment) and Good Scenario (proxy of good economic environment). The weightage assigned to them are 60%- Baseline scenario, 20% - Good scenario and 20% Bad scenario.

The baseline scenario reflects the most probable state of the economy balanced by risks from both sides, while the alternative scenarios consider different types of shocks (both positive and negative). The shocks are selected based on their relevance to current circumstances and on expert judgement. We have assigned a greater weightage (60%) to the baseline scenario based on the following: Macro economic stability, growth and stability of the leasing sector and business optimism. The alternate scenarios have been assigned 20%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Impairment of financial assets carried at amortised cost (Continued)

Under IFRS 9 model (As from 01 January 2018) (Continued)

Finance lease to customers (Continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **Probability of default:** It defines the probability of a borrower to default in its commitment over a time of the asset. In IFRS 9 context, PD is calculated for two-time horizon namely 12 Months PD and life time PD.

  (1) 12 Months PD: likelihood of default in 12 months for an asset

  (2) Life time PD: likelihood of default in the lifetime of an asset

- **Exposure at default:** It is the total amount of an asset the entity is exposed to at the time of default. EAD is defined based on the characteristics of the asset. For example in a loan portfolio, EAD is dependent on the outstanding exposure of an asset, sanctioned amount of a loan, expected cash flow and credit conversion factor for non-funded exposures.

- **Loss given default:** It is the part of an asset that is lost provided the asset default. The recovery rate is derived as a ratio of discounted value of recovery cash flows (incorporating the recovery time) to total exposure amount at the time of default. Recovery rate is calculated for each segment separately. Loss given default is computed as (1 - recovery rate) in percentage terms. LGD is measured in a way that reflects the time value of money. This means that cash shortfalls associated with default are required to be discounted back to the balance sheet date.

Definition of default and cure

The Company considers a financial instrument or lease defaulted and stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As part of a qualitative assessment of whether a customer is default, the Company also considered a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company considers whether the event should result in treating the customer as default and therefore assessed as stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- the debtor filing for bankruptcy application
- Internal rating of the borrower indicating default or near default
- A material decrease in the borrower's turnover or the loss of a major customer

The Company's policy to consider a financial instrument or lease as cured and therefore re-classified out of stage 3 when none of the default criteria have been present. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates a significant decrease in credit risk

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Company assess whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significant increase in credit risk when the days past due is between 30 days to 90 days.

Other financial assets

The Company applies a simplified approach to calculate ECLs on other financial assets. Therefore, the Company does not track changes in credit risk, but instead recognised a loss allowance based on lifetime ECLs at each reporting date. The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available with undue cost or effort at the reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company 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 or sell it;
- there is an ability to use or sell 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.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised over their useful lives, which does not exceed 5 years.

K Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Fixtures and fittings	10 Years
Computer equipment	4 Years
Motor vehicle	4 Years
Operating lease vehicle/equipment	1 - 7 Years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

L Financial liabilities – Other liabilities measured at amortised cost

Financial liabilities carried at amortised cost consist mainly of deposits from customers, other borrowed funds and other liabilities. These financial liabilities are recognised initially at fair value, net of transaction costs incurred.

Subsequent measurement

After initial recognition, they are subsequently stated at amortised cost; using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well through the effective interest rate (EIR) amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in "interest expense" in profit or loss.

Derecognition

Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Current and deferred income tax

The income tax expense for the year comprises current income tax, deferred income tax and Corporate Social Responsibility ('CSR') tax.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted by the end of the reporting period in Mauritius. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on amortisation of intangible assets, depreciation of property, plant and equipment and provision for credit losses, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within profit or loss and the income tax liability on the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian Tax Authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the end of the reporting period.

Value Added Tax

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

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

N Employee benefits

(1) Pension obligations

The Company provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Company. Under the defined contribution plan, the Company has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to the statement of comprehensive income in the year to which they relate. The Company has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Employee benefits (Continued)

(1) Pension obligations (Continued)

The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues.

Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

(2) Termination benefits

Termination benefits become payable whenever an employee's employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

O Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

P Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The company recognises trade payables as a financial liability.

Q Share capital

Ordinary shares are classified as equity.

R Revenue recognition

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

Operating lease income is recognised over the term of the lease using the straight line method. Other income is generally recognized on an accrual basis when the service has been provided.

S Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

T Interest income and expense

Interest income is recognised using the effective interest method, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T Interest income and expense (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

U Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Lease commitment fees for leases that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the lease. Lease syndication fees are recognised as revenue when the syndication has been completed and the Company has retained no part of the lease package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

V Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

W Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are recognised in the statement of comprehensive income in the period in which they occur.

X Measurement of Fair Value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. FINANCIAL RISK MANAGEMENT

By its nature, the Company's activities are principally related to the use of financial instruments. The Company accepts deposits from customers at fixed and variable rates and for various periods and seeks to earn above average interest margins by investing these funds in fixed and variable rate finance and operating leases. The Company seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Company also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to customers operating in different economic sectors and with a range of acceptable credit standing. Such exposures involve only finance leases on the statement of financial position as the Company does not offer off-statement of financial position facilities such as guarantees and other commitments.

The company also has lease commitments for rental of office space which is being accounted for as a lease liability.

The Company's activities therefore expose it to a variety of financial risks which are as follows; credit risk, market risk (including other price risk, currency risk and interest rate risk) and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

3.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in leasing activities. Exposures to credit risk for leases receivable is managed through analysis of the ability of the borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral guarantees.

Credit risk is the single largest risk for the Company's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors.

3.1.1 Credit risk measurement

The estimation of credit exposure is complex as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The credit risk assessment procedures are as follows:

3.1.2 Credit risk mitigation, collateral and other credit enhancements

The Company uses a wide variety of techniques to reduce credit risk on its lending. The most fundamental of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. It is the Company's policy to establish that leases are within the customer's capacity to repay, rather than to rely excessively on security and as a result, depending on the customer's standing and the type of product, facilities may be unsecured.

Nevertheless, collateral can be an important mitigant of credit risk and the Company commonly obtains security for the funds advanced and as such for lease facilities, the Company secures ownership of the asset until full repayment of the lease facility. The ownership of the vehicles and equipment financed remain the property of the Company until full settlement of the lease and after which title is transferred to the lessee.

Collateral for impaired leases is reviewed regularly and at least annually, to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation. Where the collateral has decreased in value, an additional impairment allowance may be considered. Conversely, increases in collateral value may result in a release of the impairment allowance. The Company will consider all relevant factors, including local market conditions and practices, before any collateral is realised.

Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice. The Company actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – the Company takes action to mitigate the risks. Such actions may include reducing the amounts outstanding or limiting additional facilities through discussion with the customers, clients or counterparties, if appropriate.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.2 Credit risk mitigation, collateral and other credit enhancements (Continued)

Impairment assessment

For banks, the Company transacts only with highly reputable financial institution. The credit quality of this financial asset can be assessed by the historical information about the financial strength of the financial institutions the Company is dealing with. These are reputable institutions in the industry and therefore is an insignificant risk associated to them.

For other financial assets, these are kept with financial institutions of high repute and therefore the credit risk with respect to those financial assets is not significant.

The Company computes ECL either on a collective or an individual basis.
Asset classes where the Company calculates ECL on an individual basis include all stage 3 assets, regardless of the class of financial assets.

Assets classes where the Company computes ECL on a collective basis includes:

- The small and more generic balances of the Company; and
- Stage 1 and stage 2 leases

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptable and valuation of each type of collateral. In the its normal course of the business, the Company does physically repossess the assets in its portfolio, but undertakes to recover funds, generally at auction, to settle outstanding debt.

Finance lease to customers

The movement in the credit allowance for finance lease to customers are disclosed in Note 4(c).

Credit risk from finance lease to customers is managed by the recovery department in accordance with the Company's recovery policy. The maximum exposure to credit risk at the reporting date is the carrying value of finance lease to customers as disclosed in Note 4. During the year, 800 new leases were disbursed which amounted to Rs 581m. At year end, ninety six percent of those new leases stay in stage 1 where 12 months expected credit loss is recognised. While for the remaining four percent, a lifetime expected credit loss was used.

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the maximum exposure as at 31 December 2019, 2018 and 2017 to credit risk on financial instruments in the statement of financial position, before taking account of any collateral held or other credit enhancements after allowance for impairment and netting where appropriate.

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure		
	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	**53,642**	93,042	236,606
Other financial assets	**216,087**	140,582	60,134
Finance leases:			
Individuals	**700,554**	601,957	529,170
Corporate entities	**676,076**	728,518	757,610
Other assets	**1,496**	1,545	2,874
	1,647,855	1,565,644	1,586,394

For financial assets recognized in the statement of financial position, the exposure to credit risk equals their carrying amount. The company is the sole owner of lease assets until the lessees settles the lease contract. Each lease contract has a fixed charge on the assets financed which equals their carrying value. Other assets exclude prepayments and VAT receivable amounting to 2019: **Rs. 24,040,730** (2018: Rs 18,226,161; 2017: Rs 13,373,493).

