

LA PRUDENCE LEASING FINANCE CO. LTD

**ANNUAL REPORT
31 DECEMBER 2021**

LA PRUDENCE LEASING FINANCE CO. LTD
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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LA PRUDENCE LEASING FINANCE CO. LTD
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE REPORT 2021

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 31st December 2021. The Company’s constitution stipulates that the Board shall consist of not less than 5 and not 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 two female directors. 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.

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2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Members	Date of Appointment	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
LIONNET Gerard Aristide	03/12/2015	INED		Member	Member	Chairperson
LAGESSE Marie Danielle	29/01/2016	INED	Chairperson	Member	Member	
MAUREL Philippe Olivier	30/06/2016	NED	Member			Member
YUE-CHI-MING Clement	22/06/2017	ED	Member		Member	Member
HUET D'ARLON DE FROBERVILLE Jean Bruno	24/01/2018	NED				
GALEA Marie Henri Dominique	30/09/2019	NED				
LEUNG LAM HING Jhonny Vee Fah	07/01/2020	NED				
JOHN CHUAN Yeung Min (also known as Christine John Chuan)	03/08/2020	INED		Chairperson	Chairperson	Member
COMPANY SECRETARY:						
ECS Secretaries Ltd	07/01/2001					

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

Mr Gerard Aristide Lionnet as independent director and Mrs Danielle Lagesse have been granted an extension period of six months by the Bank of Mauritius, starting 02 December 2021 ending 02 June 2022 and starting 28 January 2022 ending 28 July 2022 respectively. As part of the succession planning, the Board Chairman has been mandated to look for their replacements.

On 19th January 2022, we have also applied to the Bank of Mauritius for an extension of the directorships of Mr Oosman Mushtaq and Mr Olivier Maurel whose appointments will expire on 3/3/2022 and 30/6/2022 respectively. Approval was duly received from the Bank of Mauritius for extension of the term of office of Mr Oosman Mushtaq and Mr Olivier Maurel as Independent Director and Non-Executive Director for another 2 years up to 2nd March 2024 and 29th June 2024 respectively.

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

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2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

The Directors' profiles, skills and biographies can be viewed on pages 6 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 four times a year and each committee meet 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. It is noted that the attendance at Board Meetings and each committee meetings by the Directors is commendable.

Attendance at Board and Committee Meetings

Members	Board	Corporate Governance, Nomination and Remuneration Committee	Audit Committee	Risk and Conduct Review Committee	Assets and Liabilities Committee
	(out of 4 meetings)	(out of 4 meetings)	(out of 4 meetings)	(out of 4 meetings)	(out of 4 meetings)
Oosman Mushtaq	4	4			4
Lionnet Gerard Aristide	3		4	4	4
Lagesse Marie Danielle	4	4	4	4	
Maurel Philippe Olivier	4	4			4
Yue-Chi-Ming Clement	4	4		4	4
Huet d'Arlon de Froberville Jean Bruno	4				
Galea Dominique	4				
Leung Lam Hing Jhonny Vee Fah	4				
John Chuan Yeung Min	4		4	4	4

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 is found in the table on page 3 above.

Mrs Brindha Tanee acted as secretary of the four committees as from 16 March 2020.

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.

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Audit Committee (continued)

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 and oversee the Enterprise-Wide Risk Management framework and Risk Register
- Formulating, reviewing and approving policies on monitoring and managing risk exposures.
- Monitor regularly the institutional risk assessment and internal controls system in the areas of Anti-money laundering and combatting the financing of terrorism.

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 and ensure that staff issues are duly communicated and dealt with.

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, including review of HR Policy
- Creating a safer work environment and favouring Work from Home in the Covid 19 context
- 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.

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2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Assets and Liabilities Committee (continued)

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, United Docks Ltd, Les Moulin de la Concorde and PIM.

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 several 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 meetings at strategic levels.

Directorships in other companies: None

Mrs Marie Danielle Lagesse S.A
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.

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3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

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 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 (now known as ABSA), holding various roles in the branch network, Credit Risk, Recovery and Corporate & International Banking Division.

Directorship 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 Louisiana State University.

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

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 its 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, MUA Ltd.

Mr Johnny Leung Lam Hing
Non-Executive Director

Johnny Leung Lam Hing, born in 1963, has been appointed to the Board as Non-Executive 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.

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3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

Ms Yeung Min John Chuan (Also known as Christine)
Independent Director

Christine Yeung Min John Chuan was appointed as an Independent Director to the Board on 3rd August 2020. She worked with State Bank of Mauritius Ltd (SBM) since its inception in 1973 till July 2007. She was a Team Leader with SBM, managing a cluster of branches in Retail Banking and eventually a portfolio of large customers in Corporate Banking.

In August 2007, she joined Barclays Bank Mauritius Ltd (now ABSA Mauritius Ltd) and spent 12 years as Senior Corporate Manager in the Corporate & International Banking Division where she was responsible for managing and sustaining a portfolio of Large Corporate customers, both in private and public sectors. She graduated from the University of Surrey, U.K. and holds a Master in Business Administration.

She is currently the Deputy Chief Executive Officer of Investcorp (Holdings) Ltd and holds directorship on the Board of the company since October 2020.

Senior Management

PROFILE OF SENIOR MANAGEMENT

Mrs Dominique Gourel De St Pern
Chief Operating Officer

Dominique Gourel De St Pern 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.

Mr Bernard Wong Soo
Head of Finance and Risk Management

Bernard Wong Soo holds a Double Major Bachelor of Commerce in Accounting and Finance from Curtin University and is also a member of the Association of Chartered Certified Accountants. Bernard has almost 10 years' experience in the financial services industry and was previously the Business and Finance Manager at Capital Markets Brokers Ltd and held positions at Intercontinental Trust limited. Bernard is also a member of the Mauritius Institute of Professional accountants. He joined La Prudence Leasing Finance Co Ltd as Head of Finance and Risk Management in May 2021.

Mr 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.

Mrs Brindha Tanee
Head of Compliance and MLRO

Brindha Tanee holds a Bachelor of Laws with Honors – (LLB) from the University of Mauritius. She is an experienced compliance professional with over 10 years of experience in the financial services sector.

She has experience in Compliance and Anti-Money Laundering regulations and Practices.

She has joined La Prudence Leasing Finance Co Ltd as Head of Compliance and MLRO and also as Data Protection Officer since 16 March 2020.

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3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

Senior Management (Continued)

PROFILE OF SENIOR MANAGEMENT

Mr 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 (now known as ABSA Bank).

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

Mr Nitish Meeto
Head of Credit

Nitish has more than 10 years of experience in Financial Services. He has gained experience and expertise in credit administration, risk and control. During his career, he developed the skills of a Head of Credit. Nitish is the holder of a BSc with Hons in Finance and a Certificate in Banking & Operations Management.

In January 2020, he joined the Prudence Leasing Finance Co Ltd after previously working for Afrasia Bank and SBM Bank.

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 believes 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, the Financial Services Institute conducted a training for all Directors and Senior Officers in October 2021 on 'High Level training on Anti-Money Laundering and Terrorist Financing.

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 2021:

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

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4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE (CONTINUED)

Directors' Interest in the Shares of the Company as at 31 December 2021 (continued):

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

<i>Directors</i>	<i>Indirect Interest</i>
Mr Philippe Olivier Maurel	4.64%
Mr Jean Bruno Huet d'Arlon de Froberville	6.10%
Mr Dominique Galea	21.65%

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 Rs8,936,828 as Directors fees including the Managing Directors' salary/bonus during the year (2020: Rs 8,618,605). The non-executive directors have not received any remuneration in the form of share options or bonuses associated to organisational performance. The following table highlights the remuneration and benefits received by the directors during the financial year.

<i>Directors remuneration</i>	<i>Amount (Rs)</i>
Oosman Mushtaq	661,000
Lionnet Gerard Aristide	411,000
Lagesse Marie Danielle	421,000
Maurel Philippe Olivier	376,000
Yue-Chi-Ming Clement	6,499,828
Huer D'arlon de Froberville Jean Bruno	44,000
Galea Dominique	44,000
Leung Lam Hing Jhonny Vee Fah	44,000
John Chuan Yeung Min	436,000
Total	8,936,828

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. The evaluation exercise was conducted in 2020 by ECS Secretaries Ltd, the company secretary. The evaluation of the Board Members is conducted every two years and the next one is due in 2022.

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 of the Board, PricewaterhouseCoopers has been appointed in 2019 to implement a Lease Management System with an integrated accounting package and Fixed Deposit Module. The system went live on the 1 September 2021.

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 will be 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 Audited Annual reports are published on the Company's website for public information.

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 30.

The Company has been able to enlarge and diversify its customer base, reaching a total lease portfolio of Rs 1.258m and a deposit base of Rs 1.248m. 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.

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6. REPORTING WITH INTEGRITY (CONTINUED)

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 where the chunk of Leasing financing is done for the Automobile sector. There is now a more aggressive competitive landscape in which all players are trying to gain higher market share. With the Covid-19 outbreak since beginning of 2020, this has affected the global and local economy significantly with no clear outlook for the foreseeable future.

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

Following the advent of Covid-19, a 'Guideline of the payment of dividend' was issued by the Bank of Mauritius in September 2020 whereby a conservative and prudent approach was to be adopted such that the applicable regulatory requirements are still adhered to after any distribution of profits.

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 2021.

During the year under review the Company has made charitable donations under the CSR initiative of Rs7,000. For the year 2020, the Company has not participated in the CRS initiative.

	Amount (Rs) 2021	Amount (Rs) 2020	Amount (Rs) 2019
CSR paid to:			
1 TIPA	7,000	-	19,090
2 ASSOCIATION D'ALPHABETISATION DE FATIMA	-	-	19,090
3 CSR (75% mandatory payment to MRA under APS returns)	-	-	114,543
Total CSR paid	7,000	-	152,723

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.

LA PRUDENCE LEASING FINANCE CO. LTD
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

7. AUDIT (CONTINUED)

Internal Audit (continued)

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

The Board of Directors has appointed PwC in replacement of KPMG on 24 November 2021 to act as internal auditor. On 9th February 2022 the Bank of Mauritius approved PwC as the new Internal Auditor for 3 years as from Year 2022. A letter of Engagement will be signed by both parties and the Internal Audit plan subsequent to the approvals received the scope of their intervention includes, and not limited to:

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

Out of which, the first three were audited during the year under review. The Compliance to Bank of Mauritius Guidelines included the Anti-Money Laundering policies and procedures. 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.

LA PRUDENCE LEASING FINANCE CO. LTD
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

7. AUDIT (CONTINUED)

External Audit (Continued)

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

	2021 (Rs)	2020 (Rs)	2019 (Rs)	2018 (Rs)	2017 (Rs)
Ernst and Young					
Audit services	800,000	716,625	715,000	722,500	650,000
Other services - non-audit related	450,940	415,000	195,000	202,700	615,920
Total	1,250,940	1,131,625	910,000	925,200	1,265,920

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 2021).

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 director's benefit from an indemnity insurance to cover liabilities while performing their duties to the extent permitted by law.

LA PRUDENCE LEASING FINANCE CO. LTD
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

OTHER STATUTORY DISCLOSURES (CONTINUED)

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. 1,938,408 for financial year ended 31 December 2021. (2020: Rs. 1,847,056 and 2019: Rs1,759,101).

6. DIVIDEND PAID

Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Dividend paid per share (Rs)	Nil	Nil	NIL	0.5	0.5	0.6	NIL	0.75	0.50	0.62	Nil

On the 7th of May 2021, the Board has approved the payment of a Dividend of Rs10m for Financial Year end 2019 and Rs5m for Financial year end 2020. In line with section 27 (1) of the Banking Act 2004, we have duly requested approval of same from the Bank of Mauritius.

LA PRUDENCE LEASING FINANCE CO. LTD
DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The directors acknowledge their responsibilities for:

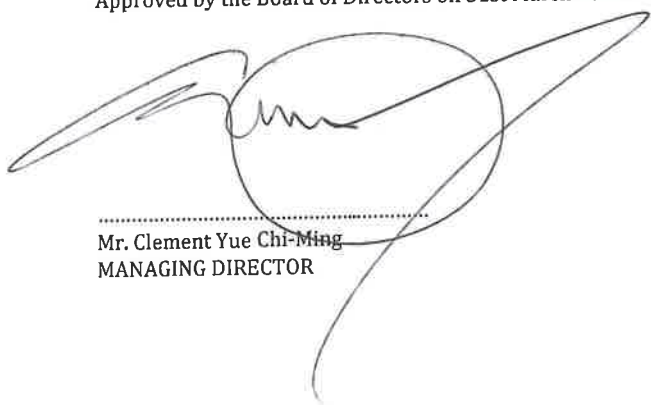
- (i) adequate accounting records and maintenance of effective internal control systems
- (ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which 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 31st March 2022 and signed on its behalf by:



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



.....
Mr. Mushtaq Oosman
CHAIRMAN

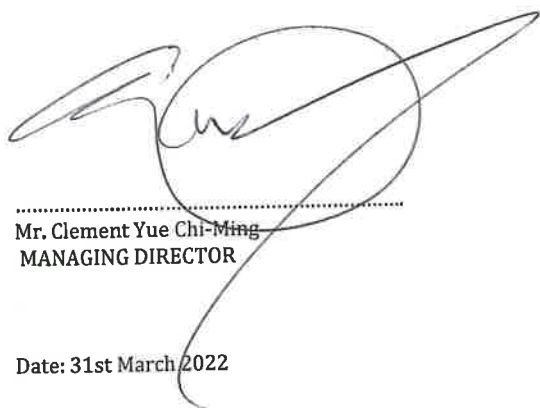
LA PRUDENCE LEASING FINANCE CO. LTD
DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021

Throughout the year ended 31 December 2021 to the best of the Board's knowledge, La Prudence Leasing Finance Co. Ltd has complied with the principles of the Corporate Governance Code for Mauritius (2016).



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

Date: 31st March 2022



.....
Mr. Mushtaq Qosman
CHAIRMAN

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2020 %	Budget 2021 %	Actual 2021 %	Budget 2022 %
AREAS OF PERFORMANCE				
REVENUE GROWTH RATIO				
Revenue growth	(0.58%)	4.57%	(6.33%)	8.56%
EXPENSE GROWTH RATIO				
Interest expense growth	(9.27%)	(2.45%)	(16.07%)	(10.77%)
PRODUCTIVITY RATIO				
Non-interest expense/(Net interest income + other income)	79.56%	77.30%	82.11%	78.10%
OVERALL PERFORMANCE RATIO				
Return on equity	8.94%	6.56%	6.08%	7.44%
Return on average assets	1.39%	0.87%	1.08%	1.21%
Portfolio quality				
- Ratio of adjustment & provision for credit losses to average leases	3.47%	4.20%	3.10%	3.56%

Revenue Growth

Total revenue for the year ended 31 December 2021 decreased by (6.33)% compared to actual 2020 which was (0.58)%. This is mainly explained by the following factors:

- Despite the national lockdown between 10th March to 30th April 2021, Sales of Finance and Operating Leases have increased in volume compared to 2020. However, revenue has seen a decline due to severe competition from players in the Leasing sector with cut throat competition on pricing and terms and conditions.