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3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.1 Credit risk (Continued)

3.1.4 Credit risk concentrations by sector:

	Agriculture and fishing	Manufacturing and textile	Tourism	Transport	Construction and civil engineering	Financial and Business Services	Traders & Commerce	Personal	Professional	Media Entertainment and recreational activities	Freeport Enterprise Certificate Holder	Other	Infrastructure	Education	Modernisation and Expansion	ICT Services	Services Sector	Health Development Certificate Holder	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	-	-	-	-	-	53,642	-	-	-	-	-	-	-	-	-	-	-	-	53,642
Other financial assets	-	-	-	-	-	216,087	-	-	-	-	-	-	-	-	-	-	-	-	216,087
Finance leases to customers	71,015	109,283	82,636	127,304	137,838	171,282	304,577	4,107	65,647	48,113	3,363	1,928	43,713	30,530	4,757	32,024	91,230	47,283	1,376,630
Other assets	-	-	-	-	-	-	-	-	-	-	-	1,496	-	-	-	-	-	-	1,496
As at 31 December 2019	71,015	109,283	82,636	127,304	137,838	441,011	304,577	4,107	65,647	48,113	3,363	3,424	43,713	30,530	4,757	32,024	91,230	47,283	1,647,855
Cash and cash equivalents	-	-	-	-	-	93,042	-	-	-	-	-	-	-	-	-	-	-	-	93,042
Other Financial Assets	-	-	-	-	-	140,582	-	-	-	-	-	-	-	-	-	-	-	-	140,582
Finance leases to customers-	75,464	151,688	77,761	124,378	119,560	173,134	276,400	4,924	84,717	49,490	4,569	-	57,464	32,439	2,355	20,658	31,423	44,051	1,330,475
Other assets	-	-	-	-	-	-	-	-	-	-	-	1,545	-	-	-	-	-	-	1,545
As at 31 December 2018	75,464	151,688	77,761	124,378	119,560	406,758	276,400	4,924	84,717	49,490	4,569	1,545	57,464	32,439	2,355	20,658	31,423	44,051	1,565,644
Cash and cash equivalents	-	-	-	-	-	236,606	-	-	-	-	-	-	-	-	-	-	-	-	236,606
Other Financial Assets	-	-	-	-	-	60,134	-	-	-	-	-	-	-	-	-	-	-	-	60,134
Finance leases to customers -	68,156	168,412	72,250	88,792	88,065	137,635	272,764	13,079	192,514	42,995	4,612	-	56,269	26,764	3,987	3,788	12,338	34,360	1,286,780
Other assets	-	-	-	-	-	-	-	-	-	-	-	4,228	-	-	-	-	-	-	4,228
As at 31 December 2017	68,156	168,412	72,250	88,792	88,065	434,375	272,764	13,079	192,514	42,995	4,612	4,228	56,269	26,764	3,987	3,788	12,338	34,360	1,587,748

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.1 Credit risk (Continued)

3.1.5 Finance leases

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

	2019				2018	2017
	Stage 1 Rs'000	**Stage 2 Rs'000**	**Stage 3 Rs'000**	**Total Rs'000**	Rs'000	Rs'000
Internal rating grade:						
Performing						
Neither past due nor impaired	**1,042,172**	**-**	**-**	**1,042,172**	1,126,337	731,059
Past due but not impaired	**247,302**	**78,214**	**-**	**325,5156**	212,920	518,784
Non-performing						
Individually impaired	**-**	**-**	**51,014**	**51,014**	53,148	81,970
Gross	**1,289,474**	**78,214**	**51,014**	**1,418,702**	1,392,405	1,331,813
Less: provision for impairment	**(11,684)**	**(8,119)**	**(22,269)**	**(42,072)**	(61,930)	(45,033)
Net	**1,277,790**	**70,095**	**28,745**	**1,376,630**	1,330,475	1,286,780

The total impairment provision for lease exposures is **Rs 42,071,703** (2018 - Rs. 61,930,147; 2017 – Rs 45,033,499) of which **Rs 22,268,834** (2018 – Rs. 39,522,720; 2017 Rs. 32,126,300) relates to the individually impaired leases and the remaining amount of **Rs 19,802,924** (2018- Rs. 22,407,427; 2017 – Rs. 12,907,198) represents the portfolio provision.

3.1.6 Finance leases neither past due nor impaired

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals	**527,395**	492,334	378,198
- Corporates	**514,777**	637,643	352,861
Total	**1,042,172**	1,126,337	731,059

The company does have a recurrent credit rating system but all leases are credit rated at their inception based on the credit worthiness of the lease applicants.

3.1.7 Finance leases past due but not impaired

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals			
- Past due up to 30 days	**133,076**	90,326	106,000
- Past due 30-60 days	**25,360**	10,075	31,615
- Past due 60-90 days	**7,385**	19,266	-
	165,821	112,261	137,615
- Corporates			
- Past due up to 30 days	**114,225**	67,519	323,397
- Past due 30-60 days	**31,057**	9,033	57,772
- Past due 60-90 days	**14,412**	16,701	-
	159,694	93,253	381,169
Total finance leases past due not impaired	**325,515**	212,920	518,784

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.1 Credit risk (Continued)

3.1.8 Finance leases individually impaired

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals			
- Gross amount	**18,613**	12,805	23,579
- Specific provision (Stage 3)	**2,890**	4,176	4,894
- Corporates			
- Gross amount	**32,401**	60,381	58,391
- Specific provision (Stage 3)	**19,379**	35,347	27,232
- Total			
- Gross amount	**51,014**	53,148	81,970
- Specific provision (Stage 3)	**22,269**	30,805	32,126

3.1.9 Finance leases renegotiated

	2019	2018	2017
Finance leases to customers:	**Rs'000**	Rs'000	Rs'000
- Individuals	**279**	7,668	-
- Corporates			
- Not impaired after restructuring would otherwise have been impaired	**162**	-	-
Total	**279**	7,668	-

3.1.10 Finance leases repossessed collateral

Collaterals on finance leases repossessed during the year as follows:-

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Vehicles	**4,022**	892	5,247
Equipment	**715**	1,578	6,469
	4,737	2,470	11,716

These repossessed collaterals are sold to third parties to recover the investment on leases. At year end, one repossessed asset remained unsold and was reclassified as 'Held for Sale' in line with IFRS 5. Losses amounting to Rs. 310,714 were recognised in the statement of comprehensive income.

For the financial year ended 31 December 2019, total vehicles and equipment repossessed amounted to **Rs 4,737,214** (2018: Rs. 2,470,142; 2017: Rs. 11,716,100)

3.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk: Other price risk, currency risk and interest rate risk.

3.2.1 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to other price risk, as it does not hold any financial assets or financial liabilities carried at fair value.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.2 Market risk (Continued)

3.2.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk as it does hold financial assets or financial liabilities that are denominated in foreign currency.

Concentrations of financial assets and financial liabilities:

At 31 December 2019

		Denominated in			
		EURO	**USD**	**MUR**	**Total**
Assets	**Rs**	**5,184,278**	**714,269**	**1,641,956,934**	**1,647,855,481**
Liabilities	**Rs**	**240,642**	**-**	**1,619,725,726**	**1,619,966,368**
Net position	**Rs**	**4,943,636**	**714,269**	**22,231,208**	**27,889,113**

At 31 December 2018

		Denominated in			
		EURO	**USD**	**MUR**	**Total**
Assets	Rs	15,770,905	8,520,891	1,541,464,668	1,565,756,464
Liabilities	Rs	4,184,015	422,277	1,515,116,835	1,519,723,127
Net position	Rs	11,586,890	8,098,614	26,347,833	46,033,337

At 31 December 2017

		Denominated in			
		EURO	**USD**	**MUR**	**Total**
Assets	Rs	23,992,062	13,186,318	1,549,215,049	1,586,393,429
Liabilities	Rs	8,583,646	1,479,308	1,465,114,711	1,475,177,665
Net position	Rs	15,408,416	11,707,010	84,100,338	111,215,764

The Company is exposed to foreign exchange risk arising from cash and cash equivalents and financial assets and liabilities held in foreign currency. As at 31 December 2019, if the Mauritian Rupee had weakened/strengthened by 8.50% against the EURO and USD, the Company's profit before tax would have been **Rs 420,209** (2018: Rs. 984,886; 2017: Rs 1,309,715) higher/lower and **Rs 60,712** (2018: Rs. 688,382; 2017: Rs 995,095) higher/lower respectively.

3.2.3 Interest rate risk

Interest rate risk is the risk that a movement in interest rates will have a significant adverse effect on the financial condition of the Company. This is controlled by ensuring that there are no mismatches or gaps in amounts of financial assets and financial liabilities.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The principal source of funding of the Company is from fixed deposits, whereby the majority of same bears fixed interest rate. On the other hand, the majority of leases granted by the Company are also at fixed rate hence ensuring a constant differential. Very few contracts are on variable terms. Therefore the Company is not significantly exposed to interest rate risk. Moreover, any adverse fluctuation in the market interest rate will have an impact on the interest rate on future fixed deposits and leases.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

The table below summarises the Company's exposures to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing:

	Up to 1 Month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
31 December 2019								
Cash and cash equivalents	53,642,343	-	-	-		-	-	53,642,343
Other financial assets	-	40,043,870	68,254,334	-	107,788,855	-	-	216,087,059
Finance leases to customers	57,955,712	69,292,239	102,524,496	195,854,056	900,803,175	50,200,201	-	1,376,629,879
Other assets	-	-	-	-	-	-	1,496,200	1,496,200
Total financial assets	111,598,055	109,336,109	170,778,830	195,854,056	1,008,592,030	50,200,201	1,496,200	1,647,855,481
Liabilities								
Deposits from customers	98,152,554	55,119,631	118,540,879	390,409,498	834,808,685	-	-	1,497,031,246
Other borrowed funds	240,642	25,000,000	25,000,000	-	-	-	-	50,240,642
Other liabilities	-	-		-	-	-	72,694,481	72,694,481
Total financial liabilities	98,393,196	80,119,631	143,540,879	390,409,498	834,808,685	-	72,694,481	1,619,966,369
On balance sheet interest sensitivity gap Rs	13,204,859	29,216,478	27,237,951	(194,555,441)	173,783,345	50,200,201	(71,198,281)	27,889,112

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

	Up to 1 month	1 – 3 months	4 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2018								
Cash and cash equivalents	93,041,991	-	-	-	-	-	-	93,041,991
Other financial assets	2,194,851	-	-	-	138,387,459	-	-	140,582,310
Finance leases to customers	33,358,182	66,469,434	97,816,464	191,131,423	896,422,160	45,277,255		1,330,474,918
Other assets	-	-	-	-	-	-	1,544,587	1,544,587
Total financial assets	128,595,024	66,469,434	97,816,464	191,131,423	1,034,809,619	45,277,255	1,544,587	1,565,643,806
Liabilities								
Deposits from customers	1,000,000	18,107,772	127,961,914	312,926,616	944,471,844	2,100,000	-	1,406,568,146
Other borrowed funds	790,940	26,587,063	2,003,254	2,397,071	-	-	-	31,778,328
Other liabilities	-	-	-	-	-	-	81,263,996	81,263,996
Total financial liabilities	1,790,940	44,694,835	129,965,168	315,323,687	944,471,844	2,100,000	81,263,996	1,519,610,470
On balance sheet interest sensitivity gap Rs	126,804,084	21,774,599	(32,148,704)	(124,192,264)	90,337,775	43,177,255	(79,719,409)	46,033,336

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3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

	Up to 1 month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2017								
Cash and cash equivalents	236,605,758	-	-	-	-	-	-	236,605,758
Other financial assets	-	-	-	-	60,133,893	-	-	60,133,893
Finance leases to customers	33,770,603	65,223,439	92,365,445	177,989,953	860,406,941	57,023,607	-	1,286,779,988
Other assets	-	-	-	-	-	-	2,873,789	2,873,789
Total financial assets	270,376,361	65,223,439	92,365,445	177,989,953	920,540,834	57,023,607	2,873,789	1,586,393,428
Liabilities								
Deposits from customers	30,672,588	36,665,248	149,218,926	205,636,357	886,408,154	28,100,000	-	1,336,701,273
Other borrowed funds	1,564,007	23,138,207	4,738,697	6,586,029	6,964,584	-	-	42,991,524
Other liabilities	-	-	-	-	-	-	95,913,943	95,913,943
Total financial liabilities	32,236,595	59,803,455	153,957,623	212,222,386	893,372,738	28,100,000	95,913,943	1,475,606,740
On balance sheet interest sensitivity gap Rs	238,139,766	5,419,984	(61,592,178)	(34,232,433)	27,168,096	28,923,607	(93,040,154)	110,786,688

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

The table below summarises the effective interest rate for monetary financial instruments:

	2019 % Min	**2019 % Max**	2018 % Min	2018 % Max	2017 % Min	2017 % Max
Assets						
Cash and cash equivalents	**0.50**	**1.75**	0.50	1.75	0.75	2.45
Other Financial Assets	**2.25**	**7.70**	3.18	7.85	2.45	8.75
Leases	**6.00**	**13.00**	2.75	13.00	2.75	11.50
Liabilities						
Bank and SIC Loans	**0.75**	**5.00**	0.75	5.00	0.75	5.00
Deposits	**2.10**	**6.50**	4.40	6.50	1.35	8.50

The company is exposed to interest rate risk arising from financial assets and financial liabilities. As at 31 December 2019, if the interest rate had increased/decreased by 0.50%, the Company's profit before tax would have been **Rs 495,437** (2018: Rs 674,424; 2017: Rs 1,019,134) higher/lower.

3.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due or to replace funds when they are withdrawn.

The Company has several core liquidity management strategies. The first is to project future cash flows and make plans to address normal operating requirements, as well as variable scenarios and contingencies. The second is to manage day to day funding, by controlling intraday liquidity in real time and by forecasting future cash flows to ensure that requirements can be met. Finally, excess funds are maintained in highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows.

The Company's funding base comprises a mixture of different funding sources, including retail and corporate customer deposits. In order to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are actively managed.

Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Company's reputation, the strength of earnings and the Company's financial position.

3.3.1 Liquidity risk management

The monitoring and reporting of liquidity risk involves the measurement of cash flows and projections for the next day, week and month. Additionally, in evaluating the Company's liquidity position, management takes account of undrawn lending commitments and the usage of overdraft facilities.

Sources of liquidity are regularly reviewed to maintain a wide diversification by provider and term.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed.

3.3.2 Contractual maturity of financial assets and liabilities

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the end of the reporting period.

The objective of liquidity management is to ensure that funds are available or there is assurance of the availability of funds, to honour the Company's cash flow commitments as they fall due, including off-balance sheet outflow commitments in a timely and cost-effective manner.

Liquid assets equivalent to not less than 10 per cent of deposit liabilities are maintained at all times. This is monitored continually and a weekly return of liquid assets and deposits is submitted to the Bank of Mauritius. The Company has complied with this requirement at 31 December 2019.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.3 Maturities of assets and liabilities:

At 31 December 2019	Up to 1 Month	1 – 3 months	4– 6 Months	7– 12 Months	1 – 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Deposits from customers	7,464,823	56,787,162	124,732,747	426,928,833	991,491,951	-	1,607,405,516
Other borrowed funds	240,943	25,000,000	25,000,000	-	-	-	50,240,943
Lease liabilities	150,167	300,334	450,501	946,053	2,933,591	-	4,780,646
Other liabilities	72,694,481	-	-	-	-	-	72,694,481
Total liabilities	80,550,414	82,087,496	150,183,248	427,874,886	994,425,542	-	1,735,121,586
At 31 December 2019							
Assets							
Cash and cash equivalents	53,642,343	-	-	-	-	-	53,642,343
Other financial assets	-	40,232,466	69,045,896	-	114,632,214	-	223,910,576
Finance leases to customers	45,938,398	87,259,526	128,131,147	240,984,135	1,060,753,129	57,032,546	1,620,098,881
Other assets	1,496,201	-	-	-	-	-	1,496,201
Total assets	101,076,942	127,491,992	197,177,043	240,984,135	1,175,385,343	57,032,546	1,899,148,001
Net liquidity gap	20,526,528	45,404,496	46,993,795	(186,890,751)	180,959,801	57,032,546	164,026,415

An amount of Rs 40,408,828 has been billed and receivable from finance lease customers as at 31 December 2019. It has a current maturity period.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.3 Maturities of assets and liabilities (Continued):

At 31 December 2018	Up to 1 Month	1 – 3 months	4 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Deposits from customers	1,103,485	18,584,636	134,193,222	345,158,454	1,047,016,160	2,102,885	1,548,158,842
Other borrowed funds	801,837	26,844,666	2,020,626	2,154,138	232,260	-	32,053,527
Other liabilities	81,263,996	-	-	-	-	-	81,263,996
Total liabilities	83,169,318	45,429,302	136,213,848	347,312,592	1,047,248,420	2,102,885	1,661,476,365
At 31 December 2018							
Assets							
Cash and cash equivalents	93,041,991	-	-	-	-	-	93,041,991
Other financial assets	2,200,205	-	-	-	151,015,215	-	153,215,420
Finance leases to customers	42,469,445	83,779,382	122,085,343	233,604,077	998,789,727	80,938,755	1,561,666,729
Other assets	1,544,587	-	-	-	-	-	1,544,587
Total assets	139,256,228	83,779,382	122,085,343	233,604,077	1,149,804,942	80,938,755	1,809,468,727
Net liquidity gap	56,086,910	38,350,080	(14,128,505)	(113,708,515)	102,556,522	78,835,870	147,992,362

An amount of Rs 51,589,875 has been billed and receivable from finance lease customers as at 31 December 2018. It has a current maturity period.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.3 Maturities of assets and liabilities (Continued):

At 31 December 2017	Up to 1 Month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Deposits from customers	35,951,565	46,540,585	163,743,605	229,961,155	981,924,093	28,427,432	1,486,548,435
Other borrowed funds	1,689,789	23,232,400	4,848,600	7,026,145	6,915,920	-	43,712,854
Other liabilities	95,484,868	-	-	-	-	-	95,484,868
Total liabilities	133,126,222	69,772,985	168,592,205	236,987,300	988,840,013	28,427,432	1,625,746,157
At 31 December 2017							
Assets							
Cash and cash equivalents	236,605,758	-	-	-	-	-	236,605,758
Other financial assets	-	-	-	-	60,133,893	-	60,133,893
Finance leases to customers	40,041,121	79,123,652	114,638,185	218,520,039	991,809,598	60,499,211	1,504,631,806
Other assets	2,873,789	-	-	-	-	-	2,873,789
Total assets	279,520,667	79,123,652	114,638,185	218,520,039	1,120,524,164	60,499,211	1,888,085,077
Net liquidity gap	148,406,384	9,350,667	(53,954,019)	(18,467,261)	131,684,151	32,071,779	262,338,920

An amount of Rs 53,762,815 has been billed and receivable from finance lease customers as at 31 December 2017. It has a current maturity period.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratio at 31 December 2019, 2018 and 2017 were as follows:

	2019	2018	2017
	Rs	Rs	Rs
Total deposits and borrowed funds	**1,547,271,887**	1,438,346,474	1,379,692,796
Less: cash and cash equivalents	**(53,642,343)**	(93,041,991)	(236,605,758)
Net debt	**1,493,629,544**	1,345,304,483	1,143,087,038
Total equity	**253,725,974**	237,561,855	247,082,451
Total capital	**1,747,355,518**	1,582,866,337	1,390,169,489
Gearing ratio	**85%**	85%	82%

3.5 Fair values of financial assets and liabilities

The following table summarises the carrying amount and fair values of those financial assets and financial liabilities not presented in the statement of financial position at fair values:

	2019 Carrying value	**2019 Fair value**	2018 Carrying Value	2018 Fair value	2017 Carrying value	2017 Fair value
	Rs'000	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets						
Other financial assets	**216,087**	**223,591**	140,582	152,352	60,134	61,472
Financial liabilities						
Deposits from customers	**1,497,031**	**1,461,317**	1,406,568	1,423,975	1,336,701	1,373,712
Other borrowed funds	**50,241**	**50,241**	31,778	32,168	42,992	43,065

(i) Cash and cash equivalents (excluding bank overdraft)
Cash and cash equivalents comprise of balances with and placements in Mauritius. Its fair value is considered as being equal to their carrying amount as a result of their short term nature.