Expense Growth ratio

Total interest expenses growth have decreased by 16.07% compared to actual 2020. This drop in expense growth ratio can be explained by:

- The decrease in repo rates by 1.5% in 2020 from 3.35% to 1.85 % has made raising of fixed deposits cheaper than previous years. The Repo rate increased from 1.85% to 2% on the 9th March 2022.

Productivity Ratio

The productivity ratio, higher than budget 2021 , is due to:

- Stricter control in total operating expenses like staff costs, office and Marketing expenses.

Overall Performance ratio

Return on equity is 6.08% compared to a budget of 6.56% and against 8.94% last year and return on average assets is 1.08% compared to a budget of 0.87%. There has been a reasonable increase in interest income in 2021 and profitability is at Rs21.7m (2020: Rs13.7M) before income tax. The portfolio quality ratio is 3.1% compared to a budget of 4.2% as the budgeted amount of finance lease to customers was lesser than the actual 2021. Management has made adequate provision to be in line with the statutory requirement of the regulatory bodies.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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 88% (2020: 88% and 2019: 88%) of the total portfolio.

	2021	2020	2019
	Rs'000	Rs'000	Rs'000
Agricultural equipment	42,720	11,496	17,566
Boat equipment	3,431	5,794	6,117
Computer equipment	14,194	20,998	29,406
Other equipment	89,520	126,636	164,609
Vehicles	1,148,712	1,172,593	1,201,004
	1,298,577	1,337,517	1,418,702

1.2.2 REVENUE GROWTH

	2021	2020	2019
	%	%	%
Net Interest Margin (Net Interest income/Total average interest earnings assets)	3.59%	3.30%	3.42%
Net Interest Income/Total Average Assets	3.09%	2.82%	2.88%

	Income	Related assets	Income	Related assets	Income	Related assets
	2021	2021	2020	2020	2019	2019
	Rs	Rs	Rs	Rs	Rs	Rs
Finance lease income	98,465,364	1,257,689,656	105,212,403	1,291,171,297	112,809,936	1,376,629,878
Operating lease Income	51,261,719	146,583,595	52,908,489	168,385,253	45,444,825	195,848,025
Placements and loans to banks	4,170,314	212,084,491	6,111,471	195,895,997	6,639,256	269,729,402
	153,897,397	1,616,357,742	164,232,363	1,655,452,547	164,894,017	1,842,207,305

	Interest	Related	Interest	Related	Interest	Related
	expense	liabilities	expense	liabilities	expense	liabilities
	2021	2021	2020	2020	2019	2019
	Rs	Rs	Rs	Rs	Rs	Rs
Loans	1,544,739	88,555,005	444,789	55,146,943	1,222,383	50,240,642
Lease Liability	119,031	977,004	355,089	2,797,381	313,413	4,422,617
Deposits	49,390,760	1,247,641,732	60,026,748	1,334,330,922	65,505,445	1,497,031,246
	51,054,530	1,337,173,741	60,826,626	1,392,275,246	67,041,241	1,551,694,505

	2021	2020	2019
	Rs	Rs	Rs
Net interest income	51,581,148	50,497,249	52,407,951
Non-interest income:			
Operating lease rentals	51,261,719	52,908,489	45,444,825
Fee income and commissions	6,108,653	5,347,639	5,978,010
Other income	1,366,950	2,266,261	1,457,513
Net foreign exchange gain	5,256	431,789	954,330
	58,742,578	60,954,178	53,834,678
Total income	110,323,726	111,451,427	106,242,629
Non-interest income/Total income	53.25%	54.69%	50.67%

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.3 COST CONTROL

	2021 Rs	2020 Rs	2019 Rs
Non – interest expense			
Personnel expenses	36,019,804	31,785,842	33,584,901
Depreciation of property, plant and equipment	43,680,611	43,389,764	37,836,567
Amortisation of intangible assets	813,979	405,554	516,223
Other expenses	10,780,576	11,547,623	17,257,276
Operating lease expense	-	357,990	571,609
Day 1 loss	-	1,297,989	-
Total non-interest expense	91,294,970	88,784,762	89,766,576
PRODUCTIVITY RATIO			
Non-interest expense/Total income	82.11%	79.66%	84.49%

Non-interest expenses have mostly increased because of the changes in personnel expenses and other expenses, depreciation and Day 1 loss. The increase in depreciation is due to acquisition of assets classified as operating leases during the year.

1.2.4 CREDIT EXPOSURE AND CONCENTRATION BY SECTOR

	2021 Rs'000	2021 %	2020 Rs'000	2020 %	2019 Rs'000	2019 %
Lendings						
Agriculture and Fishing	73,453	5.66%	61,919	4.63%	72,242	5.09%
Manufacturing and Textile	79,104	6.09%	96,778	7.24%	113,264	7.98%
Tourism	52,735	4.06%	60,151	4.50%	83,980	5.92%
Transport	96,813	7.46%	111,778	8.36%	130,062	9.17%
Construction and Civil Engineering	165,782	12.77%	163,732	12.24%	144,591	10.19%
Financial and Business Services	119,010	9.16%	163,624	12.23%	179,978	12.69%
Traders and Commerce	291,126	22.42%	265,792	19.87%	312,730	22.04%
ICT Services	33,077	2.55%	34,278	2.56%	32,518	2.29%
Personal	7,293	0.56%	5,173	0.39%	4,140	0.29%
Professional	47,406	3.65%	53,930	4.03%	67,380	4.75%
Media, Entertainment and Recreational Activ	34,298	2.64%	38,153	2.85%	48,953	3.45%
Freeport Enterprise Certificate Holders	1,112	0.09%	2,325	0.17%	3,393	0.24%
Infrastructure	154,267	11.88%	157,007	11.74%	46,247	3.26%
Services Sector	30,401	2.34%	30,472	2.28%	92,745	6.54%
Education	28,011	2.16%	38,840	2.90%	30,783	2.17%
Modernisation and Expansion	2,887	0.22%	5,556	0.42%	5,900	0.42%
Health Development	45,982	3.54%	46,115	3.45%	47,842	3.37%
Regional Development Certificate Holders	35,821	2.76%	1,894	0.14%	1,957	0.14%
	1,298,577	100%	1,337,517	100%	1,418,705	100%

Sectors with the highest credit concentration of the Company during the year were the Traders and Construction and Civil Engineering which represents 22.67% (2020- 19.87% and 2019- 22.04%) and 12.76% (2020- 12.24% and 2019- 10.19%) respectively of the total investment as shown in the above table.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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 3.28% at 31 December 2021 (2020- 3.46% and 2019- 2.97%).

	Gross investment in finance leases	Instalments Due	Non-performing leases	Individually Impaired	Collectively Impaired	2021 Total Provision	2020 Total Provision	2019 Total Provision
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture and Fishing	72,520	933	2,948	998	621	1,619	1,451	1,226
Manufacturing and Textile	75,314	3,790	4,493	2,380	577	2,957	3,677	3,981
Tourism	51,099	1,635	3,599	614	463	1,077	2,093	1,344
Transport	90,891	5,922	14,342	1,415	1,334	2,750	3,617	2,758
Construction and Civil Engineering	159,563	6,220	11,662	3,175	1,567	4,743	8,270	6,753
Financial and Business Services	110,966	8,044	9,098	7,108	628	7,736	9,185	8,695
Traders and Commerce	272,552	18,574	21,078	10,709	2,746	13,455	6,990	8,153
ICT Services	32,301	776	1,091	250	308	557	575	494
Personal	7,168	125	-	-	114	114	40	33
Professional	44,732	2,674	3,804	1,383	325	1,707	2,107	1,733
Media, Entertainment and Recreational Activities	32,728	1,570	2,650	370	266	636	1,324	840
Freeport Enterprise Certificate Holders	1,080	32	-	-	5	5	16	29
Services Sector	152,813	1,455	2,855	319	1,073	1,392	2,261	1,514
Education	30,288	113	-	-	174	174	352	253
Infrastructure	27,235	776	1,408	292	349	641	1,777	2,534
Modernisation and Expansion	2,817	68	261	-	20	20	1,213	1,143
Health Development	45,227	755	764	516	404	920	1,383	559
Regional Development Certificate Holders	35,530	291	854	104	281	385	14	29
	1,244,824	53,753	80,907	29,633	11,254	40,887	46,345	42,071

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.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Net investment in finance lease	Non-Performing Leases	Provision for impairment	B/A	C/B	C/A
	Rs A	Rs B	Rs C	%	%	%
31/12/2021	Rs'000	Rs'000	Rs'000			
Lendings	73,453	3,124	1,684	4.34%	53.92%	2.34%
Agriculture and Fishing	79,104	4,502	2,950	5.92%	65.52%	3.88%
Manufacturing and Textile	52,735	3,756	1,143	7.26%	30.42%	2.21%
Tourism	96,813	14,189	2,685	15.10%	18.92%	2.86%
Transport	165,782	11,552	4,741	7.18%	41.04%	2.94%
Construction and Civil Engineering	119,010	2,546	1,168	2.29%	45.88%	1.05%
Financial and Business Services	291,126	24,160	14,040	8.62%	58.11%	5.01%
Traders and Commerce	33,077	1,222	606	3.75%	49.56%	1.86%
ICT Services	7,293	21	114	0.29%	550.24%	1.59%
Personal	47,406	3,231	1,133	7.06%	35.06%	2.48%
Professional	34,298	2,403	522	7.16%	21.71%	1.56%
Media, Entertainment and Recreational	1,112	-	5	0.00%	#DIV/0!	0.42%
Freeport Enterprise Certificate Holders	154,267	9,419	7,955	6.16%	84.46%	5.20%
Services Sector	30,401	-	174	0.00%	#DIV/0!	0.58%
Education	28,011	1,808	641	6.51%	35.47%	2.31%
Infrastructure	2,887	261	20	9.10%	7.69%	0.70%
Modernisation and Expansion	45,982	832	920	1.84%	110.57%	2.04%
Health Development Certificate Holders	35,820	854	388	2.65%	45.38%	1.20%
Regional Development Certificate Holders						
	1,298,577	83,880	40,887	6.67%	48.74%	3.25%

During the year 2021, there were restructured leases amounting to Rs 9,676,612. The clients were irregular with payment and the vehicles were repossessed. However, after negotiation with clients, the Company decided to reschedule the lease based on clients' capacity to pay.

	Net investment in finance lease	Non-Performing Leases	Provision for impairment	B/A	C/B	C/A
	Rs A	Rs B	Rs C	%	%	%
31/12/2020	Rs'000	Rs'000	Rs'000			
Lendings	61,919	1,579	1,451	2.55%	91.89%	2.34%
Agriculture and Fishing	96,778	9,520	3,677	9.84%	38.62%	3.80%
Manufacturing and Textile	60,151	6,409	2,093	10.65%	32.66%	3.48%
Tourism	111,778	21,217	3,617	18.98%	17.05%	3.24%
Transport	163,732	15,636	8,270	9.55%	52.89%	5.05%
Construction and Civil Engineering	163,624	9,571	9,185	5.85%	95.97%	5.61%
Financial and Business Services	265,792	10,327	6,990	3.89%	67.69%	2.63%
Traders and Commerce	34,278	1,272	575	3.71%	45.20%	1.68%
ICT Services	5,173	-	40	0.00%	0.00%	0.77%
Personal	53,930	8,437	2,107	15.64%	24.97%	3.91%
Professional	38,153	4,233	1,324	11.09%	31.28%	3.47%
Media, Entertainment and Recreational	2,325	359	16	15.44%	0.00%	0.69%
Freeport Enterprise Certificate Holders	157,007	1,906	2,261	1.21%	118.63%	1.44%
Services Sector	30,472	-	352	0.00%	0.00%	1.16%
Education	38,840	2,122	1,777	5.46%	83.74%	4.58%
Infrastructure	5,556	1,749	1,213	31.48%	69.35%	21.83%
Modernisation and Expansion	46,115	1,812	1,383	3.93%	76.32%	3.00%
Health Development Certificate Holders	1,894	-	14	0.00%	0.00%	0.74%
Regional Development Certificate Holders						
	1,337,517	96,149	46,345	7.19%	48.20%	3.46%

During the year 2020, there were restructured leases amounting to Rs 73,313,056. The clients were irregular with payment and the vehicles were repossessed. However, after negotiation with clients, the Company decided to reschedule the lease based on clients' capacity to pay.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Net investment in finance lease	Non-Performing Leases	Provision for impairment	B/A	C/B	C/A
	Rs	Rs	Rs	%	%	%
31/12/2019	A	B	C			
Lendings	Rs'000	Rs'000	Rs'000			
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	144,591	7,732	6,753	5.35%	87.34%	4.67%
Financial and Business	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	48,953	364	840	0.74%	230.97%	1.72%
Freeport Enterprise	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	5,900	1,102	1,143	18.67%	0.00%	19.37%
Health Development	47,842	-	559	0.00%	0.00%	1.17%
Regional Development	1,957	-	29	0.00%	0.00%	1.47%
Certificate Holders						
	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.