(ii) Deposits from customers and other borrowed funds
The estimated fair value of fixed interest bearing deposits not quoted in an active market is based on discounted cash flows using interest rates prevailing on the market for debts with similar remaining maturity. As a result, deposits from customers and other borrowed funds fall under level 2 of the Fair Value Hierarchy.

(iii) Financial assets and financial liabilities
Other assets and other liabilities are repayable on demand. Their fair values are therefore considered as being equal to their carrying value. Fair values are therefore considered as being equal to their carrying value as a result of their short term nature.

(iv) Other financial assets
Other financial assets comprise of Bonds and fixed deposits with financial institution are not quoted on an active market The fair value is determined by discounting the future value using a market interest rate. As a result other financial assets are categorised as level 2.

3. FINANCIAL RISK MANAGEMENTS (CONTINUED)

3.5 Fair values of financial assets and liabilities (Continued)

The below table sets out the comparison, by class, of the carrying value and fair value of the Company's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31 December 2019					
Financial assets					
Cash and cash equivalents	**53,642**	-	**53,642**	-	**53,642**
Other financial assets	**216,087**	-	**223,591**	-	**223,591**
Other assets	**1,496**	-	**1,496**	-	**1,496**
Financial liabilities					
Deposits from customers	**1,497,031**	-	**1,461,317**	-	**1,498,778**
Other borrowed funds	**50,241**	-	**50,241**	-	**50,241**
Other liabilities	**72,694**	-	**72,694**	-	**72,694**
31 December 2018					
Financial assets					
Cash and cash equivalents	93,042	-	93,042	-	93,042
Other Financial Assets	140,582	-	152,352	-	152,352
Other assets	1,545	-	1,545	-	1,545
Financial liabilities					
Deposits from customers	1,406,568	-	1,423,975	--	1,423,975
Other borrowed funds	31,778	-	32,168	-	32,168
Other liabilities	81,264	-	81,264	-	81,377
31 December 2017					
Financial assets					
Cash and cash equivalents	236,606	-	236,606	-	236,606
Other Financial Assets	60,134	-	61,472	-	61,472
Other assets	2,874	-	2,874	-	2,874
Financial liabilities					
Deposits from customers	1,336,701	-	1,373,712	-	1,373,712
Other borrowed funds	42,992	-	43,065	-	43,065
Other liabilities	95,485	-	95,485	-	95,485

4 FINANCE LEASES TO CUSTOMERS

(a) Finance leases

	2019	2018	2017
	Rs	Rs	Rs
Finance leases – gross receivables	1,620,098,880	1,561,666,729	1,504,631,807
Unearned finance income	(241,806,127)	(220,851,554)	(226,581,135)
	1,378,292,753	1,340,815,175	1,278,050,672
Instalments due	40,408,828	51,589,891	53,762,815
	1,418,701,581	1,392,405,066	1,331,813,487
Impairment Allowance(Note 4(c)	(42,071,703)	(61,930,147)	(45,033,499)
Net investment in finance leases	1,376,629,878	1,330,474,918	1,286,779,988
Gross receivables from finance leases:			
Within 3 months	133,197,924	126,248,827	119,164,773
Over 3 months up to 6 months	128,131,147	122,085,343	114,638,185
Over 6 months up to 12 months	240,984,134	233,604,077	218,520,039
Over 1 year up to 5 years	1,060,753,129	998,789,727	991,809,599
Over 5 years	57,032,546	80,938,755	60,499,211
	1,620,098,880	1,561,666,729	1,504,631,807
Unearned future finance income on finance leases	(241,806,127)	(220,851,554)	(226,581,135)
	1,378,292,753	1,340,815,175	1,278,050,672
Instalments due	40,408,828	51,589,891	53,762,815
Impairment allowance (Note 4(c))	(42,071,703)	(61,930,147)	(45,033,499)
Net investment in finance leases	1,376,629,878	1,330,474,919	1,286,779,988
The net investment in finance leases by maturity period may be analysed as follows:			
Within 3 months	105,840,461	99,940,274	93,494,041
Over 3 months up to 6 months	102,732,290	97,816,464	90,865,445
Over 6 months up to 12 months	196,496,880	191,131,423	176,489,953
Over 1 year up to 5 years	919,947,809	873,259,190	860,177,624
Over 5 years	53,275,313	78,667,824	57,023,609
	1,378,292,753	1,340,815,175	1,278,050,672
Instalments due	40,408,828	51,589,891	53,762,815
Impairment allowance (Note 4(c))	(42,071,703)	(61,930,147)	(45,033,499)
Net investment in finance leases	1,376,629,878	1,330,474,919	1,286,779,988
Current	405,069,632	378,547,905	369,578,755
Non-current	971,560,246	951,927,014	917,201,233
	1,376,629,878	1,330,474,919	1,286,779,988
Gross receivables from finance leases:			
Individual	839,891,547	718,324,590	631,607,465
Corporate	780,207,333	843,342,139	873,024,342
	1,620,098,880	1,561,666,729	1,504,631,807
Net investment in finance leases			
Individual	700,553,668	601,956,996	529,169,531
Corporate	676,076,210	728,517,923	757,610,457
	1,376,629,878	1,330,474,919	1,286,779,988

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

	Gross Receivable	Net Receivable	Unearned financial income
	Rs	Rs	Rs
Maturity analysis 2019			
Within year 1	502,313,206	405,069,632	97,243,574
Over year 1 up to year 2	417,980,116	352,022,670	65,957,446
Over year 2 up to year 3	317,327,001	276,715,530	40,611,471
Over year 3 up to year 4	210,550,478	187,664,020	22,886,458
Over year 4 up to year 5	114,895,533	103,545,589	11,349,944
Over 5 years	57,032,546	53,275,313	3,757,233
	1,620,098,880	1,378,292,754	241,806,126

For all finance leases, the Company retains ownership of the leased assets. Assets (vehicles and equipment) are leased to customers for periods ranging from 12 to 84 months. The average lease term is 60 months and the majority of these leases are at fixed interest rates.

The increase in gross and net receivables is mainly due to the rise in our lease portfolio for the year 2019 as compared to 2018. In 2019 our total new leases were 803 as compared to 765 in 2018.

During the year, the Company has repossessed one vehicle which remain unsold at year end with a carrying amount of Rs 663,249 (2018: Rs 2,078,016) This has been transferred to held for sale (Note 25).

(b) Credit concentration of risk by industry sectors

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Agriculture and fishing	71,015	75,464	68,156
Manufacturing/textile	109,283	151,688	168,412
Tourism	82,636	77,761	72,250
Transport	127,304	124,378	88,792
Construction and civil engineering	137,838	119,560	88,065
Financial and business services	171,282	173,135	137,635
Traders/commerce	304,577	276,400	272,764
ICT Services	32,024	20,658	3,788
Personal	4,107	4,924	13,079
Professional	65,647	84,717	192,514
Media entertainment and recreational activities	48,113	49,490	42,995
Freeport enterprise certificate holders	3,363	4,568	4,612
Services Sector	91,230	31,423	12,338
Education	30,530	32,439	26,764
Infrastructure	43,713	57,464	56,269
Modernisation and Expansion	4,757	2,355	3,987
Health Development Certificate Holders	47,283	44,051	34,362
Regional Development Certificate Holders	1,928	-	-
	1,376,630	1,330,475	1,286,780

(c) Changes in the gross-carrying amount and the corresponding ECL allowances

	2019	2018	2017
	RS'000	RS'000	RS'000
Individual	711,829	623,111	539,392
Corporate	706,873	769,293	792,421
	1,418,702	1,392,404	1,331,813
Less: Allowance for ECL/impairment losses	(42,072)	(61,930)	(45,033)
	1,376,630	1,330,474	1,286,780

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(c) Changes in the gross-carrying amount and the corresponding ECL allowances (Continued)

The table shows the credit quality and maximum exposure to credit risk based on the company's year-end stage classification. The amount presented are gross of impairment allowance.

	2019 Stage 1 Collective	**2019 Stage 2 Collective**	**2019 Stage 3**	**2019 Total**	2018 Total	2017 Total
	RS	**RS**	**RS**	**RS**	RS	RS
Internal rating grade						
Performing						
Neither past due nor impaired	**1,042,172,454**	**-**	**-**	**1,042,172,454**	1,126,336,768	731,059,157
Past due but not impaired	**247,301,092**	**78,214,018**	**-**	**325,515,110**	212,919,817	518,784,116
Non-performing						
Individually impaired	**-**	**-**	**51,014,017**	**51,014,017**	53,148,481	81,970,215
Total	**1,289,473,546**	**78,214,018**	**51,014,017**	**1,418,701,581**	1,392,405,066	1,331,813,488

Neither past due nor impaired - Lease customers with 0 day past due.
Past due but not impaired - Lease customers having 1 to 90 days past due.
Individually impaired - Lease customers having more than 90 days past due.