	Opening balance	ECL Allowance	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31 December 2021					
<u>Portfolio provision for impairment losses</u>					
Agriculture and Fishing	1,203	399	-	(981)	621
Manufacturing and textile	1,293	257	-	(973)	577
Tourism	1,008	265	-	(810)	463
Transport	1,905	822	-	(1,392)	1,335
Traders & Commerce	4,366	2,321	-	(3,941)	2,746
Personal	40	113	-	(39)	114
Construction and civil engineering	3,235	950	-	(2,617)	1,568
Professional	647	151	-	(474)	324
Financial and Business Services	2,176	240	-	(1,788)	628
Infrastructure	837	490	-	(978)	349
Modernisation and Expansion	80	10	-	(70)	20
Media Entertainment and recreational activities	675	121	-	(530)	266
ICT Services	298	228	-	(219)	307
Health Development Certificate Holder	1,192	370	-	(1,158)	404
Services Sector	1,759	539	-	(1,225)	1,073
Freeport Enterprise Certificate Holder	16	-	-	(11)	5
Education	352	51	-	(229)	174
Regional Development Certificate Holders	14	720	-	(453)	281
	21,096	8,047	-	(17,888)	11,255

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.5 CREDIT QUALITY (CONTINUED)

	Opening balance Rs'000	ECL Allowance Rs'000	Leases write off Rs'000	Releases Rs'000	Closing balance Rs'000
31 December 2021					
<u>Specific provision for impairment losses</u>					
Agriculture and Fishing	248	1,189	-	(439)	998
Manufacturing and textile	2,384	382	(241)	(145)	2,380
Tourism	1,085	21	-	(492)	614
Transport	1,712	785	-	(1,082)	1,415
Traders & Commerce	2,624	9,984	(1,185)	(714)	10,709
Personal	-	-	-	-	-
Construction and civil engineering	5,035	672	(356)	(2,176)	3,175
Professional	1,460	433	-	(510)	1,383
Financial and Business Services	7,009	370	-	(271)	7,108
Infrastructure	940	279	(555)	(372)	292
Modernisation and Expansion	1,133	-	(1,102)	(31)	-
Media Entertainment and recreational activities	650	136	-	(416)	370
ICT Services	277	430	-	(457)	250
Health Development Certificate Holder	191	516	-	(191)	516
Services Sector	501	175	-	(357)	319
Freeport Enterprise Certificate Holder	-	-	-	-	-
Education	-	-	-	-	-
Regional Development Certificate Holders	-	204	-	(100)	104
	25,249	15,576	(3,439)	(7,753)	29,633
Total provisioning for impairment losses	46,345	23,623	(3,439)	(25,641)	40,888
	Opening balance Rs'000	ECL Allowance Rs'000	Leases write off Rs'000	Releases Rs'000	Closing balance Rs'000
31 December 2020					
<u>Portfolio provision for impairment losses</u>					
Agriculture and fishing	1,216	-	-	(13)	1,203
Manufacturing/textile	1,569	-	-	(276)	1,293
Tourism	995	13	-	-	1,008
Transport	2,185	-	-	(280)	1,905
Construction and civil engineering	2,343	892	-	-	3,235
Financial and business services	2,048	128	-	-	2,176
Traders/commerce	4,558	-	-	(192)	4,366
ICT Services	377	-	-	(79)	298
Personal	33	7	-	-	40
Professional	895	-	-	(248)	647
Media entertainment and recreational activities	796	-	-	(121)	675
Freeport enterprise certificate holders	29	-	-	(13)	16
Services Sector	1,102	657	-	-	1,759
Education	253	99	-	-	352
Infrastructure	777	60	-	-	837
Modernisation and Expansion	41	39	-	-	80
Health Development Certificate Holders	559	633	-	-	1,192
Regional Development Certificate Holders	29	-	-	(15)	14
	19,805	2,528	-	(1,237)	21,096

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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 December 2020					
<u>Specific provision for impairment losses</u>					
Agriculture and fishing	10	238	-	-	248
Manufacturing/textile	2,412	-	-	(28)	2,384
Tourism	349	736	-	-	1,085
Transport	573	1,140	-	-	1,712
Traders/Commerce	3,595	60	(1,031)	-	2,624
Personal	-	-	-	-	-
Construction and civil engineering	4,411	1,976	(1,352)	-	5,035
Professional	838	622	-	-	1,460
Financial and business services	6,647	406	(44)	-	7,009
Infrastructure	1,757	-	(618)	(199)	940
Modernisation and Expansion	1,102	31	-	-	1,133
Media, Entertainment and Recreational Activities	44	606	-	-	650
ICT Services	117	161	-	-	277
Health Development Certificate Holders	-	191	-	-	191
Services Sector	412	89	-	-	501
	22,267	6,256	(3,045)	(227)	25,249
Total provisioning for impairment losses	42,072	8,785	(3,045)	(1,465)	46,345
	Opening balance	Provision for the year	Leases write off	Releases	Closing balance
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31 December 2019					
<u>Portfolio provision for impairment losses</u>					
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
Freeport enterprise certificate holders	844	-	-	(48)	796
Media entertainment and recreational activities	60	-	-	(31)	29
Other	447	654	-	-	1,102
Services Sector	393	-	-	(139)	253
Education	788	-	-	(12)	777
Infrastructure	49	-	-	(8)	41
Modernisation and Expansion	616	-	-	(57)	559
Health Development Certificate Holders	-	29	-	-	29
	22,407	1,185	-	(3,789)	19,803

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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
31/12/2019					
<u>Specific provision for impairment losses</u>					
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

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 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.

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.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

2 CAPITAL STRUCTURE (CONTINUED)

- 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 2021, the Company's capital adequacy ratio was 25.23% (2020 – 23.22%; 2019 – 17.91%)

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

CAPITAL BASE	2021	2020	2019
	Rs'000	Rs'000	Rs'000
A. Tier 1 Core Capital			
- Paid up capital	200,000	200,000	200,000
- Statutory reserve	29,233	26,522	22,791
- Retained earnings	67,971	51,749	30,935
	297,204	278,271	253,726
Less			
- Deferred income taxes	(1,874)	(5,752)	-
- Intangible assets	(19,018)	(478)	(802)
Tier 1 capital	276,312	272,041	252,924
B. Tier 2 Supplementary Capital			
General provisions/ Portfolio provisions/ general loan loss reserves	14,339	15,477	18,980
Tier 2 capital	14,339	15,477	18,980
C. Total Capital			
Tier 1 : Core Capital	276,312	272,041	252,924
Tier 2 : Supplementary capital	14,339	15,477	18,980
This Total gross capital	290,651	287,518	271,904
Total net capital	290,651	287,518	271,904
Weighted amount of on-balance sheet assets	1,147,127	1,238,192	1,518,369
Capital Adequacy Ratio	25.34%	23.22%	17.91%

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:

	2021	2020	2019
	Rs'000	Rs'000	Rs'000
Total shareholder's equity	297,205	278,271	253,726
Total deposits	1,247,642	1,334,331	1,497,031
Deposits/Shareholder's equity (times)	4.2	4.8	5.9

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

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

3 RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

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.

3.7 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.

LA PRUDENCE LEASING FINANCE CO. LTD
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, the Company's total exposure with related parties was **Rs 55,434,263** (2020 - Rs 81,564,890; 2019 - Rs 91,151,157). This represented 22.52% (2020 - 26.13%; 2019 - 39.86%) of the Company's Tier 1 Capital, whilst the limit by the Bank of Mauritius Guidelines is 60%.

These related parties have common directors or shareholders in other entities that have contracted with the Company in relation to finance and operating leases.

The table below shows the Company's exposure to its top ten related parties at 31 December 2021:

	Outstanding balance Rs	As a % of Tier 1 capital
REY AND LENFERNA LTD	14,348,857	5.19%
BAIE DU CAP ESTATES LIMITED	10,582,538	3.83%
CEAL LTD	6,474,130	2.34%
COASTAL HIRE LTD	3,286,507	1.19%
MERESTONE LTD	3,260,564	1.18%
INTERNATIONAL PRESS AND BOOK DISTRIBUTOR	2,148,392	0.78%
POIVRE CORPORATE SERVICES LTD	1,945,653	0.70%
LE PORT FOOD CORNER LTD	1,869,494	0.68%
MULTIBOX LTD	1,553,350	0.56%
E C S SECRETARIES LTD	<u>1,287,315</u>	<u>0.47%</u>
	<u>46,756,799</u>	<u>16.92%</u>

During the year, no exposure to related parties was individually impaired (2020 and 2019 - Nil). Details of Related Party transactions are provided in Note 20 of these financial statements.

5 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Refer to pages 2-15 in the report of corporate governance.

LA PRUDENCE LEASING FINANCE CO. LTD**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING FOR THE YEAR ENDED 31 DECEMBER 2021****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.

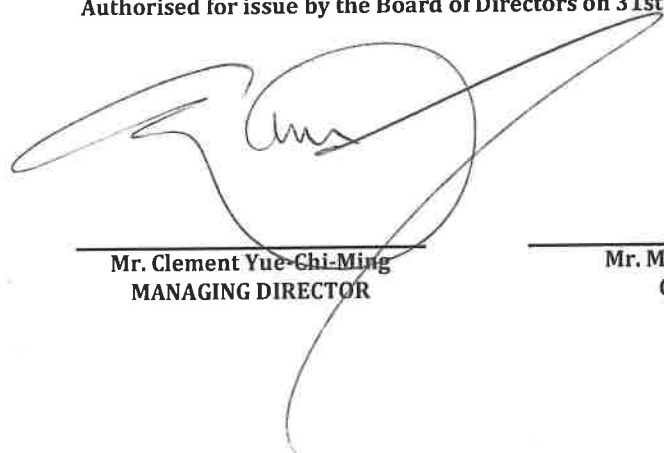
The Company's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk Policy Committee, which comprise independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment 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 31st March 2022 and signed on its behalf by:



Mr. Clement Yue-Chi-Ming
MANAGING DIRECTOR



Mr. Mushtaq Oosman
CHAIRMAN



Mr. Philippe Olivier Maurel
NON EXECUTIVE DIRECTOR

ECS SECRETARIES LTD
5th Floor, Anglo Mauritius House
Intendance Street
Port Louis

SECRETARY'S REPORT
LA PRUDENCE LEASING FINANCE CO. LTD
Under Section 166(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 2021.



ECS Secretaries Ltd
SECRETARY

Date: 31st March 2022

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 98 which comprise the statement of financial position as at 31 December 2021, 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 2021, 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 (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Company and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of finance leases to customers</p> <p>At 31 December 2021, as per Note 4 to the financial statements, the Company reported total gross finance lease to customers of Rs 1.3bn (2020 Rs 1.3bn) and Rs 40.9m (2020: Rs 46.3m) of expected credit loss provisions.</p> <p>Key judgements and estimates in respect of the timing and measurement of expected credit losses ("ECL") include:</p> <ul style="list-style-type: none"> ▶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; ▶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 <p>Given the complexity of the Expect Credit Loss model and the size of finance lease to customers (76 per cent of the total assets), we identified allowance for expected credit losses on financial leases to customer as a key audit matter.</p>	<p>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, valuation of collaterals, individual provisions and production of journal entries and disclosures.</p> <p>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.</p> <p>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.</p> <p>We tested the data used in the ECL calculation by reconciling to source information.</p> <p>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.</p> <p>We recalculated a sample of individually assessed provisions including comparing to alternative scenarios.</p> <p>We assessed the independence and competence of the valuer used by the management to value the underlying collaterals on a sample basis.</p> <p>We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.</p>

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document title "La Prudence Leasing Finance Co. Ltd Annual Report 31 December 2021", which includes the Corporate Governance Report, Directors' Statements of Responsibilities, 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the 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, 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

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance ("the Code") 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 Company has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

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.

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.



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36.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LA PRUDENCE LEASING FINANCE CO. LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

ERNST & YOUNG
Ebène, Mauritius

03/31/2022

Date:

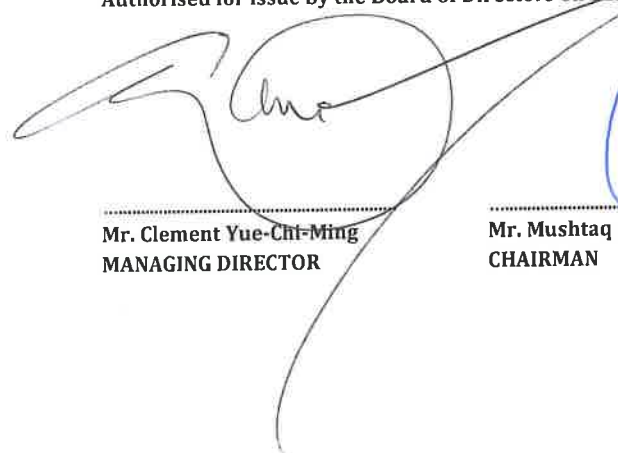
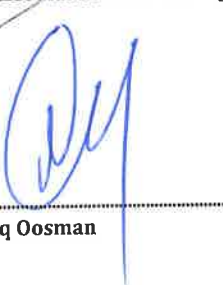

Patrick Ng Tseung

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

LA PRUDENCE LEASING FINANCE CO. LTD
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020	2019
		Rs	Rs	Rs
ASSETS				
Cash and cash equivalents	19	63,148,504	22,105,318	53,642,343
Assets held for sale	24	1,036,777	1,665,000	352,535
Inventories	30	2,924,918	3,956,511	-
Finance leases to customers	4	1,257,689,656	1,291,171,297	1,376,629,878
Fixed Deposits and other financial assets	19	148,935,987	173,790,679	216,087,059
Other assets	8	6,352,412	5,010,289	25,536,930
Current income tax assets	11	187,288	830,433	692,265
Property, equipment and right of use asse	6	149,985,334	187,960,134	211,560,451
Deferred income tax assets	7	1,873,950	5,752,438	-
Intangible assets	5	19,017,767	477,732	801,844
Total assets		1,651,152,593	1,692,719,831	1,885,303,305
LIABILITIES				
Deposits from customers	9	1,247,641,732	1,334,330,922	1,497,031,246
Other liabilities	12	14,870,395	19,488,939	72,694,481
Lease liabilities	27	977,004	2,797,381	4,422,617
Other borrowed funds (LEMS)	10(a)	88,555,005	55,146,943	240,642
Other borrowed funds (Banks)	10(b)	-	-	50,000,000
Retirement Benefits Obligation	26	1,903,434	2,684,921	1,856,599
Deferred income tax liabilities	7	-	-	5,331,746
Total liabilities		1,353,947,570	1,414,449,106	1,631,577,331
Shareholders' equity				
Share capital	13	200,000,000	200,000,000	200,000,000
Statutory reserve		29,233,484	26,521,952	22,791,387
Retained earnings		67,971,539	51,748,773	30,934,587
Total equity		297,205,023	278,270,725	253,725,974
Total equity and liabilities		1,651,152,593	1,692,719,831	1,885,303,305

Authorised for issue by the Board of Directors on 31st March 2022 and signed on its behalf by:

 Mr. Clement Yue-Chi-Ming MANAGING DIRECTOR	 Mr. Mushtaq Oosman CHAIRMAN	 Mr. Philippe Olivier Maurgl NON EXECUTIVE DIRECTOR
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The notes set out on pages 42 to 98 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 2021

		2021	2020	2019
		Rs	Rs	Rs
Revenue from contracts with customers	Notes 29	10,235,850	2,962,914	11,922,993
Cost of sales	30	<u>(9,372,487)</u>	<u>(2,805,798)</u>	<u>(12,040,412)</u>
Gross profit/(loss)		863,363	157,116	(117,419)
Interest income				
Interest income using EIR	14	4,170,314	6,111,471	6,639,256
Interest income on leases	14	98,465,364	105,212,403	112,809,936
Interest expense	14	<u>(51,054,530)</u>	<u>(60,826,626)</u>	<u>(67,041,241)</u>
Net interest income	14	<u>51,581,148</u>	<u>50,497,248</u>	<u>52,407,951</u>
Non-interest income				
Operating lease rentals		51,261,719	52,908,489	45,444,825
Fee and commission income		6,108,653	5,347,639	5,978,010
Other Income	15	1,366,950	2,266,261	1,457,513
Net foreign exchange gain		<u>5,256</u>	<u>431,789</u>	<u>954,330</u>
Net non-interest income		<u>58,742,578</u>	<u>60,954,178</u>	<u>53,834,678</u>
Operating income		<u>111,187,089</u>	<u>111,608,542</u>	<u>106,125,210</u>
Loss incurred on repossessed finance lease		-	(240,484)	(2,155)
Net impairment gain/(loss) on financial assets	4 (c)	1,906,929	(7,872,385)	9,540,496
Loss on assets held for sale	25	(19,293)	(800,813)	(310,714)
Personnel expenses	16	(36,019,804)	(31,785,842)	(33,584,901)
Operating lease expenses		-	(357,990)	(572,786)
Depreciation of property, plant and equipment	6	(43,680,611)	(43,389,764)	(37,836,567)
Amortisation of intangible assets	5	(813,979)	(405,554)	(516,222)
Other expenses	17	(10,780,576)	(11,704,756)	(17,139,857)
Net modification loss		-	(1,297,989)	-
		<u>(89,407,334)</u>	<u>(97,855,577)</u>	<u>(80,422,706)</u>
Profit before tax		21,779,755	13,752,965	25,702,504
Income tax (expense)/credit	11	<u>(3,702,873)</u>	<u>11,117,465</u>	<u>(1,210,023)</u>
Profit for the year		<u>18,076,882</u>	<u>24,870,430</u>	<u>24,492,481</u>
Other Comprehensive Income				
Other comprehensive income that will not be reclassified to Profit or Loss in subsequent period				
Actuarial gain / (loss) on retirement benefit obligation		1,033,031	(392,385)	(715,360)
Income tax effect on actuarial (loss)/gain		<u>(175,615)</u>	<u>66,706</u>	<u>78,797</u>
Other comprehensive income for the year		<u>857,416</u>	<u>(325,679)</u>	<u>(636,563)</u>
Profit and total comprehensive income for the year, net of tax		<u>18,934,298</u>	<u>24,544,751</u>	<u>23,855,918</u>
Earnings per share				
Basic and diluted earnings per share	18	<u>0.95</u>	<u>1.23</u>	<u>1.19</u>

The notes set out on pages 42 to 98 are an integral part of these financial statements

LA PRUDENCE LEASING FINANCE CO. LTD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2021

	Share capital	Statutory reserve	Retained earnings	Total Equity
	Rs	Rs	Rs	Rs
Balance at 1 January 2019	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				
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
Comprehensive income				
Profit for the year, net of tax	-	-	24,870,430	24,870,430
Other comprehensive income, net of tax	-	-	(325,679)	(325,679)
Total comprehensive income for the year, net of tax	-	-	24,544,751	24,544,751
Transactions with owner				
Transfer to statutory reserve	-	3,730,565	(3,730,565)	-
Balance at 31 December 2020	200,000,000	26,521,952	51,748,773	278,270,725
Comprehensive income				
Profit for the year, net of tax	-	-	18,076,882	18,076,882
Other comprehensive income, net of tax	-	-	857,416	857,416
Total comprehensive income for the year, net of tax	-	-	18,934,298	18,934,298
Transactions with owner				
Transfer to statutory reserve	-	2,711,532	(2,711,532)	-
Balance at 31 December 2021	200,000,000	29,233,484	67,971,539	297,205,023

The notes set out on pages 42 to 98 are an integral part of these financial statements

LA PRUDENCE LEASING FINANCE CO. LTD
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		<u>2021</u>	<u>2020</u>	<u>2019</u>
		Rs	Restated Rs	Restated Rs
Cash flows from operating activities	Notes			
Profit before income tax		21,779,755	13,752,965	25,702,504
Adjustments for items not involving movement of cash:				
Loss incurred on repossessed finance lease		-	240,484	2,155
Net impairment (gain)/loss on Financial assets	31	(1,906,929)	7,872,385	(9,540,496)
Depreciation of property, plant and equipment	6	43,680,610	43,389,764	37,836,567
Amortisation of intangible assets	5	813,979	409,211	516,222
Loss on disposal of held for sales		85,000	740,643	-
Interest income - other financial assets	14	(4,127,967)	(6,023,613)	(6,077,392)
Unrealised foreign exchange (gain)/loss		(5,256)	(31,940)	423,924
Movement in Retirement Benefit Obligation	26(b)	251,544	742,440	528,012
Loss on assets classified as Held for Sale	24	19,169	800,813	310,714
Interest expense	14	50,935,499	60,471,536	66,727,828
Day 1 loss on modification of finance leases		-	1,297,989	-
Interest expense Lease liability	14	119,031	355,089	313,413
Interest income on finance leases	14	(98,465,365)	(105,212,403)	(112,809,936)
		<u>13,179,070</u>	<u>18,805,365</u>	<u>3,933,515</u>
Changes in operating assets and liabilities				
Purchase of assets acquired for leasing purposes		(474,620,191)	(433,349,532)	(585,599,527)
Repayments of finance leases		510,902,484	511,343,463	548,320,679
Interest income on finance leases	14	97,920,707	100,720,863	112,808,916
Acquisition of Operating lease	6	(27,185,548)	(19,613,568)	(79,131,603)
Deposit received		203,680,000	321,006,947	398,697,822
Deposit paid		(273,645,959)	(490,142,671)	(318,149,723)
Other borrowed funds (LEMS) received	10(a)	54,076,175	59,385,746	-
Other borrowed funds (LEMS) paid	10(a)	(22,212,852)	(4,551,596)	(6,537,686)
Interest paid		(66,113,991)	(53,591,349)	(55,635,932)
Movement in inventories	30	9,372,487	2,805,798	12,040,412
Other assets		(1,339,483)	20,526,641	(5,766,182)
Other liabilities		(4,317,566)	(53,798,082)	(8,569,515)
		<u>19,695,333</u>	<u>(20,451,975)</u>	<u>16,411,176</u>
Net cash generated from/(used in) operations				
Income tax refund/(paid)	11	643,145	-	(990,529)
Retirement Benefit Obligation paid	26(e)	-	(306,503)	-
		<u>20,338,478</u>	<u>(20,758,478)</u>	<u>15,420,647</u>
Net cash generated from operating activities				
Cash flows from investing activities				
Acquisition of intangible assets	5	(2,096,392)	(85,100)	(154,380)
Acquisition of property, plant and equipment	6	(4,118,778)	(7,233,426)	(8,009,073)
Interest received - other financial assets		4,068,780	18,319,993	3,389,142
Investment in Fixed Deposits	19	(75,000,000)	(220,000,000)	(105,000,000)
Investment in Bonds	19	(25,000,000)	-	(41,582,970)
Maturity of Fixed Deposit	19	25,000,000	250,000,000	30,000,000
Maturity of Bonds	19	99,510,250	-	43,766,470
Proceeds from disposal of Held for Sale assets		275,000	245,770	1,130,435
Disposal proceeds from property, plant and equipment		-	295,238	-
		<u>22,638,860</u>	<u>41,542,475</u>	<u>(76,460,376)</u>
Net cash generated from/(used in) investing activities				
Cash flows from financing activities				
Other borrowed funds (Banks) received	10(b)	-	-	125,000,000
Other borrowed funds (Banks) paid	10(b)	-	(50,000,000)	(100,000,000)
Interest paid	27	(119,031)	(727,726)	(1,490,308)
Principal payment of lease liability	27	(1,820,377)	(1,625,236)	(1,445,687)
		<u>(1,939,408)</u>	<u>(52,352,962)</u>	<u>22,064,005</u>
Net cash (used in)/generated from financing activities				
Net change in cash and cash equivalents		<u>41,037,930</u>	<u>(31,568,965)</u>	<u>(38,975,724)</u>
Cash and cash equivalents at beginning of year		22,105,318	53,642,343	93,041,991
Effect of exchange rate changes on cash and cash		5,256	31,940	(423,924)
Cash and cash equivalents at end of year	20 a	<u>63,148,504</u>	<u>22,105,318</u>	<u>53,642,343</u>

The notes set out on pages 42 to 98 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 2021

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LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 and a threshold of 90% of the repayment of the fair value of the lease to classify between finance and operating leases.

Estimates and assumptions

(b) Allowance for ECL on leases under IFRS 9

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:

- 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

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Basis of preparation (continued)

(b) Allowance for ECL on leases under IFRS 9 (continued)

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.

B Changes in accounting policy and disclosures

(a) New and amended standards and interpretations

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to affect the current or future periods.

(b) New standards and interpretations not yet adopted

Other amendments and new standards which have been issued but are not yet effective, which the Company does not expect to have an impact on the financial statements, are listed below:

	Effective for accounting period beginning on or after
- Covid-19-Related rent concessions – Amendments to IFRS 16	01-Apr-21
- Interest rate Benchmark Reform - Phase 2 - Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS16	01-Jan-21
- Reference to the conceptual Framework - Amendments to IFRS 3	01-Jan-22
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	01-Jan-22
- Onerous contracts - costs of Fulfilling a contract - Amendments to IAS 37	01-Jan-22
- AIP IFRS 1 First-Time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	01-Jan-22
- AIP IFRS 9 Financial Instruments - Fees in the "10 per cent" test for derecognition for financial liabilities	01-Jan-22
- Insurance contracts - IFRS 17	01-Jan-23
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1	01-Jan-23
- Definition of Accounting Estimates - Amendments to IAS 8	01-Jan-23

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01-Jan-23
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	01-Jan-23
- Amendments to address concerns and implementation challenges - IFRS 17	01-Jan-23
- Amendments updating a reference to the Conceptual Framework - IFRS 3 Business	01-Jan-22
- Accounting policies, changes in accounting estimates and errors – Amendments to IAS 8	01-Jan-23
- Annual Improvements to IFRS Standards 2018–2020	01-Jan-22
- Provisions, Contingent Liabilities and Contingent Assets - IAS 37	01-Jan-22
- Insurance Contracts - Amendments IFRS 4	01-Jan-23
- Presentation of financial statements - Amendments IAS 1	01-Jan-23
- Income taxes - Amendments IAS 12	01-Jan-23

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Financial assets

(i) Classification and Measurement

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 (excluding operating lease) 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.

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

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Financial assets (continued)

(i) Classification and Measurement (continued)

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.

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. 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 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Financial assets (continued)

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

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.

(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

In cases where the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The Company's lease term is 3.5 years.

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 present value of the lease was calculated using the incremental borrowing rate. 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.

(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 is diminished.

At end of the lease term or on repossession, the asset is transferred to inventories at their carrying amount. The proceeds from the sales of such asset is recognized as revenue from contracts with customers.

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (continued)

(ii) The Company is the lessor (continued)

Finance lease (continued)

Subsequent measurement

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

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

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

I Impairment of financial assets carried at amortised cost

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:

$$\text{Expected Credit Losses} = \text{Probability of default (PD)} \times \text{Exposure at default (EAD)} \times \text{Loss given default (LGD)}$$

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Finance lease to customers (continued)

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%.

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.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Finance lease to customers (continued)

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.

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. The new accounting software capitalised during the year will be amortised over 8 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

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Property, plant and equipment (continued)

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 of property, plant and equipment (excluding operating leases) 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.

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, retirement benefit obligations 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Current and deferred income tax (continued)

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.

The present value of the severance allowance payable under the Workers Rights Act 2019 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.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

(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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Interest and rental income

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.

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y Revenue from contracts with customers

The Company is engaged in finance and operating lease activities. The operating leases are sold at end of the lease term or when repossessed. Revenue from contracts with customers is recognized when control of the assets held for rental under operating leases are transferred to the customer at the transaction price (excluding tax) that reflects the consideration to which the Company expects to be entitled in exchange for those assets. The Company has generally concluded that it is principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of assets held for rental under operating leases

Revenue from sales of assets held for rental under operating lease is recognized at a point in time when control of the assets is transferred to the customer. The control of the promised goods is transferred to the customer is on signature of the sales deed.

Z Forborne and modified leases (finance lease)

The Company sometimes makes concessions or modifications to the original terms of the finance leases advance to customers as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a finance lease forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new finance lease conditions. It is the Company's policy to monitor forborne leases to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the lease is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the lease, any impairment is measured using the original EIR as calculated before the modification of terms. The Company also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a finance lease, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the lease to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due.

In cases where the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

AA Inventories

The Company's inventories comprise of operating leases which are ceased to be rented to other. On the date, the lease ceased to be rented to other, it is transferred to inventories at its carrying amount. At year end, the inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs necessary to make the sales. The proceeds from the sales of such asset is recognized as revenue from contracts with customers.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AB Write-offs

Financial assets (including financial leases) are written off either partially or in their entirety only when the Company has no reasonable expectation of recovering a financial assets in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

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

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.

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.

As disclosed in Note 4, during the year, 663 new leases were disbursed which amounted to Rs 475m. At year end, 92% percent of those new leases stay in stage 1 where 12 months expected credit loss is recognised. While for the remaining six percent, a lifetime expected credit loss was used.

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.

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 2021, 2020 and 2019 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

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

	Maximum exposure		
	2021	2020	2019
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	63,144	22,097	53,642
Other financial assets	148,936	173,791	216,087
Finance leases:			
Individuals	705,858	701,042	700,554
Corporate entities	551,831	590,129	676,076
Other assets	4,565	1,678	1,496
	<u>1,474,334</u>	<u>1,488,737</u>	<u>1,647,855</u>

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 2021: **Rs 1,787,055** (2020: Rs 3,332,679 2019: Rs 24,040,730).

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 follow:

	2021			2020	2019
	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000	Total Rs'000
Internal rating grade:					
Performing					
No past due but impaired	994,739	-	-	994,739	1,012,119
Past due and impaired	145,855	77,076	-	222,931	229,246
Non-performing					
Credit impaired	-	-	80,907	80,907	96,150
Gross	1,140,594	77,076	80,907	1,298,577	1,337,515
Less: provision for impairment	(6,204)	(5,050)	(29,633)	(40,887)	(46,344)
Net	1,134,390	72,026	51,274	1,257,690	1,291,171

The total impairment provision for lease exposures is **Rs 40,887,154** (2020 - Rs. 46,344,305; 2019 - Rs 42,071,703) of which **Rs 29,633,396** (2020 - Rs. 25,250,756; 2019 Rs. 22,268,834) relates to the individually impaired leases and the remaining amount of **Rs 11,408,412** (2020- Rs. 21,093,549; 2019 - Rs. 19,802,924) represents the portfolio provision. Refer to Note 4 for the movement in the gross carrying amount and the expect credit loss allowance.