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(c) Changes in the gross-carrying amount and the corresponding ECL allowances (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the finance lease to customers is as follows:

	2019 Stage 1 Collective	2019 Stage 2 Collective	2019 Stage 3	2019 Total
	RS	RS	RS	RS
Gross carrying amount as at 01 January 2019	1,267,895,783	47,186,621	77,322,662	1,392,405,066
New assets purchased	585,599,504	-	-	585,599,504
Assets derecognised or repaid	(510,957,457)	(18,377,817)	(19,648,653)	(548,983,927)
Write off	-	-	(10,319,062)	(10,319,062)
Transfer to Stage 1	21,009,993	(8,645,885)	(12,364,108)	-
Transfer to stage 2	(62,164,804)	65,376,968	(3,212,164)	-
Transfer to stage 3	(11,909,472)	(7,325,869)	19,235,341	-
As at 31 December 2019	1,289,473,547	78,214,018	51,014,016	1,418,701,581

	2019 Stage 1 Collective	2019 Stage 2 Collective	2019 Stage 3	2019 Total
	RS	RS	RS	RS
ECL allowance as at 01 January 2019 under IFRS 9	17,108,205	5,304,308	39,517,634	61,930,147
New assets purchased	5,694,626	-	-	5,694,626
Assets derecognised or repaid	(14,448,452)	(1,003,050)	(7,455,362)	(22,906,864)
Write off	-	-	(10,319,062)	(10,319,062)
Transfers to stage 1	11,735,357	(1,858,127)	(9,877,230)	-
Transfers to stage 2	(3,726,559)	3,772,115	(45,556)	-
Transfers to stage 3	(853,402)	(140,159)	993,561	-
Impact on ECL of transfers	(3,826,308)	2,044,210	9,453,735	7,671,637
As at 31 December 2019	11,683,467	8,119,297	22,268,834	42,071,703
ECL allowance for the year	(5,424,738)	2,814,989	(6,930,747)	(9,540,496)

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(c) Changes in the gross-carrying amount and the corresponding ECL allowances (Continued)

	2018 Stage 1 Collective	2018 Stage 2 Collective	2018 Stage 3	2018 Total
	RS	RS	RS	RS
Gross carrying amount as at 01 January 2018	1,185,028,849	66,099,572	78,685,067	1,331,813,488
New assets purchased	514,334,135	12,802,187	19,537,691	546,674,013
Assets derecognised or repaid	(441,594,469)	(17,416,242)	(27,071,741)	(486,082,435)
Transfer to Stage 1	50,073,548	(38,608,435)	(11,465,113)	-
Transfer to stage 2	(25,640,831)	33,377,291	(7,736,460)	-
Transfer to stage 3	(16,305,466)	(9,067,752)	25,373,218	-
As at 31 December 2018	1,267,895,783	47,186,621	77,322,662	1,392,405,066

	2018 Stage 1 Collective	2018 Stage 2 Collective	2018 Stage 3	2018 Total
	RS	RS	RS	RS
ECL allowance as at 01 January 2018 under IFRS 9	19,228,427	7,945,110	32,789,651	59,963,188
New assets purchased	6,062,849	1,394,849	5,201,766	12,659,464
Assets derecognised or repaid	(2,135,558)	(5,251,686)	(3,305,261)	(10,692,505)
Transfers to stage 1	392,419	(323,398)	(69,021)	-
Transfers to stage 2	(2,010,441)	2,403,863	(393,422)	-
Transfers to stage 3	(4,429,437)	(864,325)	5,293,762	-
As at 31 December 2018	17,108,205	5,304,308	39,517,634	61,930,147
ECL allowance for the year	(2,116,925)	(2,644,100)	6,727,984	1,966,959

	2017 Specific	2017 Portfolio	2017 Total
	Rs	Rs	Rs
At 01 January 2017	23,618,054	11,114,719	34,732,773
Charge for the year	11,656,863	1,879,107	13,535,970
Provision released during the year	(2,264,542)	(86,628)	(2,351,170)
Provision previously recognised written off	(884,075)	-	(884,075)
At 31 December 2017	32,126,300	12,907,198	45,033,498
Provision for credit impairment for the year	8,508,247	1,792,479	10,300,726

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(d) Allowance for Credit Exposure by Industry Sector

	Net investment in leases	Instalments Due	Non performing leases	Specific provision	Portfolio provision	2019 Total provision	2018 Total Provision	2017 Total provision
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture and fishing	71,638	604	1,715	10	1,215	1,225	1,900	1,206
Manufacturing/ textile	108,050	5,213	11,350	2,412	1,569	3,981	10,701	13,680
Tourism	82,438	1,542	2,482	349	995	1,344	1,829	1,156
Transport	127,502	2,559	2,347	573	2,185	2,758	3,575	1,051
Construction and civil engineering	136,982	7,609	7,732	4,411	2,343	6,754	12,268	5,102
Financial and business services	171,705	8,273	9,927	6,648	2,048	8,696	11,080	7,937
Traders/commerce	305,941	6,788	7,601	3,475	4,678	8,153	8,792	6,712
ICT Services	32,057	461	1,399	117	377	494	379	38
Personal	4,125	15	-	-	33	33	60	126
Professional	65,285	2,095	1,886	838	895	1,733	2,918	3,798
Media, entertainment and recreational activities	48,196	757	364	44	796	840	960	434
Freeport enterprise certificate holders	3,384	9	-	-	29	29	60	47
Services Sector	92,111	634	1,351	412	1,102	1,514	447	125
Education	30,737	45	-	-	253	253	393	270
Infrastructure	43,823	2,424	1,757	1,757	777	2,534	4,806	2,964
Modernisation & Expansion	4,756	1,145	1,102	1,102	41	1,143	1,146	40
Health Development	47,618	224	-	-	559	559	616	347
Regional Development certificate Holders	1,944	13	-	-	29	29	-	-
	1,378,292	40,410	51,013	22,148	19,924	42,072	61,930	45,033

5 INTANGIBLE ASSETS

	2019	2018	2017
	Rs	Rs	Rs
Computer software:			
Cost:			
At 01 January	3,475,506	3,838,790	3,782,790
Additions	154,380	1,255,900	56,000
Write off	-	(1,619,184)	-
At 31 December	3,629,886	3,475,506	3,838,790
Accumulated amortisation:			
At 01 January	2,311,820	3,436,310	3,223,071
Charge for the year	516,222	494,694	213,239
Write off	-	(1,619,184)	-
At 31 December	2,828,042	2,311,820	3,436,310
Net book amount:			
At 31 December	801,844	1,163,686	402,480

6 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings	Computer Equipment	Motor Vehicle	Right of Use	Operating lease vehicle/ equipment	Capital Work in Progress	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost:							
At 1 January 2017	2,830,924	2,721,876	495,445	-	87,262,532	-	93,310,777
Additions	1,326,712	465,831	54,032	-	70,082,889	-	71,929,464
Disposals	(132,350)	(35,851)	(46,390)	-	(14,743,837)	-	(14,958,428)
At 31 December 2017	4,025,286	3,151,856	503,087	-	142,601,584	-	150,281,813
Additions	107,480	504,026	2,232,200	-	81,016,557	-	83,860,263
Disposals	-	-	-	-	(12,177,633)	-	(12,177,633)
Amount written off	(189,097)	-	-	-	-	-	(189,097)
Assets held for sale (Note 25)	-	-	-	-	(561,313)	-	(561,313)
At 31 December 2018	**3,943,669**	**3,655,882**	**2,735,287**	-	**210,879,195**	-	**221,214,033**
On adoption of IFRS 16 (Note 2 B (a))	-	-	-	**5,868,304**	-	-	**5,868,304**
Additions	**335,807**	**224,632**	**371,137**	-	**79,131,603**	**7,077,497**	**87,140,676**
Disposals	-	-	**(449,055)**	-	**(16,866,202)**	-	**(17,315,257)**
Amount written off	-	-	-	-	-	-	-
At 31 December 2019	**4,279,476**	**3,880,514**	**2,657,369**	**5,868,304**	**273,144,596**	**7,077,497**	**296,907,756**
Accumulated depreciation:							
At 1 January 2017	1,109,576	1,895,246	416,118	-	19,441,112	-	22,862,052
Charge for the year	299,767	436,715	69,002	-	13,993,652	-	14,799,136
Disposals	(13,234)	-	(27.062)	-	(7,041,997)	-	(7,082,293)
At 31 December 2017	1,396,109	2,331,961	458,058	-	26,392,767	-	30,578,895
Charge for the year	332,777	501,281	478,550	-	26,984,940	-	28,297,548
Disposals	-	-	-	-	(5,495,537)	-	(5,495,537)
Assets held for sale (Note 25)	-	-	-	-	(390,011)	-	(390,011)
At 31 December 2018	**1,728,886**	**2,833,242**	**936,608**	-	**47,492,159**	-	**52,990,895**
Charge for the year	**374,556**	**339,621**	**610,218**	**1,676,658**	**34,835,514**	-	**37,836,567**
Disposals	-	-	**(449,055)**	-	**(5,031,102)**	-	**(5,480,157)**
At 31 December 2019	**2,103,442**	**3,172,863**	**1,097,771**	**1,676,658**	**77,296,571**	-	**85,347,305**
Net book amount:							
At 31 December 2019	**2,176,034**	**707,651**	**1,559,598**	**4,191,646**	**195,848,025**	**7,077,497**	**211,560,451**
At 31 December 2018	2,214,783	822,640	1,798,679	-	163,387,036	-	168,223,138
At 31 December 2017	2,629,177	819,895	45,026	-	116,208,817	-	119,702,918

7 DEFERRED INCOME TAX

Deferred income tax is calculated in full on all temporary differences under the liability method using the applicable tax rate (2018 -17% and 2017- 17%).

The movement on the deferred income tax asset account is as follows:

	2019	2018	2017
	Rs	Rs	Rs
At 01 January	**(4,243,553)**	2,757,267	3,382,952
Effect of IFRS 9	**-**	2,538,047	-
Effect of change in tax rate	**-**	(7,195,582)	-
Profit or loss	**(1,577,247)**	(2,336,067)	(625,685)
Other Comprehensive Income	**78,797**	(7,218)	-
Over provision of deferred tax asset (Note 11)	**410,257**	-	-
At 31 December	**(5,331,746)**	(4,243,553)	2,757,267
The balance is attributable to the following:			
Accelerated capital allowances	**(9,270,727)**	(7,385,106)	(4,898,426)
Provision for credit impairment	**1,430,400**	3,096,508	7,655,693
Tax Losses	**2,371,623**	-	-
Retirement benefits obligation	**136,958**	45,045	-
	(5,331,746)	(4,243,553)	2,757,267

Deferred tax liabilities and assets are attributable to the following:

Deferred tax (liabilities)/assets	**Accelerated capital allowances**	**Provisions for credit impairment**	**Retirement benefits obligation**	Tax losses	**Total**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**
At 01 January 2018	(4,898,427)	7,655,695	-	-	2,757,268
(Charge)/ credited to statement of comprehensive income	(2,486,679)	(4,559,187)	45,045	-	(7,000,821)
At 31 December 2018	**(7,385,106)**	**3,096,508**	**45,045**	**-**	**(4,243,553)**
(Charge)/credited to statement of comprehensive income	**(1,885,621)**	**(1,666,108)**	**91,913**	**2,371,623**	**(1,088,193)**
At 31 December 2019	**(9,270,727)**	**1,430,400**	**136,958**	**2,371,623**	**(5,331,746)**

8 OTHER ASSETS

	2019	2018	2017
	Rs	Rs	Rs
Prepayments	**2,840,841**	1,645,305	1,353,830
VAT credit	**21,199,889**	16,580,856	12,019,663
Other receivables	**1,496,200**	1,544,587	1,456,797
Amount receivable from holding company (Note 21(iii))	**-**	-	1,416,992
	25,536,930	19,770,748	16,247,282

Other receivables as disclosed above are repayable on demand and thus are not backed by collateral and not impaired at 31 December 2019, 2018 and 2017. For terms and conditions relating to amount receivables from holding company, refer to Note 21.