3.1.6 Finance leases individually impaired

	2021	2020	2019
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals			
- Gross amount	35,145	35,469	18,613
- Specific provision (Stage 3)	14,107	4,954	2,890
- Corporates			
- Gross amount	45,762	60,681	32,401
- Specific provision (Stage 3)	15,526	20,297	19,379
- Total			
- Gross amount	80,907	96,150	51,014
- Specific provision (Stage 3)	29,633	25,251	22,269

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANAGERMENTS (CONTINUED)

3.1 Credit risk (Continued)

3.1.7 Finance leases renegotiated

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs'000	Rs'000	Rs'000
Finance leases to customers:			
- Individuals	3,764	20,851	279
- Corporates	4,014	52,462	-
- Not impaired after restructuring would otherwise have been impaired	-	-	162
	<u>-</u>	<u>-</u>	<u>162</u>
Total	<u><u>7,778</u></u>	<u><u>73,313</u></u>	<u><u>279</u></u>

3.1.8 Finance leases repossessed collateral

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs'000	Rs'000	Rs'000
Vehicles	734	2,466	4,022
Equipment	-	-	715
	<u>-</u>	<u>-</u>	<u>715</u>
	<u><u>734</u></u>	<u><u>2,466</u></u>	<u><u>4,737</u></u>

These repossessed collaterals are sold to third parties to recover the investment on leases. At year end, four repossessed asset remained unsold and was reclassified as 'Held for Sale' in line with IFRS 5. Losses amounting to **Rs 19,293** (2020: Rs. 800,813; 2019: Rs. 310,714). were recognised in the statement of comprehensive income.

For the financial year ended 31 December 2021, total vehicles and equipment repossessed amounted to **Rs 734,012** (2020: Rs. 2,465,815; 2019: Rs. 4,737,214).

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.

3.2.2 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.

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****3 FINANCIAL RISK MANagements (CONTINUED)****3.2 Market risk (continued)****3.2.2 Currency risk (continued)**

Concentrations of financial assets and financial liabilities:

At 31 December 2021

		Denominated in			
		EURO	USD	MUR	Total
Assets	Rs	72,292	51,521	1,474,215,332	1,474,339,145
Liabilities	Rs	-	-	1,351,067,132	1,351,067,132
Net position	Rs	72,292	51,521	123,148,200	123,272,013

At 31 December 2020

		Denominated in			
		EURO	USD	MUR	Total
Assets	Rs	73,528	48,849	1,488,622,526	1,488,744,903
Liabilities	Rs	-	-	1,408,966,804	1,408,966,804
Net position	Rs	73,528	48,849	79,655,722	79,778,099

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

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 2021, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Company's profit before tax would have been **Rs 7,229** (2020: Rs. 6,250; 2019: Rs 420,209) higher/lower and **Rs 5,152** (2020: Rs. 4,152; 2019: Rs 60,712) 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 Rs	1 - 3 months Rs	4 - 6 months Rs	7 - 12 months Rs	1 - 5 years Rs	Over 5 years Rs	Non-interest bearing Rs	Total Rs
31 December 2021								
Cash and cash equivalents	63,148,504	-	-	-	-	-	-	63,148,504
Other financial assets	-	-	-	5,128,123	143,807,864	-	-	148,935,987
Finance leases to customers	40,877,452	2,986,809	8,620,544	41,403,185	855,995,809	307,805,857	-	1,257,689,656
Other assets	-	-	-	-	-	-	4,565,356	4,565,356
Total financial assets	104,025,956	2,986,809	8,620,544	46,531,308	999,803,673	307,805,857	4,565,356	1,474,339,503
Liabilities								
Deposits from customers	91,146,227	49,835,416	228,804,489	249,190,208	627,365,135	1,300,257	-	1,247,641,732
Other borrowed funds	-	-	-	-	88,555,005	-	-	88,555,005
Other liabilities	-	-	-	-	-	-	14,870,395	14,870,395
Total financial liabilities	91,146,227	49,835,416	228,804,489	249,190,208	715,920,140	1,300,257	14,870,395	1,351,067,132
On balance sheet interest sensitivity gap Rs	12,879,729	(46,848,607)	(220,183,945)	(202,658,900)	283,883,533	306,505,600	(10,305,039)	123,272,371

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANagements (CONTINUED)

3.2 Market risk (continued)

3.2.3 Interest rate risk (continued)

	Up to 1 Month Rs	1 - 3 months Rs		4 - 6 months Rs		7 - 12 months Rs		1 - 5 years Rs		Over 5 years Rs		Non-interest bearing Rs		Total Rs
31 December 2020														
Cash and cash equivalents	22,105,318	-	-	-	-	-	-	-	-	-	-	-	-	22,105,318
Other financial assets	78,229,557	-	-	-	25,432,250	-	70,128,872	-	-	-	-	-	-	173,790,679
Finance leases to customers	102,108,504	2,187,858	14,492,676	33,144,492	889,477,909	249,759,858	-	-	-	-	-	-	-	1,291,171,297
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	1,677,610	1,677,610
Total financial assets	202,443,379	2,187,858	14,492,676	58,576,742	959,606,781	249,759,858	1,677,610	1,677,610	1,488,744,904					
Liabilities														
Deposits from customers	119,524,767	63,441,293	107,275,439	385,743,117	658,346,306	-	-	-	-	-	-	-	-	1,334,330,922
Other borrowed funds	-	-	-	-	55,146,944	-	-	-	-	-	-	-	-	55,146,944
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	19,488,938	19,488,938
Total financial liabilities	119,524,767	63,441,293	107,275,439	385,743,117	713,493,250	-	19,488,938	1,408,966,804						
On balance sheet interest sensitivity gap Rs	82,918,612	(61,253,435)	(92,782,763)	(327,166,375)	246,113,531	249,759,858	(17,811,328)	79,778,100						

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANAGERMENTS (CONTINUED)

3.2 Market risk (continued)

3.2.3 Interest rate risk (continued)

	Up to 1 month Rs	1 - 3 months Rs	4 - 6 months Rs	7 - 12 months Rs	1 - 5 years Rs	Over 5 years Rs	Non-interest bearing Rs	Total Rs
At 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	1,496,200	1,376,629,879
Other assets	-	-	-	-	-	-	-	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	-	-	1,497,031,247
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	1,619,966,370
On balance sheet interest sensitivity gap Rs	13,204,859	29,216,478	27,237,951	(194,555,442)	173,783,345	50,200,201	(71,198,281)	27,889,111

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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:

	2021 %	2021 %	2020 %	2020 %	2019 %	2019 %
	Min	Max	Min	Max	Min	Max
Assets						
Cash and cash equivalents	0.11	0.14	0.15	0.15	0.5	1.75
Other Financial Assets	2.09	4.12	2.09	4.12	2.25	7.7
Leases	2.5	13	2.5	14.5	6	13
Liabilities						
Bank and SIC Loans	0.5	1.5	0.35	1.5	0.75	5
Deposits	1	6.5	1	7.6	2.1	6.5

The company is exposed to interest rate risk arising from financial assets and financial liabilities. As at 31 December 2021, if the interest rate had increased/decreased by 0.50%, the Company's profit before tax would have been **Rs 667,887** (2020: Rs 487,947; 2019: Rs 495,437) 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANagements (CONTINUED)

3.3 Liquidity risk (continued)

3.3.2 Contractual maturity of financial assets and liabilities (continued)

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 2021.

3.3.3 Maturities of assets and liabilities:

At 31 December 2021	Up to 1	1 - 3	4 - 6	7 - 12	1 - 5	Over	Total
	Month	months	Months	Months	years	5 years	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Deposits from customers	47,318,523	69,594,084	233,176,167	267,071,104	675,082,205	1,673,246	1,293,915,329
Other borrowed funds	1,994,958	3,989,916	5,984,873	11,969,747	67,220,471	-	91,159,965
Lease liabilities	139,722	279,443	419,165	-	-	-	838,330
Other liabilities	14,870,395	-	-	-	-	-	14,870,395
Total liabilities	64,323,598	73,863,443	239,580,205	279,040,851	742,302,676	1,673,246	1,400,784,019
Assets							
Cash and cash equivalents	63,148,504	-	-	-	-	-	63,148,504
Other financial assets	113,208	226,417	339,625	6,482,177	155,688,965	-	162,850,392
Finance leases to customers	39,695,293	79,052,348	114,646,784	211,886,647	909,701,680	92,062,254	1,447,045,006
Other assets	4,565,356	-	-	-	-	-	4,565,356
Total assets	107,522,361	79,278,765	114,986,409	218,368,824	1,065,390,645	92,062,254	1,677,609,258
Net liquidity gap	43,198,763	5,415,322	(124,593,796)	(60,672,027)	323,087,969	90,389,008	276,825,239

An amount of Rs 53,752,484 has been billed and receivable from finance lease customers as at 31 December 2021. It has a current maturity period.

The financial assets have been disclosed on an undiscounted cash flow basis.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANagements (CONTINUED)

3.3 Liquidity risk (continued)

3.3.3 Maturities of assets and liabilities (continued):

At 31 December 2020	Up to 1	1 - 3	4 - 6	7 - 12	1 - 5	Over	Total
	Month	months	Months	Months	years	5 years	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Deposits from customers	41,566,680	56,250,178	109,332,057	414,444,759	801,268,536	-	1,422,862,210
Other borrowed funds	1,035,973	2,078,174	3,117,261	6,234,523	44,629,655	-	57,095,586
Lease liabilities	157,675	315,351	473,026	993,355	994,183	-	2,933,590
Other liabilities	19,488,939	-	-	-	-	-	19,488,939
Total liabilities	62,249,267	58,643,703	112,922,344	421,672,637	846,892,374	-	1,502,380,325
Assets							
Cash and cash equivalents	22,105,318	-	-	-	-	-	22,105,318
Other financial assets	51,109,649	226,417	424,244	26,349,224	104,833,182	-	182,942,716
Finance leases to customers	43,872,644	83,584,312	123,625,731	223,924,978	962,750,585	55,467,068	1,493,225,318
Other assets	1,677,610	-	-	-	-	-	1,677,610
Total assets	118,765,221	83,810,729	124,049,975	250,274,202	1,067,583,767	55,467,068	1,699,950,962
Net liquidity gap	56,515,954	25,167,026	11,127,631	-171,398,435	220,691,393	55,467,068	197,570,637

An amount of **Rs 46,929,700** has been billed and receivable from finance lease customers as at 31 December 2020. It has a current maturity period.

The financial assets have been disclosed on an undiscounted cash flow basis.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3 FINANCIAL RISK MANagements (CONTINUED)

3.3 Liquidity risk (continued)

3.3.3 Maturities of assets and liabilities (continued):

At 31 December 2019		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.

The financial assets have been disclosed on an undiscounted cash flow basis.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 2020 and 2019 were as follows:

	2021 Rs	2020 Rs	2019 Rs
Total deposits and borrowed funds	<u>1,336,196,737</u>	<u>1,389,477,865</u>	<u>1,547,271,887</u>
Less: cash and cash equivalents	<u>(63,148,504)</u>	<u>(22,105,318)</u>	<u>(53,642,343)</u>
Net debt	<u>1,273,048,233</u>	<u>1,367,372,547</u>	<u>1,493,629,544</u>
Total equity	<u>297,205,023</u>	<u>278,270,725</u>	<u>253,725,974</u>
Total capital	<u>1,570,253,256</u>	<u>1,645,643,272</u>	<u>1,747,355,518</u>
Gearing ratio	81%	83%	85%

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:

	2021 Carrying value Rs'000	2021 Fair value Rs'000	2020 Carrying value Rs'000	2020 Fair value Rs'000	2019 Carrying Value Rs'000	2019 Fair value Rs'000
Financial liabilities						
Deposits from customers	1,248,657	1,247,642	1,334,331	1,376,524	1,497,031	1,461,317
Deposits from customers						

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 fall under level 2 of the Fair Value Hierarchy.

The carrying amounts of all the financial assets and financial liabilities except for deposit from customers approximate their fair values.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 FINANCE LEASES TO CUSTOMERS

		2021	2020	2019
	Note	Rs	Rs	Rs
(a) Finance leases				
Finance leases – gross receivables		1,447,045,006	1,493,225,318	1,620,098,880
Unearned finance income		<u>(202,220,680)</u>	<u>(202,639,416)</u>	<u>(241,806,127)</u>
		1,244,824,326	1,290,585,902	1,378,292,753
Instalments due		53,752,484	46,929,700	40,408,828
		1,298,576,810	1,337,515,602	1,418,701,581
Impairment Allowance	4 (c)	<u>(40,887,154)</u>	<u>(46,344,305)</u>	<u>(42,071,703)</u>
Net investment in finance leases		<u>1,257,689,656</u>	<u>1,291,171,297</u>	<u>1,376,629,878</u>
Gross receivables from finance leases:				
Within 3 months		118,747,641	127,456,956	133,197,924
Over 3 months up to 6 months		114,646,784	123,625,731	128,131,147
Over 6 months up to 12 months		211,886,647	223,924,978	240,984,134
Over 1 year up to 5 years		909,701,680	962,750,585	1,060,753,129
Over 5 years		<u>92,062,254</u>	<u>55,467,068</u>	<u>57,032,546</u>
		1,447,045,006	1,493,225,318	1,620,098,880
Unearned future finance income on finance leases		<u>(202,220,680)</u>	<u>(202,639,416)</u>	<u>(241,806,127)</u>
		1,244,824,326	1,290,585,902	1,378,292,753
Instalments due		53,752,484	46,929,700	40,408,828
Impairment allowance	4 (c)	<u>(40,887,154)</u>	<u>(46,344,305)</u>	<u>(42,071,703)</u>
Net Investment in finance leases		<u>1,257,689,656</u>	<u>1,291,171,297</u>	<u>1,376,629,878</u>
<u>The net investment in finance leases by maturity period may be analysed as follows:</u>				
Within 3 months		96,057,203	103,213,746	105,840,461
Over 3 months up to 6 months		94,614,800	101,414,307	102,732,290
Over 6 months up to 12 months		175,778,899	185,487,610	196,496,880
Over 1 year up to 5 years		794,530,289	848,081,313	919,947,809
Over 5 years		<u>83,843,134</u>	<u>52,388,926</u>	<u>53,275,313</u>
		1,244,824,326	1,290,585,902	1,378,292,753
Instalments due		53,752,484	46,929,700	40,408,828
Impairment allowance	4 (c)	<u>(40,887,154)</u>	<u>(46,344,305)</u>	<u>(42,071,703)</u>
Net investment in finance leases		<u>1,257,689,656</u>	<u>1,291,171,297</u>	<u>1,376,629,878</u>
<i>Current</i>		366,450,902	390,701,058	405,069,632
<i>Non-current</i>		<u>891,238,754</u>	<u>900,470,239</u>	<u>971,560,246</u>
		<u>1,257,689,656</u>	<u>1,291,171,297</u>	<u>1,376,629,878</u>
Gross receivables from finance leases:				
Individual		829,643,279	824,490,514	839,891,547
Corporate		<u>617,401,727</u>	<u>668,734,804</u>	<u>780,207,333</u>
		1,447,045,006	1,493,225,318	1,620,098,880
Net investment in finance leases				
Individual		705,858,220	701,042,657	700,553,668
Corporate		<u>551,831,436</u>	<u>590,128,640</u>	<u>676,076,210</u>
		<u>1,257,689,656</u>	<u>1,291,171,297</u>	<u>1,376,629,878</u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(a) Finance leases (Continued)	Gross Receivable	Net Receivable	Unearned financial income
	Rs	Rs	Rs
Maturity analysis 2021			
Within year 1	445,281,072	366,450,903	78,830,170
Over year 1 up to year 2	357,881,730	303,835,023	54,046,707
Over year 2 up to year 3	267,004,816	234,143,050	32,861,766
Over year 3 up to year 4	184,537,535	165,539,398	18,998,137
Over year 4 up to year 5	100,277,599	91,012,819	9,264,780
Over 5 years	92,062,254	83,843,134	8,219,120
	<u>1,447,045,006</u>	<u>1,244,824,326</u>	<u>202,220,680</u>

	Gross Receivable	Net Receivable	Unearned financial income
	Rs	Rs	Rs
Maturity analysis 2020			
Within year 1	475,007,665	390,115,663	84,892,002
Over year 1 up to year 2	385,477,985	328,782,280	56,695,705
Over year 2 up to year 3	283,653,623	250,283,213	33,370,410
Over year 3 up to year 4	190,618,307	172,998,338	17,619,969
Over year 4 up to year 5	103,000,670	96,017,482	6,983,188
Over 5 years	55,467,068	52,388,926	3,078,142
	<u>1,493,225,318</u>	<u>1,290,585,902</u>	<u>202,639,416</u>

	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
	<u>1,620,098,880</u>	<u>1,378,292,754</u>	<u>241,806,126</u>

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 decrease in gross and net receivables is mainly due to the fall in our lease portfolio for the year 2021 as compared to 2020.