9 DEPOSITS FROM CUSTOMERS

	2019	2018	2017
	Rs	Rs	Rs
Term deposits with remaining term to maturity:			
Individual customers			
Within 3 months	**49,907,399**	10,308,780	20,449,298
Over 3 months up to 6 months	**39,986,323**	37,962,505	27,902,101
Over 6 months up to 12 months	**87,429,615**	56,387,538	80,389,190
Over 1 year up to 7 years	**465,274,119**	413,472,567	245,819,315
Corporate customers			
Within 3 months	**12,442,880**	8,798,992	46,888,538
Over 3 months up to 6 months	**78,554,556**	89,999,410	121,316,825
Over 6 months up to 12 months	**302,931,068**	256,539,077	125,247,167
Over 1 year up to 7 years	**460,505,286**	533,099,277	668,688,838
	1,497,031,246	1,406,568,146	1,336,701,272
Current	**571,251,841**	459,996,302	422,193,119
Non-current	**925,779,405**	946,571,844	914,508,153
Total deposits	**1,497,031,246**	1,406,568,146	1,336,701,272

Term deposits represent deposits from individuals and corporates. The maturity varies between 3 months to 7 years. Interest rate on these time deposits vary between 2.75% and 7.0%.

10 OTHER BORROWED FUNDS

	2019	2018	2017
	Rs	Rs	Rs
Loan from Barclays Plc	**25,000,000**	-	20,000,000
Loan from MCB Ltd	**-**	25,000,000	-
Loan from Afrasia Ltd	**25,000,000**	-	-
Loan from State Investment Corporation (LEMS)	**240,642**	6,778,328	22,991,524
	50,240,642	31,778,328	42,991,524
Current	**50,240,642**	31,778,328	36,026,940
Non-current	**-**	-	6,964,584
Total other borrowed funds	**50,240,642**	31,778,328	65,633,524

Other borrowed funds comprise of loans taken under the LEMS scheme from the State Investment Corporation, the Barclays Plc and from AfrAsia Ltd. The remaining term-to-maturity vary between 1 month and 12 months. The loans from Statement Investment Corporation (LEMS) is an unsecured loan and carries an interest rate of 0.75% per annum. The Barclays Plc and the AfrAsia Ltd have a second rank floating charge of up to Rs 25 million each on all the Company's assets and carries an interest rate of 3.55% and 3.35% respectively per annum.

The below table provides an analysis of the Loan from Statement Investment Corporation (LEMS) by interest rate and Maturity for the year 2019.

Maturity Period / Interest Rate	**0.75%**	**Total**
2020	240,642	240,642
Total	240,642	240,642

11 INCOME TAX

Tax Charge:

	2019	2018	2017
	Rs	Rs	Rs
Tax on the profit for the year, as adjusted for tax purposes at applicable rate (2018 17% and 2017 17%)	**-**	1,355,108	1,580,915
Under provision of current tax	**43,033**	414,223	-
Over provision of deferred tax assets (Note 7)	**(410,257)**	-	-
Deferred tax movement (Note 7)	**1,577,247**	2,336,067	625,685
Effect of change in tax rate	**-**	7,195,582	-
	1,210,023	11,300,980	2,206,600
(Asset)/Liability:			
At 01 January	**255,231**	369,471	(128,758)
Charge for the year	**-**	1,255,118	1,580,915
Under provision in previous year	**43,033**	414,223	-
Paid during the year	**(990,529)**	(1,783,581)	(1,082,686)
At 31 December	**(692,265)**	255,231	369,471
Current	**(692,265)**	255,231	369,471

The reconciliation between the effective tax rate for the year (2018 - 68.34% and 2017 – 14.66%) and the applicable income tax rate of **17.00%** (2018 – 17% and 2017 – 17%) is as follows:

	2019	2018	2017
(As a percentage of profit before tax)	**%**	%	%
Applicable income tax rate	**17.00**	17.00	17.00
Impact of:			
Under provision of current tax	**0.17**	2.95	-
Over provision of deferred tax assets	**(1.60)**	-	-
Non allowable expenses	**52.34**	2.63	46.74
Non taxable income	**(63.20)**	-	(49.08)
Effect of change in tax rate	**-**	45.76	-
Actual income tax rate	**4.71**	68.34	14.66

12 OTHER LIABILITIES

	2019	2018	2017
	Rs	Rs	Rs
Lease creditors	**59,598,343**	71,319,428	90,126,523
Other payables	**13,096,138**	9,944,568	5,358,346
	72,694,481	81,263,996	95,484,869
Current	**72,694,481**	81,263,996	95,484,869

Other payables are non-interest bearing and have an average term of 1-6 months. Lease creditors relate to amount due to suppliers of the leased assets and have an average terms of 1 month to 3 months.

13 SHARE CAPITAL

	2019	2018	2017	**2019**	2018	2017
	Number	Number	Number	**Rs**	Rs	Rs
Authorised and issued:						
Ordinary shares of Rs 10 each	**20,000,000**	20,000,000	20,000,000	**200,000,000**	200,000,000	200,000,000

14 NET INTEREST INCOME

	2019	2018	2017
	Rs	Rs	Rs
Interest income			
Under EIR			
Cash and cash equivalents	**561,864**	544,734	1,279,606
Fixed deposits	**2,877,913**	3,204,835	4,020,012
Bonds	**3,199,479**	2,627,404	135,962
	6,639,256	6,376,973	5,435,580
Others			
Leases to customers	**112,809,936**	109,267,234	99,296,268
	119,449,192	115,644,207	104,731,848
Interest expense			
Deposits from customers	**65,505,445**	62,830,668	57,934,632
Lease Liability	**313,413**	-	-
Interest on loan	**1,222,383**	1,028,100	1,544,265
	67,041,241	63,858,768	59,478,897
Net interest income	**52,407,951**	51,785,439	45,252,951

15 OTHER INCOME

	2019	2018	2017
	Rs	Rs	Rs
(Loss) / Profit on disposal of property, plant and equipment	**(117,419)**	1,144,914	385,814
Bad debts recovered	**-**	24,545	-
Others	**757,113**	648,500	140,327
Amount written back	**700,400**	-	-
	1,340,094	1,817,959	526,141

16 PERSONNEL EXPENSES

	2019	2018	2017
	Rs	Rs	Rs
Wages and salaries	**25,583,335**	23,731,735	18,273,792
Social security obligations	**698,262**	680,915	522,916
Contributions to defined contribution scheme	**2,951,300**	1,961,085	1,060,604
Retirement Benefits Obligation Expense (Note 28 (b))	**528,012**	711,496	-
Other personnel expenses	**3,823,992**	3,179,681	2,839,764
	33,584,901	30,264,912	22,697,076

The number of employees at the end of the year was 29 (2018 – 28 and 2017 – 29).

17 OTHER EXPENSES

The following items have been included in arriving at profit before tax:

	2019	2018	2017
	Rs	Rs	Rs
Software maintenance	**1,149,640**	1,058,236	803,733
Advertising	**1,329,987**	1,107,962	1,046,566
Licenses	**2,253,335**	2,159,123	2,193,008
Fees paid to auditor for:			
- Audit services	**719,225**	784,015	1,797,792
- Other services	**581,585**	652,257	257,560
Professional fees	**1,298,350**	1,482,150	-
Write-offs	**4,846,832**	-	-
Others	**4,960,903**	4,872,943	1,794,765

18 EARNINGS PER SHARE

The profit per ordinary share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	2019	2018	2017
Profit available to ordinary shareholder	**23,855,918**	5,179,248	8,725,174
Weighted average number of ordinary shares in issue (Number)	**20,000,000**	20,000,000	20,000,000
Earnings per share: Basic and diluted earnings per share	**1.19**	0.26	0.44

There has been no transaction involving ordinary shares or potential ordinary shares after the reporting period.

19 DIVIDENDS PROPOSED AND PAID

	2019	2018	2017
	Rs	Rs	Rs
Cash dividend declared and paid on ordinary shares			
Final dividend for 2017:- 50 cents per share	-	10,000,000	-
-Final dividend for 2015:- 60 cents per share	-	-	-
	-	10,000,000	-

There were no dividends proposed for 2018.

20 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

(a) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following amounts:

	2019	2018	2017
	Rs	Rs	Rs
Balances and deposits with banks in Mauritius	**53,631,343**	93,036,991	236,600,758
Cash in hand	**11,000**	5,000	5,000
	53,642,343	93,041,991	236,605,758
Current	**53,642,343**	93,041,991	236,605,758

The Company earns interest at fluctuating rates varying between 0.50% to 1.75% on its current and call deposit accounts, based on daily bank deposit rates.