During the year, the Company has repossessed two vehicles which remain unsold at year end with a carrying amount of Rs 734,012 (2020: Rs 2,465,813 and 2019: Rs 663,249). This has been transferred to held for sale (Note 24). A loss of Rs 271,809 has been recognised during the year 2021 following the transfer.

During the year, the Company has recapitalised two vehicles with a carrying amount of Rs 855,000 (2020: Rs nil and 2019: Rs nil). This has been transferred from held for sale (Note 24). A gain of Rs 400,000 has been recognised during the year 2021 following the transfer.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(b) Credit concentration of risk by industry sectors

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs'000	Rs'000	Rs'000
Agriculture and fishing	71,835	60,468	71,015
Manufacturing/textile	76,147	93,100	109,283
Tourism	51,658	58,058	82,636
Transport	94,063	108,161	127,304
Construction and civil engineering	161,040	155,462	137,838
Financial and business services	111,274	154,438	171,282
Traders/commerce	277,671	258,802	304,577
ICT Services	32,519	33,703	32,024
Personal	7,179	5,133	4,107
Professional	45,699	51,823	65,647
Media entertainment and recreational activities	33,662	36,829	48,113
Freeport enterprise certificate holders	1,107	2,309	3,363
Services Sector	152,875	154,746	91,230
Education	30,227	30,120	30,530
Infrastructure	27,370	37,063	43,713
Modernisation and Expansion	2,867	4,343	4,757
Health Development Certificate Holders	45,062	44,732	47,283
Regional Development Certificate Holders	35,435	1,881	1,928
	<u>1,257,690</u>	<u>1,291,171</u>	<u>1,376,630</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RS'000	RS'000	RS'000
Individual	724,854	714,954	711,829
Corporate	573,723	622,561	706,873
	<u>1,298,577</u>	<u>1,337,515</u>	<u>1,418,702</u>
Less: Allowance for ECL/impairment losses	<u>(40,887)</u>	<u>(46,344)</u>	<u>(42,072)</u>
	<u>1,257,690</u>	<u>1,291,171</u>	<u>1,376,630</u>

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.

	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
	RS	RS	RS	RS
Internal rating grade				
Performing				
No past due but impaired	994,739,207	-	-	994,739,207
Past due and impaired	145,854,692	77,076,013	-	222,930,705
Non-performing				
Credit impaired	-	-	80,906,898	80,906,898
Total	<u>1,140,593,899</u>	<u>77,076,013</u>	<u>80,906,898</u>	<u>1,298,576,810</u>

No past due but impaired - Lease with 0 day past due.

Past due and impaired - Lease having 1 to 90 days past due.

Credit impaired - Lease having more than 90 days past due.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

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

	2020 Stage 1 Collective	2020 Stage 2 Collective	2020 Stage 3	2020 Total
	RS	RS	RS	RS
Internal rating grade				
Performing				
No past due but impaired	1,012,118,765	-	-	1,012,118,765
Past due and impaired	139,458,561	89,788,414	-	229,246,975
Non-performing				
Credit impaired	-	-	96,149,862	96,149,862
Total	1,151,577,326	89,788,414	96,149,862	1,337,515,602

No past due but impaired - Lease with 0 day past due.

Past due and impaired - Lease having 1 to 90 days past due.

Credit impaired - Lease having more than 90 days past due.

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
	RS	RS	RS	RS
Internal rating grade				
Performing				
No past due but impaired	1,042,172,454	-	-	1,042,172,454
Past due and impaired	247,301,092	78,214,018	-	325,515,110
Non-performing				
Credit impaired	-	-	51,014,017	51,014,017
Total	1,289,473,546	78,214,018	51,014,017	1,418,701,581

No past due but impaired - Lease with 0 day past due.

Past due and impaired - Lease having 1 to 90 days past due.

Credit impaired - Lease having more than 90 days past due.

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:

	2021 Stage 1 Collective	2021 Stage 2 Collective	2021 Stage 3	2021 Total
	RS	RS	RS	RS
Gross carrying amount as at 01 January 2021	1,151,577,327	89,788,405	96,149,886	1,337,515,618
New assets purchased	474,669,136	-	-	474,669,136
Transfer from asset held for sale	734,012	-	-	734,012
Assets derecognised or repaid	(452,354,573)	(28,627,278)	(29,920,633)	(510,902,484)
Effect of modification	-	-	-	-
Write off	-	-	(3,439,472)	(3,439,472)
Transfer to Stage 1	41,513,797	(31,820,585)	(9,693,212)	-
Transfer to stage 2	(52,190,714)	58,169,956	(5,979,242)	-
Transfer to stage 3	(23,406,881)	(10,434,485)	33,841,366	-
As at 31 December 2021	1,140,542,104	77,076,013	80,958,693	1,298,576,810

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****4 FINANCE LEASES TO CUSTOMERS (CONTINUED)**

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

	2021 Stage 1 Collective	2021 Stage 2 Collective	2021 Stage 3	2021 Total
	RS	RS	RS	RS
ECL allowance as at 01 January 2021 under IFRS 9	10,334,317	10,759,231	25,250,757	46,344,305
New assets purchased	2,558,248	-	-	2,558,248
Transfer from asset held for sale	4,587	-	-	4,587
Assets derecognised or repaid	(6,206,206)	(1,982,820)	(2,197,948)	(10,386,974)
Effect of modification	-	-	(3,439,472)	(3,439,472)
Write off	-	-	-	-
Transfers to stage 1	263,956	(207,428)	(56,528)	-
Transfers to stage 2	(3,595,277)	3,962,074	(366,797)	-
Transfers to stage 3	(11,405,923)	(1,117,272)	12,523,195	-
Impact on ECL of transfers	14,250,075	(6,363,805)	(2,079,810)	5,806,460
As at 31 December 2021	<u>6,203,777</u>	<u>5,049,980</u>	<u>29,633,397</u>	<u>40,887,154</u>
ECL allowance for the year	<u>(4,130,540)</u>	<u>(5,709,251)</u>	<u>7,832,851</u>	<u>(2,006,940)</u>

The net impairment loss on financial assets disclosed on the face of the statement of profit or loss and other comprehensive income for the year does not tie up with the ECL allowance for the year as these is an additional ECL on commitments disclosed on note 21 amounting to Rs 253,381.

	2020 Stage 1 Collective	2020 Stage 2 Collective	2020 Stage 3	2020 Total
	RS	RS	RS	RS
Gross carrying amount as at 01 January 2020	1,289,473,547	78,214,018	51,014,016	1,418,701,581
New assets purchased	433,349,532	-	-	433,349,532
Assets derecognised or repaid	(468,863,406)	(29,387,259)	(13,092,798)	(511,343,463)
Effect of modification	(140,610)	(5,701)	-	(146,311)
Write off	-	-	(3,045,721)	(3,045,721)
Transfer to Stage 1	22,892,928	(20,820,534)	(2,072,394)	-
Transfer to stage 2	(74,112,777)	76,378,940	(2,266,163)	-
Transfer to stage 3	(51,021,887)	(14,591,059)	65,612,946	-
As at 31 December 2020	<u>1,151,577,327</u>	<u>89,788,405</u>	<u>96,149,886</u>	<u>1,337,515,618</u>

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****4 FINANCE LEASES TO CUSTOMERS (CONTINUED)**

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

	2020 Stage 1 Collective	2020 Stage 2 Collective	2020 Stage 3	2020 Total
	RS	RS	RS	RS
ECL allowance as at 01 January 2020 under IFRS 9	11,683,467	8,119,297	22,268,939	42,071,703
New assets purchased	3,939,565	-	-	3,939,565
Assets derecognised or repaid	(4,062,716)	(1,683,719)	(2,109,395)	(7,855,830)
Write off	-	-	(3,045,721)	(3,045,721)
Transfers to stage 1	220,709	(202,525)	(18,184)	-
Transfers to stage 2	(9,003,415)	9,247,755	(244,340)	-
Transfers to stage 3	(7,308,586)	(1,757,406)	9,065,992	-
Impact on ECL of transfers	<u>14,865,293</u>	<u>(2,964,171)</u>	<u>(666,534)</u>	<u>11,234,588</u>
As at 31 December 2020	<u>10,334,317</u>	<u>10,759,231</u>	<u>25,250,757</u>	<u>46,344,305</u>
ECL allowance for the year	<u>(1,349,150)</u>	<u>2,639,934</u>	<u>6,027,539</u>	<u>7,318,323</u>

The net impairment loss on financial assets disclosed on the face of the statement of profit or loss and other comprehensive income for the year does not tie up with the ECL allowance for the year as these is an additional ECL on commitments disclosed on note 21 amounting to Rs 554,062.

	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	<u>1,289,473,547</u>	<u>78,214,018</u>	<u>51,014,016</u>	<u>1,418,701,581</u>
	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	<u>(3,826,308)</u>	<u>2,044,210</u>	<u>9,453,735</u>	<u>7,671,637</u>
As at 31 December 2019	<u>11,683,467</u>	<u>8,119,297</u>	<u>22,268,834</u>	<u>42,071,703</u>
ECL allowance for the year	<u>(5,424,738)</u>	<u>2,814,989</u>	<u>(6,930,747)</u>	<u>(9,540,496)</u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(d) Allowance for Credit Exposure by Industry Sector

	Net investment		Non performing leases		Specific provision	Portfolio provision	2021		2020	
	in leases	Instalments Due	Rs'000	Rs'000			Rs'000	Total provision	Rs'000	Total provision
Agriculture and fishing	72,520	933	2,948	998	621	1,619	1,451	1,225	1,451	1,225
Manufacturing/ textile	75,314	3,790	4,493	2,380	577	2,957	3,677	3,981	3,677	3,981
Tourism	51,099	1,635	3,599	614	463	1,077	2,093	1,344	2,093	1,344
Transport	90,891	5,922	14,342	1,415	1,334	2,750	3,617	2,758	3,617	2,758
Construction and civil engineering	159,563	6,220	11,662	3,175	1,567	4,743	8,270	6,754	8,270	6,754
Financial and business services	110,966	8,044	9,098	7,108	628	7,736	9,185	8,696	9,185	8,696
Traders/commerce	272,552	18,574	21,078	10,709	2,746	13,455	6,990	8,153	6,990	8,153
ICT Services	32,301	776	1,091	250	308	557	575	494	575	494
Personal	7,168	125	-	-	114	114	40	33	40	33
Professional	44,732	2,674	3,804	1,383	325	1,707	2,107	1,733	2,107	1,733
Media, entertainment and recreational activi	32,728	1,570	2,650	370	266	636	1,325	840	1,325	840
Freeport enterprise certificate holders	1,080	32	-	-	5	5	16	29	16	29
Services Sector	152,813	1,455	2,855	319	1,073	1,392	2,261	1,514	2,261	1,514
Education	30,288	113	-	-	174	174	352	253	352	253
Infrastructure	27,235	776	1,408	292	349	641	1,777	2,534	1,777	2,534
Modernisation & Expansion	2,817	69	261	-	20	20	1,213	1,443	1,213	1,443
Health Development	45,227	755	764	516	404	920	1,383	559	1,383	559
Regional Development certificate Holders	35,530	291	854	104	281	385	14	29	14	29
	1,244,824	53,753	80,906	29,632	11,255	40,887	46,346	42,072	46,346	42,072

(e) Overview of modified finance leases

The table below includes Stage 2 and 3 finance leases that were modified, with the related modification loss suffered by the Company. The modification was a result of rescheduled lease that was granted to certain lease holders.

Overview of modified finance leases

	2021	2020
Finance leases modified during the period	RS	RS
Net modification loss	7,164,594	72,417,505
	-	1,297,989

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 FINANCE LEASES TO CUSTOMERS (CONTINUED)

(e) Overview of modified finance leases (continued)

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

31 December 2021

	Post-Modification		Pre-Modification	
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
	Rs	Rs	Rs	Rs
Facilities that have cured since modification and now measured using 12mECL (Stage 1)	3,418,695	18,242	3,310,931	941,011

There are no facilities which were reverted to LTECL (Stage 2/3) and measured using LTECL once cured.

31 December 2020

	Post-Modification		Pre-Modification	
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
	Rs	Rs	Rs	Rs
Facilities modified measured using 12mECL	11,376,157	107,989	12,172,382	1,516,033
Facilities modified measured using LTECL	10,948,459	1,871,000	11,161,878	1,299,885

5 INTANGIBLE ASSETS

Note	2021	2020	2019
	Rs	Rs	Rs
Computer software:			
<i>Cost:</i>			
At 01 January	3,714,986	3,629,886	3,475,506
Additions	2,096,392	85,100	154,380
Transfer from Capital Work in Progress	17,257,622	-	-
At 31 December	<u>23,069,000</u>	<u>3,714,986</u>	<u>3,629,886</u>
<i>Accumulated amortisation:</i>			
At 01 January	3,237,254	2,828,042	2,311,820
Charge for the year	813,979	405,554	516,222
Reclassification	-	3,658	-
At 31 December	<u>4,051,233</u>	<u>3,237,254</u>	<u>2,828,042</u>
<i>Net book amount:</i>			
At 31 December	<u>19,017,767</u>	<u>477,732</u>	<u>801,844</u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6 PROPERTY, PLANT AND EQUIPMENT

Note	Fixtures and Fittings	Computer Equipment		Motor Vehicle		Right of Use - Building		Operating lease vehicle/ equipment		Capital Work in Progress		Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	
Cost:												
At 31 December 2018	3,943,669	3,655,882	2,735,287	-	5,868,304	210,879,195	-	-	-	-	221,214,033	
On adoption of IFRS 16	-	-	-	-	-	-	-	-	-	-	5,868,304	
Additions	335,807	224,632	371,137	-	-	79,131,603	-	-	7,077,497	-	87,140,676	
Disposals	-	-	(449,055)	-	-	-	-	-	-	-	(449,055)	
Transfer to inventories	4,279,476	3,880,514	2,657,369	-	-	(16,866,202)	-	-	-	-	(16,866,202)	
At 31 December 2019	70,500	284,270	-	-	5,868,304	273,144,596	-	-	7,077,497	-	296,907,756	
Additions	(335,807)	(2,172)	-	-	-	19,613,568	-	-	6,878,656	-	26,846,994	
Disposals	-	-	-	-	-	-	-	-	-	-	(337,979)	
Transfer to inventories	4,014,169	4,162,612	2,657,369	-	5,868,304	(21,267,884)	-	-	-	-	(21,267,884)	
At 31 December 2020	97,409	719,900	2,657,369	-	5,868,304	271,490,280	-	-	13,956,153	-	302,148,887	
Additions	-	-	-	-	-	27,185,548	-	-	3,301,469	-	31,304,326	
Transfer from inventories	-	-	-	-	-	2,239,120	-	-	-	-	2,239,120	
Transfer to inventories	-	-	-	-	-	(47,203,991)	-	-	-	-	(47,203,991)	
Transfer to intangible assets	-	-	-	-	-	-	-	-	(17,257,622)	-	(17,257,622)	
At 31 December 2021	4,111,578	4,882,512	2,657,369	-	5,868,304	253,710,957	-	-	-	-	271,230,720	
Accumulated depreciation:												
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)	-	-	-	-	-	-	-	(449,055)	
Transfer to inventories	2,103,442	3,172,863	1,097,771	-	-	(5,031,102)	-	-	-	-	(5,031,102)	
At 31 December 2019	369,109	365,622	664,344	-	1,676,658	77,296,571	-	-	-	-	85,347,305	
Charge for the year	(42,061)	(680)	-	-	1,676,658	40,314,031	-	-	-	-	43,389,764	
Disposals	-	-	-	-	-	-	-	-	-	-	(42,741)	
Transfer to inventories	2,430,490	3,537,805	1,762,115	-	3,353,316	(14,505,575)	-	-	-	-	(14,505,575)	
At 31 December 2020	298,854	395,259	655,337	-	1,684,848	40,646,312	-	-	-	-	43,680,610	
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	-	-	
Transfer to inventories	2,729,344	3,933,064	2,417,452	-	5,038,164	(36,623,977)	-	-	-	-	(36,623,977)	
At 31 December 2021	-	-	-	-	-	107,127,362	-	-	-	-	121,245,386	
Net book amount:												
At 31 December 2021	1,382,234	949,448	239,917	-	830,140	146,583,595	-	-	-	-	149,985,334	
At 31 December 2020	1,583,679	624,807	895,254	-	2,514,988	168,385,253	-	-	13,956,153	-	187,960,134	
At 31 December 2019	2,176,034	707,651	1,559,598	-	4,191,646	195,848,025	-	-	7,077,497	-	211,560,451	

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7 DEFERRED INCOME TAX

Deferred income tax is calculated in full on all temporary differences under the liability method using the applicable tax rate 17% (2020 -17% and 2019- 17%).

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

		2021	2020	2019
	Note	Rs	Rs	Rs
At 01 January		5,752,438	(5,331,746)	(4,243,553)
Effect of change in tax laws		-	8,535,953	-
(Charge)/credit to Profit or loss		(3,732,800)	2,481,525	(1,577,247)
(Charge)/credit to Other Comprehensive Income		(175,615)	66,706	78,797
Over provision of deferred tax asset	11	29,927	-	410,257
At 31 December		<u>1,873,950</u>	<u>5,752,438</u>	<u>(5,331,746)</u>

The balance is attributable to the following:

Accelerated capital allowances	(9,936,244)	(8,731,078)	(9,270,727)
Provision for credit impairment	6,969,644	7,813,840	1,430,400
Tax Losses	4,707,697	6,528,861	2,371,623
Retirement benefits obligation	132,853	140,815	136,958
	<u>1,873,950</u>	<u>5,752,438</u>	<u>(5,331,746)</u>

Deferred tax liabilities and assets are attributable to the following:

	Accelerated capital allowances	Provisions for credit impairment	Retirement benefits obligation	Tax losses	Total
Deferred tax (liabilities)/assets	Rs	Rs	Rs	Rs	Rs
At 01 January 2020	(9,270,727)	1,430,400	136,958	2,371,623	(5,331,746)
Credit to statement of comprehensive income	539,649	6,383,440	3,857	4,157,238	11,084,184
At 31 December 2020	<u>(8,731,078)</u>	<u>7,813,840</u>	<u>140,815</u>	<u>6,528,861</u>	<u>5,752,438</u>
Charge to statement of comprehensive income	(1,205,166)	(844,196)	(7,962)	(1,821,164)	(3,878,488)
At 31 December 2021	<u>(9,936,244)</u>	<u>6,969,644</u>	<u>132,853</u>	<u>4,707,697</u>	<u>1,873,950</u>

8 OTHER ASSETS

	2021	2020	2019
	Rs	Rs	Rs
Prepayments	1,787,055	2,187,076	2,840,841
VAT credit	-	1,145,603	21,199,889
Other receivables	4,565,357	1,677,610	1,496,200
	<u>6,352,412</u>	<u>5,010,289</u>	<u>25,536,930</u>

Other receivables as disclosed above are repayable on demand and thus are not backed by collateral and not impaired at 31 December 2021, 2020 and 2019.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9 DEPOSITS FROM CUSTOMERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Term deposits with remaining term to maturity:			
<i>Individual customers</i>			
Within 3 months	32,540,797	53,884,802	49,907,399
Over 3 months up to 6 months	52,122,690	55,137,816	39,986,323
Over 6 months up to 12 months	93,696,984	141,824,088	87,429,615
Over 1 year up to 7 years	308,340,745	364,460,634	465,274,119
<i>Corporate customers</i>			
Within 3 months	108,440,847	34,849,044	12,442,880
Over 3 months up to 6 months	174,823,061	59,824,944	78,554,556
Over 6 months up to 12 months	154,188,617	243,919,029	302,931,068
Over 1 year up to 7 years	323,487,991	380,430,565	460,505,286
	<u>1,247,641,732</u>	<u>1,334,330,922</u>	<u>1,497,031,246</u>
Current	<u>615,812,996</u>	<u>589,439,723</u>	<u>571,251,841</u>
Non-current	<u>631,828,736</u>	<u>744,891,199</u>	<u>925,779,405</u>
Total deposits	<u>1,247,641,732</u>	<u>1,334,330,922</u>	<u>1,497,031,246</u>

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 1% and 7.6%.

10 OTHER BORROWED FUNDS

(a) Other borrowed funds (LEMS)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Loan from the Industrial Finance Corporation of Mauritius (formerly know as State Investment Corporation) (LEMS)	<u>88,555,005</u>	55,146,943	240,642
Current	<u>22,778,737</u>	11,725,279	240,642
Non-current	<u>65,776,268</u>	43,421,664	-
Total other borrowed funds	<u>88,555,005</u>	<u>55,146,943</u>	<u>240,642</u>

Other borrowed funds comprise of loans taken under the LEMS scheme from the Industrial Finance Corporation of Mauritius (formerly know as State Investment Corporation). The remaining term-to-maturity vary between 1 month and 5 years. The loans from Industrial Finance Corporation of Mauritius (LEMS) are unsecured loans and carry an interest rate of 0.5% and 1.5% per annum.

The below table provides an analysis of the Industrial Finance Corporation of Mauritius (formerly know as State Investment Corporation) (LEMS) by interest rate and Maturity for the year 2021.

Maturity Period / Interest	Principal			Interest		
	0.50% Rs	1.50% Rs	Total Rs	0.50% Rs	1.50% Rs	Total Rs
Up to 1 month	22,277	1,863,038	1,885,315	526	109,117	109,643
1 - 3 months	44,582	3,733,065	3,777,647	1,024	211,244	212,268
4 - 6 months	66,943	5,617,115	5,684,058	1,466	299,350	300,816
7 - 12 months	134,137	11,297,580	11,431,717	2,681	535,348	538,029
1 - 5 years	993,981	64,782,287	65,776,268	9,346	1,434,456	1,443,802
Total	<u>1,261,920</u>	<u>87,293,085</u>	<u>88,555,005</u>	<u>15,043</u>	<u>2,589,515</u>	<u>2,604,558</u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10 OTHER BORROWED FUNDS (CONTINUED)

(b) Other borrowed funds (Banks)

	2021	2020	2019
	Rs	Rs	Rs
Loan from Barclays Plc	-	-	25,000,000
Loan from Afrasia Ltd	-	-	25,000,000
	<u>-</u>	<u>-</u>	<u>50,000,000</u>
Current	<u>-</u>	<u>-</u>	<u>50,000,000</u>

Other borrowed funds comprise of loans taken under the Barclays Plc and from Afrasia Ltd. 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.

11 INCOME TAX

Tax (Credit)/ Charge :

	Note	2021	2020	2019
		Rs	Rs	Rs
Tax on the profit for the year, as adjusted for tax purposes at applicable rate (2020 17% and 2019 17%)		-	-	-
(Over)/under provision of current tax		-	(99,987)	43,033
Over provision of deferred tax assets	7	29,927	-	(410,257)
Deferred tax movement	7	(3,732,800)	(2,481,525)	1,577,247
Effect of change in tax laws		-	(8,535,953)	-
		<u>(3,702,873)</u>	<u>(11,117,465)</u>	<u>1,210,023</u>
<i>(Asset)/Liability:</i>				
At 01 January		(830,433)	(692,265)	255,231
Under provision in previous year		-	-	43,033
Overpayment of CSR in 2019		-	(138,168)	-
Refund/(paid) during the year		643,145	-	(990,529)
At 31 December		<u>(187,288)</u>	<u>(830,433)</u>	<u>(692,265)</u>
Current		<u>(187,288)</u>	<u>(830,433)</u>	<u>(692,265)</u>

The reconciliation between the effective tax rate for the year (2020 - (80.8)% and 2019 - 4.71%) and the applicable income tax rate of 17.00% (2020 - 17% and 2019 - 17%) is as follows:

	2021	2020	2019
	%	%	%
(As a percentage of profit before tax)			
Applicable income tax rate	17.0	17.0	17.0
Impact of:			
(Over)/under provision of current tax	-	(0.7)	0.2
Over provision of deferred tax assets	0.1	-	(1.6)
Non allowable expenses*	0.8	64.2	52.3
Non taxable income*	-	(99.2)	(63.2)
Effect of change in tax laws	-	(62.1)	-
Actual income tax rate	<u>18.0</u>	<u>(80.8)</u>	<u>4.7</u>

* In prior year, there was an 80% exemption on the company's interest income and interest expense. This exemption was lifted on December 2020.

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****12 OTHER LIABILITIES**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Lease creditors	1,236,837	4,543,566	59,598,343
Other payables	<u>13,633,558</u>	<u>14,945,373</u>	<u>13,096,138</u>
	<u>14,870,395</u>	<u>19,488,939</u>	<u>72,694,481</u>
Current	<u>14,870,395</u>	<u>19,488,939</u>	<u>72,694,481</u>

Other payables comprise of payable to suppliers, audit fees, general expenses and staff bonus. 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Number	Number	Number	Rs	Rs	Rs
<i>Authorised and issued:</i>						
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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Interest income			
Under EIR			
Cash and cash equivalents	42,347	87,858	561,864
Fixed deposits	2,817,450	3,243,211	2,877,913
Staff loan	10,908	3,079	-
Bonds	1,296,969	2,777,323	3,199,479
Loan and advances	<u>2,640</u>	<u>-</u>	<u>-</u>
	<u>4,170,314</u>	<u>6,111,471</u>	<u>6,639,256</u>
Others			
Leases to customers	<u>98,465,364</u>	<u>105,212,403</u>	<u>112,809,936</u>
	<u>98,465,364</u>	<u>111,323,874</u>	<u>119,449,192</u>
Interest expense			
Deposits from customers	49,390,760	60,026,748	65,505,445
Lease Liability	119,031	355,089	313,413
Interest on loan	<u>1,544,739</u>	<u>444,789</u>	<u>1,222,383</u>
	<u>51,054,530</u>	<u>60,826,626</u>	<u>67,041,241</u>
Net interest income	<u>51,581,148</u>	<u>50,497,248</u>	<u>52,407,951</u>

15 OTHER INCOME

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Restated Rs
Others	1,366,950	2,266,261	757,113
Amount written back	-	-	700,400
	<u>1,366,950</u>	<u>2,266,261</u>	<u>1,457,513</u>

Other income comprise administration fees, surveyor fees, DTA fees among others.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16 PERSONNEL EXPENSES

		<u>2021</u>	<u>2020</u>	<u>2019</u>
	Note	Rs	Rs	Rs
Wages and salaries		29,394,423	25,352,964	25,583,335
Social security obligations		1,331,582	921,647	698,262
Contributions to defined contribution scheme		2,126,786	2,054,701	2,951,300
Retirement Benefits Obligation Expense	26 (c)	251,544	742,440	528,012
Other personnel expenses		2,915,469	2,714,090	3,823,992
		<u>36,019,804</u>	<u>31,785,842</u>	<u>33,584,901</u>

Other personnel expenses comprise of directors fees, training expenses and staff welfare. The number of employees at the end of the year was 30 (2020 – 30 and 2019 – 29).

17 OTHER EXPENSES

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Software maintenance	1,513,058	1,612,579	1,149,640
Advertising	288,279	838,637	1,329,987
Licenses	2,163,308	2,208,500	2,253,335
Fees paid to auditor for:			
- Audit services	909,788	881,625	719,225
- Other services	389,800	581,585	581,585
Professional fees	2,569,297	968,300	1,298,350
Write-offs	-	240,484	4,846,832
Others	2,947,046	3,632,389	4,960,903
	<u>10,780,576</u>	<u>10,964,099</u>	<u>17,139,857</u>

Others comprise mainly of general expenses, motor vehicle expenses and stationery.

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.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Profit available to ordinary shareholder	<u>18,076,882</u>	<u>24,870,430</u>	<u>24,492,481</u>
Weighted average number of ordinary shares in issue (Number)	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Earnings per share: Basic and diluted earnings per share	<u>0.9</u>	<u>1.24</u>	<u>1.22</u>

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****18 EARNINGS PER SHARE (CONTINUED)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Comprehensive income available to ordinary shareholder	<u>18,934,298</u>	24,544,751	<u>23,855,918</u>
Weighted average number of ordinary shares in issue (Number)	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Comprehensive income per share: Basic and diluted earnings per share	<u>0.95</u>	<u>1.23</u>	<u>1.19</u>

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

19 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Balances and deposits with banks in Mauritius	<u>63,144,008</u>	22,097,318	53,631,343
Cash in hand	<u>4,496</u>	8,000	11,000
	<u>63,148,504</u>	<u>22,105,318</u>	<u>53,642,343</u>
Current	<u>63,148,504</u>	<u>22,105,318</u>	<u>53,642,343</u>

The Company earns interest at a rate of 0.15% on its current and call deposit accounts, based on daily bank deposit rates.