(b) Other financial assets

	2019	2018	2017
	Rs	Rs	Rs
Fixed deposits	**135,156,478**	57,453,676	55,101,581
Bonds	**80,930,581**	83,128,633	5,032,312
	216,087,059	140,582,309	60,133,893

1. Fixed deposits			
Fixed Deposits held at bank / other financial institution	**120,000,000**	45,000,000	45,000,000
Accrued interest receivable	**15,156,478**	12,453,677	10,101,581
	135,156,478	57,453,677	55,101,581
Current	**135,156,478**	-	-
Non-current	-	57,453,677	55,101,581
	135,156,478	57,453,677	55,101,581

20 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS (CONTINUED)

(b) Other financial assets (Continued)

2. Bonds	2019	2018	2017
	Rs	Rs	Rs
Bonds	**79,553,059**	81,736,558	4,977,600
Accrued interest receivable	**1,377,522**	1,392,074	54,712
	80,930,581	83,128,632	5,032,312
Current	**-**	2,194,850	-
Non-current	**80,930,581**	80,933,782	5,032,312
	80,930,581	83,128,632	5,032,312

The Company acquired a total of Rs 81,736,558 of Government Bonds with The Barclays Bank Mauritius Ltd in 2018 with maturity terms varying between 2.5 to 60 months and bearing a fixed interest payable biannually/at maturity of 3.18% - 4.12%.

21 RELATED PARTY DISCLOSURES

The Company's holding company is Prudence Holding Limited, a company incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company.

The following transactions were carried out with related parties during the year:

	2019	2018	2017
	Rs	Rs	Rs
i) Finance leases			
Leases due from key management personnel			
At 01 January	-	244,574	481,140
Leases granted during the year	-	-	-
Repayments during the year	-	(244,574)	(236,566)
Key personnel resignation	-	-	-
At 31 December	-	-	244,574
Interest income	-	6,340	30,506
Leases due from entities with common directors and shareholders			
At 01 January	**109,069,280**	106,223,813	109,493,912
Leases granted during the year	**25,668,436**	32,083,719	31,322,244
Repayments during the year	**(43,586,559)**	(29,238,252)	(34,592,343)
At 31 December	**91,151,157**	109,069,280	106,223,813
Interest income	**6,004,349**	6,315,176	6,626,003
ii) Deposits			
At beginning of year	**64,688,168**	58,688,168	21,087,511
Received during the year	**24,238,795**	12,000,000	37,600,658
Refund during the year	**(14,688,168)**	(6,000,000)	-
At end of the year	**74,238,795**	64,688,168	58,688,169
Interest expense	**2,365,304**	2,703,990	1,543,111

The deposits are due to key management personnel and to companies having common directors. The tenors vary from 3 months to 5 years. Interest rates vary from 2.75% to 5.50%.

21 RELATED PARTY DISCLOSURES (CONTINUED)

	2019	2018	2017
	Rs	Rs	Rs
iii) Amount due from holding company			
At beginning of the year	-	1,416,991	1,416,991
Expenses incurred on behalf of holding company	-	-	-
Payments during the year	-	(1,416,991)	-
At end of the year (Note 8)	-	-	1,416,991

The amount due from holding company carries an interest rate free (2018: nil and 2017: nil) and it is receivable at call.

	2019	2018	2017
	Rs	Rs	Rs
iv) Amount due from other related party			
At beginning of the year	-	-	246,073
Payments during the year	-	-	(246,073)
At end of the year	-	-	-
v) Amount due to other related party			
At the beginning of the year	-	-	-
Transaction during the year	-	2,614,479	-
Payment made during the year	-	(2,614,479)	-
At end of the year	-	-	-

The amounts receivable from other related party are unsecured, interest free and are repayable within one year.

	2019	2018	2017
	Rs	Rs	Rs
vi) Compensation of key management personnel			
Short-term employee benefits	**6,158,428**	4,444,353	3,030,967
Post-employment benefits	**711,101**	683,211	442,070
Total	**6,869,529**	5,127,564	3,473,037

	2019	2018	2017
	Rs	Rs	Rs
vii) Transactions with key management personnel			
Acquisition of non-current assets	-	2,150,000	-
Total	-	2,150,000	-

Related parties, whether body corporates or natural persons, fall into two main groups:

a) those that are related because of ownership interest; and
b) those that are related otherwise, such as directors and senior officers.

Internal limits for granting credit to related parties are in line with the BOM guidelines whereby aggregate of credit exposures to related parties should not exceed 60% of our Tier 1 capital. A preferential rate of 8.5% is awarded to related parties for leasing facilities while deposits placed at our institution are remunerated at the current market rate. Approval of leasing facilities goes through the same process as other clients and mandate the authorisation of the Credit Committee. There has been no impairment on those leases and amount receivable from related parties.

22 COMMITMENTS

Finance leases

The Company had commitments in respect of lease contracts which had been signed at 31 December 2019 of **Rs 695,000** (2018 – Rs. 44,146,708; 2017- Rs. 64,353,060) but for which no monies had been disbursed.

Operating leases

At 31 December 2019, the Company had operating lease commitments in respect of office space rental amounting to **Rs 162,696** (2018 – Rs. 1,675,334; 2017 – Rs. 1,467,670).

The future minimum lease payments payable under operating leases are as follows:

	2019	2018	2017
	Rs	Rs	Rs
Not later than 1 year	**162,696**	1,675,334	1,467,670
Later than 1 year and not later than 5 years	**-**	-	-
	162,696	1,675,334	1,467,670

23 OPERATING LEASE RECEIVABLES

Operating leases where the Company is the lessor

Maturity analysis of undiscounted lease payments:

	2019
	Rs
Within 1 year	**57,733,955**
Between 1 year and 2 years	**52,867,494**
Between 2 years and 3 years	**47,540,603**
Between 3 years and 4 years	**40,087,916**
Between 4 years and 5 years	**27,752981**
Over 5 years	**11,250,087**
	237,233,036

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018	2017
	Rs	Rs
Within 1 year	40,893,671	27,692,161
Over 1 year up to 7 years	130,629,319	88,910,389
	171,522,990	116,602,550

There were no amounts in arrears and no impairment were made in respect of assets leased under operating leases.

Rents recognised on operating leases in the income statement are Rs. 45,444,825 (2018 – Rs. 34,672,584; 2017- Rs. 19,145,884).

The Company leases vehicles under various agreements which terminate between 2020 and 2026. The agreements do not include an extension option. The leases are at an interest rate of 6.50% - 10.25%.

24 FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2019

	Amortized Cost	Total
	Rs	Rs
Assets		
Cash and cash equivalents	53,642,343	53,642,343
Fixed deposits	135,156,478	135,156,478
Bonds	80,930,581	80,930,581
Finance lease to customers	1,376,629,878	1,376,629,878
Other assets - *exclude prepayment & VAT*	1,496,201	1,496,201
	1,647,855,481	1,647,855,481
Liabilities		
Deposits from customers	1,497,031,246	1,497,031,246
Other borrowed funds	50,240,642	50,240,642
Other liabilities	72,694,481	72,694,481
	1,619,966,369	1,619,966,369

At 31 December 2018

	Amortized Cost	Total
	Rs	Rs
Assets		
Cash and cash equivalents	93,041,991	93,041,991
Fixed deposits	57,453,677	57,453,677
Bonds	83,128,633	83,128,633
Finance lease to customers	1,330,474,918	1,330,474,918
Other assets - *exclude prepayment & VAT*	1,544,587	1,544,587
	1,565,643,806	1,565,643,806
Liabilities		
Deposits from customers	1,406,568,146	1,406,568,146
Other borrowed funds	31,778,328	31,778,328
Other liabilities	81,263,996	81,263,996
	1,519,610,470	1,519,610,470

At 31 December 2017	Loans and receivables	Total
	Rs	Rs
Cash and cash equivalents	236,605,758	236,605,758
Fixed deposits	55,101,581	55,101,581
Bonds	5,032,312	5,032,312
Finance lease to customers	1,286,779,988	1,286,779,988
Other assets - *exclude prepayment & VAT*	2,873,789	2,873,789
	1,586,393,428	1,586,393,428
Liabilities		
Deposits from customers	1,336,701,272	1,336,701,272
Other borrowed funds	42,991,524	42,991,524
Other liabilities	95,484,869	95,484,869
	1,475,177,665	1,475,177,665

25 ASSETS HELD FOR SALE

Repossessed Assets under finance and operating leases where the Company is the lessor

The carrying amount of assets classified as held for sale are as follows:

	2019	2018	2017
	Rs	Rs	**Rs**
Opening balance	**1,335,747**	-	-
Transfer from Property, plant and equipment (Note 6)	-	171,302	-
Transfer from finance lease (Note 4)	**663,249**	2,078,016	-
Disposal made during the year	**(1,335,747)**	-	-
Loss recognised in Profit & Loss	**(310,714)**	(913,571)	-
Closing Balance	**352,535**	1,335,747	-

As management had the intention of disposing of all the unsold repossessed assets at 31 December 2019 within the next twelve months, the assets were classified as held-for-sale. Management considered the seized assets to meet the criteria to be classified as held for sale as at the reporting date for the following reasons:

- The seized assets are available for immediate sale and can be sold to the buyer in its current condition
- The action to complete the sale was initiated and expected to be completed within one year from the date of initial classification
- Potential bidders have been identified and negotiations are in progress as at the reporting date

The lease transferred out from financial lease was categorised as stage 3

26 IMMEDIATE AND ULTIMATE PARENT

Prudence Holding Limited, a company incorporated in Mauritius under the Mauritian Companies Act 2001 as a public company, holds 100% shareholding of La Prudence Leasing Finance Co. Ltd. and the directors consider Prudence Holding Limited as the Company's immediate ultimate holding company.

27 EVENTS AFTER THE REPORTING PERIOD

Covid-19 outbreak

As the global outbreak of the novel coronavirus (Covid-19) in early 2020 is causing major disruptions to both social and economic activities across the world, Mauritius has not been spared of its impact. As the first cases of corona virus were detected in the country, the government announced a curfew for an initial period of two weeks, which was further extended. These drastic social distancing measures, considered essential to avoid a surge in the spread of the virus and save a maximum of human lives, are however having a significant toll on the economy and the business community at large. At this stage it is difficult to evaluate how long the effects of the pandemic will last and when activities will restart and eventually return to normal, if at all. The longer it takes, the more business enterprises are likely to fail and enter bankruptcy. Moreover, certain sectors such as aviation and tourism, are likely to continue experiencing the impact even after the pandemic is finally controlled.

In order to limit the impact on the livelihood of the population and the destruction of businesses through bankruptcies, the Government of Mauritius has taken a series of accompanying measures. Some of these key measures are described below:

(i) Wage assistance scheme: partially funding salary of employees earning Rs50,000 per month or less during the lockdown period;
(ii) Assistance scheme for self-employed; financial support of Rs5,100 for the period 16 March to 15 April;
(iii) Setting up of a solidarity fund to assist persons affected by the pandemic;
(iv) For MSMEs with turnover of up to Rs50m, a moratorium of 6 months on capital and interest payments with respect to their existing loans with commercial banks;
(v) Under the Special Relief Amount of Rs5 billion earmarked by the Bank of Mauritius through its Support Programme, MSMEs are eligible for a moratorium of 6 months on both capital and interest payments in respect of new loans with commercial banks;
(vi) Special line of credit of USD300m targeting operators having foreign currency earnings; and
(vii) Support to households: moratorium of six months on capital and interest repayments on all loans from commercial banks to households with combined basic salary not exceeding Rs50,000.

27. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Management has considered the following to be the most likely impacts of Covid-19 on the business:

- A decrease in its finance lease interest income and operating lease rentals due to a decrease interest rates for new leases and a decline in economic activities;
- A decrease in new lease disbursements due to a reduction in economic activities;
- An increase in credit losses due to more clients facing financial difficulties;

In addition, Management has considered the impact on the statement of financial position of the Company due to the impact of Covid-19. This is described below.

Placements with Financial Institutions – Other Financial Assets
Placements with financial institutions comprise short term fixed deposits of three months with reputable banks which are usually rolled over for another three months, and long term placement with a financial institution maturing April 2020. With the spread of Covid 19 and its impact on the economic situation worldwide, the credit risk of most counterparties, including banks, is expected to have increased. However, Management considers these counterparties to have a strong credit rating and does not expect the placements to suffer any significant increase in credit risks or impairment over their lifetime.

Finance Lease to Customers
Similarly the Covid 19 pandemic may impact on the carrying value of finance Lease receivables to customers by increasing the expected credit losses (ECL) on those financial assets. The ECL will increase as a result of more leases experiencing a significant increase in credit risk or becoming credit impaired, thereby requiring an allowance for lifetime ECL (stage 2 or 3) as opposed to 12 months ECL (stage 1). As at 31 March 2020, the exposure at defaults for stage 2 and 3 has increased by Rs 4.1m and Rs 12.5m respectively leading to an increase in the ECL of Rs 2m.

Management expects certain sectors such as tourism to be more affected than others. In its worst-case scenario, the Company considered an increase in its actual LGD, a 100% PD on its tourism section, a shift from stages in the existing portfolio and an addition ECL of Rs 9m as stage 3. Under such scenario, the Company would have an increase in ECL. This would reduce its capital adequacy ratio to 16% which is still above the 10% required by the Bank of Mauritius.

Deposits from Customers

The Deposits from Customers comprise of deposits from individuals and corporates. The maturity varies between 3 months to 7 years. As Covid-19 affects the economies across the globe, more companies will find themselves in financial difficulties. The risk associated with them is the capacity of the Company to respect its engagement towards its clients. This can lead to a loss of confidence in the company's ability to safeguard customers deposits, and customers therefore removing their funds, with the net impact reducing the liquidity, raising the cost of funds, and reducing the profits and net equity of the Company. As at date, 52% of the depositors have renewed their fixed deposits with the Company.

All the above will impact negatively on the liquidity and solvency margins of the Company.

It should be noted at this point that Management did not consider the impact of Covid-19 in arriving at the carrying values of assets and liabilities as 31 December 2019. Overall, the Company has concluded that the developments in the global economy after the year end did not provide evidence of conditions that existed at the end of the reporting period and have therefore assessed any impact they had as non-adjusting.

The following is an analysis of the possible impact of Covid-19 on various other aspects of the business.

Going concern

In the light of the anticipated economic impact of Covid-19, Management has made an assessment of the Company's ability to continue as a going concern.

Liquidity risks

The liquidity position of the Company has remained strong and as at 31 December 2019, the company has a cash resources of Rs 189m representing a cash ratio of 12.6% as compared to Rs 197m at 31 December 2018. This is more than the minimum reserve ratio of 10% prescribed.

Capital risks

The Company's Risk Weighted Capital Adequacy Ratio stands at 17.9% compared to the regulatory minimum requirement of 10%.

27. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Management strongly believes that there is sufficient buffer and headroom to ensure the Company is adequately capitalised and withstand the impact of Covid-19.

The following measures are in progress to mitigate the impact of COVID 19 on the Company:

1) Cost cutting measures including trimming down of non-essential cost;
2) A more conservative approach adopted by the credit team before approving any new finance and operating leases;
3) A close monitoring of all regulatory and governance guideline;
4) Regular meeting to assess the cash flow of the Company and an active campaign to retain or obtain new deposits while controlling the cost of fund;

On that basis and taking into consideration the series of measures taken to mitigate the downside risks caused by the outbreak, management is satisfied that there is no material uncertainty around the going concern assumption.

However, it should be noted that the full magnitude of the economic and financial impact of Covid 19 are yet to be known and will depend on a number of factors as described below:

- The duration and severity of the spread of the virus across the globe;
- The duration and extent of the preventive measures such as social distancing adopted by governments;
- The duration and extent of government continuing support and measures to stimulate the economy; and
- The degree to which stakeholders will act rationally in the face of an unprecedented crisis.

Given that the Covid situation is extremely fluid and conditions change on a daily basis, management considers that it is not possible to predict any outcome relating to the above factors.

28 RETIREMENT BENEFITS OBLIGATION

The Company has an employee scheme which is an unfunded retirement gratuity and which has been provided for the employees not covered by the Company's defined contribution under requirement of the Workers' Rights Act 2019. All employees who have completed a two-year service with the Company fall under this scheme as at 31 December 2019. The Company has 11 members and 15 non-members.

(a) The amounts recognised in the Statement of Financial Position are as follows:	**31 Dec 19**	31 Dec 18
	Rs	Rs
Statement of Financial Position		
Present value of obligations	**1,856,599**	613,227
	1,856,599	613,227

(b) Movement in the liability recognised in the Statement of Financial Position:	**31 Dec 19**	**31 Dec 18**
	Rs	Rs
Net liability at start of period (as previously reported)	**613,227**	-
Net expense recognised in Profit or Loss	**528,012**	711,496
Net actuarial losses/(gains) recognised in OCI	**715,360**	(98,269)
	1,856,599	613,227

28 RETIREMENT BENEFITS OBLIGATION (CONTINUED)

(c) The amounts recognised in Profit or Loss are as follows:	**31 Dec 19**	31 Dec 18
	Rs	Rs
Initial recognition	**-**	595,426
Interest cost	**33,199**	32,761
Current service cost	**379,810**	183,592
Past service cost	**115,003**	(100,283)
Net expense recognised in Profit or Loss	**528,012**	711,496

(d) The amounts recognised in Other Comprehensive Income are as follows:	**31 Dec 19**	31 Dec 18
Actuarial gains/(losses) recognised in OCI	**(715,360)**	98,269
	(715,360)	98,269

(e) Changes in the present value of the obligation:

	31 Dec 19	31 Dec 18
Present value of obligation at start	**613,227**	-
Initial recognition	**-**	595,426
Interest cost	**33,199**	32,761
Current service cost	**379,810**	183,592
Past service cost	**115,003**	(100,283)
Expected obligation at end of period	**1,141,239**	711,496
Present value of obligation at end of period	**1,856,599**	613,227
Re-measurement recognised in OCI at end of period –(Losses)/ Gain	**(715,360)**	98,269

(f) The principal actuarial assumptions used for accounting purposes were:

	31 Dec 19	31 Dec 18
Normal Retirement Age	**65**	65
Discount rate	Mid rates of the Mauritian govt bond market	
Weighted average discount rate	**4.50%**	5.41%
Future salary increases	**5.00%**	5.00%
Annual proportion of employees leaving service	5% up to age 40, decreasing to 0% at 45 and Nil thereafter.	
Actual table for employee morality	PMA92_PFA92	

(g) A quantitative sensitivity analysis for significant assumptions is shown below:

Effect on present value of obligations	**31 Dec 19**	31 Dec 18
	Rs	Rs
1% Increase in discount rate	**1,496,948**	497,245
1% Decrease in discount rate	**2,337,806**	1,014,741
1% Increase in salary increase assumption	**2,194,625**	847,168
1% Decrease in salary increase assumption	**1,602,445**	545,281
Effect of changing longevity – rate up	**1,807,516**	583,305
Effect of changing longevity – rate down	**1,902,717**	657,249

29 LEASE LIABILITY

	31 Dec 2019
	Rs
As at 1 January 2019	5,858,304
Accretion of interest	313,414
Payments	(1,759,101)
Closing balance 31 December 2019	4,422,617

30 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Deposit from customers	Other borrowed funds	Lease liabilities
	Rs	Rs	Rs
Opening balance	1,406,568,146	31,778,328	-
Non-cash flow items:			
Adoption of IFRS 16	-	-	5,868,304
Movement in interest	65,505,445	1,222,383	313,413
Cash flow items:			
Rental payment	-	-	(1,445,687)
Additions	398,697,822	125,000,000	-
Deposit repaid	(318,149,723)	(106,537,686)	-
Interest repaid	(55,590,444)	(1,222,383)	(313,413)
	1,497,031,246	50,240,642	4,422,617