The Company has a money market line of Rs125m with banks. The Company has provided a collateral of Rs125m. At year end, the Company did not utilize any of the money market line.

(b) Other financial assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Fixed deposits	<u>143,807,864</u>	92,863,274	135,156,478
Bonds	<u>5,128,123</u>	80,927,405	80,930,581
	<u>148,935,987</u>	<u>173,790,679</u>	<u>216,087,059</u>
1. Fixed deposits			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Fixed Deposits held at bank / other financial institution	<u>140,000,000</u>	90,000,000	120,000,000
Accrued interest receivable	<u>3,807,864</u>	2,863,274	15,156,478
	<u>143,807,864</u>	<u>92,863,274</u>	<u>135,156,478</u>
Current	<u>3,807,864</u>	2,863,274	135,156,478
Non-current	<u>140,000,000</u>	90,000,000	-
	<u>143,807,864</u>	<u>92,863,274</u>	<u>135,156,478</u>
2. Bonds			
Bonds	<u>4,977,600</u>	79,553,059	79,553,059
Accrued interest receivable	<u>150,523</u>	1,374,346	1,377,522
	<u>5,128,123</u>	<u>80,927,405</u>	<u>80,930,581</u>
Current	<u>5,128,123</u>	75,798,533	-
Non-current	<u>-</u>	5,128,872	80,930,581
	<u>5,128,123</u>	<u>80,927,405</u>	<u>80,930,581</u>

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****19 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS (CONTINUED)****(b) Other financial assets (Continued)**

The Company acquired a total of Rs 81,736,558 of Government Bonds with The Barclays Bank Mauritius Ltd (now ABSA 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%. These Government Bonds are considered to be low risk.

20 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
i) Finance leases			
<i>Leases due from key management personnel</i>			
At 01 January	-	-	-
Leases granted during the year	-	-	-
Repayments during the year	-	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>
Interest income	<u>-</u>	<u>-</u>	<u>-</u>
<i>Leases due from entities with common directors and shareholders</i>			
At 01 January	81,564,890	91,151,157	109,069,280
Leases granted during the year	26,327,829	26,474,494	25,668,436
Repayments during the year	<u>(52,458,455)</u>	<u>(36,060,761)</u>	<u>(43,586,559)</u>
At 31 December	<u>55,434,263</u>	<u>81,564,890</u>	<u>91,151,157</u>
Interest income	<u>4,021,269</u>	<u>6,286,149</u>	<u>6,004,349</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
ii) Deposits			
At beginning of year	142,342,550	74,238,795	64,688,168
Received during the year	5,168,720	86,086,126	24,238,795
Refund during the year	<u>(60,265,605)</u>	<u>(17,982,371)</u>	<u>(14,688,168)</u>
At end of the year	<u>87,245,665</u>	<u>142,342,550</u>	<u>74,238,795</u>
Interest expense	<u>3,774,640</u>	<u>3,062,992</u>	<u>2,365,304</u>

The deposits are due to key management personnel and to companies having common directors. The tenors vary from 1 month to 5 years. Interest rates vary from 2.25% to 5.50%.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
iii) Amount due from holding company			
At beginning of the year	-	-	-
Expenses paid on behalf of holding company	<u>530,000</u>	<u>-</u>	<u>-</u>
Payments during the year	<u>-</u>	<u>-</u>	<u>-</u>
At end of the year (Note 8)	<u>530,000</u>	<u>-</u>	<u>-</u>

The amount due from the holding company is interest free and repayable on demand.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

20 RELATED PARTY DISCLOSURES (CONTINUED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
v) Compensation of key management personnel			
Short-term employee benefits	6,704,704	6,315,181	6,158,428
Post-employment benefits	<u>627,541</u>	<u>996,967</u>	<u>711,101</u>
Total	<u><u>7,332,245</u></u>	<u><u>7,312,148</u></u>	<u><u>6,869,529</u></u>

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.

21 COMMITMENTS

Finance leases

The Company had commitments in respect of lease contracts which had been signed at 31 December 2021 of **Rs 30,405,032** (2020 - Rs. 52,238,185; 2019- Rs. 695,000) but for which no monies had been disbursed.

The total impairment provision for lease exposures is **Rs 253,381** (2020 - Rs 554,062; 2019 - Rs Nil) for the portfolio provision and is in other liabilities. The amount for Corporate and Individual is **Rs 149,791** (2020 - Rs 479,193; 2019 - Rs Nil) and **Rs 103,590** (2020 - Rs 74,869; 2019 - Rs Nil) respectively.

Operating leases

At 31 December 2021, the Company did not have any operating lease commitments in respect of office space rental (2020 - Rs.Nil ; 2019 - Rs. 162,696).

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Not later than 1 year	-	-	162,696
Later than 1 year and not later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>162,696</u></u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22 OPERATING LEASE RECEIVABLES

Operating leases where the Company is the lessor

Maturity analysis of undiscounted lease payments:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Within 1 year	64,593,558	56,187,850	57,733,955
Between 1 year and 2 years	54,021,830	51,210,547	52,867,494
Between 2 years and 3 years	46,157,728	43,528,970	47,540,603
Between 3 years and 4 years	22,825,013	39,976,493	40,087,916
Between 4 years and 5 years	12,915,639	14,694,084	27,752,981
Over 5 years	<u>2,924,309</u>	<u>5,167,333</u>	<u>11,250,087</u>
	<u>203,438,077</u>	<u>210,765,277</u>	<u>237,233,036</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Within 1 year	64,593,558	56,187,850	57,733,955
Over 1 year up to 7 years	<u>138,844,519</u>	<u>154,577,427</u>	<u>179,499,081</u>
	<u>203,438,077</u>	<u>210,765,277</u>	<u>237,233,036</u>

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 51,261,719 (2020 - Rs. 52,908,489; 2019- Rs. 45,444,825).

The Company leases vehicles under various agreements which terminate between 2022 and 2028. The agreements do not include an extension option. The leases are at an interest rate of 8.75% - 10%.

23 FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2021

	<u>Amortized Cost</u>	<u>Total</u>
	Rs	Rs
Assets		
Cash and cash equivalents	63,148,504	63,148,504
Fixed deposits	143,807,864	143,807,864
Bonds	5,128,123	5,128,123
Finance lease to customers	1,257,689,656	1,257,689,656
Other assets - <i>exclude prepayment & VAT</i>	<u>4,565,000</u>	<u>4,565,000</u>
	<u>1,474,339,145</u>	<u>1,474,339,147</u>
Liabilities		
Deposits from customers	1,247,641,732	1,247,641,732
Other borrowed funds (LEMS)	88,555,005	88,555,005
Other liabilities	<u>14,870,395</u>	<u>14,870,395</u>
	<u>1,351,067,132</u>	<u>1,351,067,132</u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

At 31 December 2020

	Amortized Cost	Total
	Rs	Rs
Assets		
Cash and cash equivalents	22,105,318	22,105,318
Fixed deposits	92,863,274	92,863,274
Bonds	80,927,405	80,927,405
Finance lease to customers	1,291,171,297	1,291,171,297
Other assets - <i>exclude prepayment & VAT</i>	1,677,610	1,677,610
	<u>1,488,744,904</u>	<u>1,488,744,904</u>
Liabilities		
Deposits from customers	1,334,330,922	1,334,330,922
Other borrowed funds	55,146,943	55,146,943
Other liabilities	19,488,938	19,488,938
	<u>1,408,966,803</u>	<u>1,408,966,803</u>

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 - <i>exclude prepayment & VAT</i>	1,496,201	1,496,201
	<u>1,647,855,481</u>	<u>1,647,855,481</u>
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
	<u>1,619,966,369</u>	<u>1,619,966,369</u>

24 ASSETS HELD FOR SALE

Repossessed assets under finance where the Company is the lessor. The carrying amount of assets classified as held for sale are as follows:

		2021	2020	2019
	Note	Rs	Rs	Restated Rs
Opening balance		1,665,000	352,535	1,130,435
Transfer from finance lease	4	734,012	2,465,813	663,249
Transfer to finance lease*	4	(855,000)	-	-
Disposal made during the year		(360,000)	(352,535)	(1,335,747)
Loss recognised in Profit & Loss		(147,235)	(800,813)	(310,714)
Closing Balance		<u>1,036,777</u>	<u>1,665,000</u>	<u>147,223</u>

As management had the intention of disposing of all the unsold repossessed assets at 31 December 2021 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.

*Management had the intention to sell those assets however during the year, two assets have been transferred back to finance lease, with a gain of Rs 400k, as the clients prefer to take them on lease rather than to acquire it.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

25 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.

26 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 2020. The Company has 22 members and 7 non-members (2020 - 18 members and 11 non-members respectively, 2019 - 11 members and 15 non-members respectively).

(a) The amounts recognised in the Statement of Financial Position are as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>31-Dec-19</u>
	Rs	Rs	Rs
Statement of Financial Position			
Present value of obligations	<u>1,903,434</u>	<u>2,684,921</u>	<u>1,856,599</u>
	<u><u>1,903,434</u></u>	<u><u>2,684,921</u></u>	<u><u>1,856,599</u></u>

(b) Movement in the liability recognised in the Statement of Financial Position:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>31-Dec-19</u>
	Rs	Rs	Rs
Net liability at start of period (as previously reported)	2,684,921	1,856,599	613,227
Net expense recognised in Profit or Loss	251,544	742,440	528,012
Net actuarial (gains)/losses recognised in OCI	(1,033,031)	392,385	715,360
Benefits paid	-	(306,503)	-
	<u><u>1,903,434</u></u>	<u><u>2,684,921</u></u>	<u><u>1,856,599</u></u>

(c) The amounts recognised in Profit or Loss are as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>31-Dec-19</u>
	Rs	Rs	Rs
Initial recognition	-	-	-
Interest cost	66,332	78,408	33,199
Current service cost	346,585	664,032	379,810
Past service cost	-	-	115,003
Curtailement/settlement (gain)/loss on obligation	<u>(161,373)</u>	-	-
Net expense recognised in Profit or Loss	<u><u>251,544</u></u>	<u><u>742,440</u></u>	<u><u>528,012</u></u>

(d) The amounts recognised in Other Comprehensive Income are as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>31-Dec-19</u>
	Rs	Rs	Rs
Actuarial (gain)/losses recognised in OCI	<u>1,033,031</u>	<u>(392,385)</u>	<u>(715,360)</u>
	<u><u>1,033,031</u></u>	<u><u>(392,385)</u></u>	<u><u>(715,360)</u></u>

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

26 RETIREMENT BENEFITS OBLIGATION (CONTINUED)

(e) Changes in the present value of the obligation:	31-Dec-21	31-Dec-20	31-Dec-19
	Rs	Rs	Rs
Present value of obligation at start	2,684,921	1,856,599	613,227
Initial recognition		-	-
Interest cost	66,332	78,408	33,199
Current service cost	346,585	664,032	379,810
Past service cost		-	115,003
Benefits paid		(306,503)	-
Curtailment/settlement (gain) loss on obligation	(161,373)		
Expected obligation at end of period	2,936,465	2,292,536	1,141,239
Present value of obligation at end of period	1,903,434	2,684,921	1,856,599
Re-measurement recognised in OCI at end of period -(Losses)/ Gain	1,033,031	(392,385)	(715,360)

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

	31-Dec-21	31-Dec-20	31-Dec-19
Normal Retirement Age	65	65	65
Discount rate	Mid rates of the Mauritian govt bond market		
Weighted average discount rate	4.00%	2.60%	4.50%
Future salary increases	5.00%	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-21	31-Dec-20	31-Dec-19
	Rs	Rs	Rs
1% Increase in discount rate	1,317,681	1,808,455	1,496,948
1% Decrease in discount rate	2,792,822	3,789,443	2,337,806
1% Increase in salary increase assumption	2,454,237	3,479,603	2,194,625
1% Decrease in salary increase assumption	1,479,794	2,052,089	1,602,445
Effect of changing longevity – rate up	1,820,397	2,577,917	1,807,516
Effect of changing longevity – rate down	1,981,492	2,785,502	1,902,717

27 LEASE LIABILITY

	31-Dec-21	31-Dec-20	31-Dec-19
	Rs	Rs	Rs
As at 1 January 2021	2,797,381	4,422,617	5,858,304
Accretion of interest	119,031	355,089	313,414
Payments	(1,939,408)	(1,980,325)	(1,759,101)
Closing balance 31 December 2021	977,004	2,797,381	4,422,617

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****28 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<u>2021</u>	<u>2020</u>
	Rs	Rs
Lease liabilities		
Opening balance	2,797,381	4,422,617
Non-cash flow items:		
Movement in interest	119,031	355,089
Cash flow items:		
Rental payment	(1,820,377)	(1,625,236)
Interest repaid	(119,031)	(355,089)
	<u>977,004</u>	<u>2,797,381</u>

Other borrowed funds

	<u>Previously stated</u>	<u>Reclassification</u>	<u>As restated</u>
31 December 2020	Rs	Rs	Rs
Opening balance	50,240,642	(240,642)	50,000,000
Non-cash flow items:			
Movement in interest	444,788	(72,151)	372,637
Cash flow items:			
Additions	59,883,599	(59,883,599)	-
Deposit repaid	(54,977,298)	4,977,298	(50,000,000)
Interest repaid	(444,788)	72,151	(372,637)
	<u>55,146,943</u>	<u>(55,146,943)</u>	<u>-</u>

29 REVENUE FROM CONTRACTS WITH CUSTOMERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Rs	Rs	Rs
Type of goods			
Sales of inventories	10,235,850	2,962,914	11,717,681
Total revenue from contracts with customers	<u>10,235,850</u>	<u>2,962,914</u>	<u>11,717,681</u>
Geographical markets			
Local	10,235,850	2,962,914	11,717,681
Total revenue from contracts with customers	<u>10,235,850</u>	<u>2,962,914</u>	<u>11,717,681</u>
Timing of revenue recognition			
Goods transferred at a point in time	10,235,850	2,962,914	11,717,681

30 INVENTORIES

		<u>2021</u>	<u>2020</u>	<u>2019</u>
	Note	Rs	Rs	Rs
Opening balance		3,956,511	-	205,312
Transfer from property, plant and equipment	6	10,580,014	6,762,309	11,835,100
Disposal		(9,372,487)	(2,805,798)	(12,040,412)
Transfer to property, plant and equipment	6	(2,239,120)	-	-
Closing balance		<u>2,924,918</u>	<u>3,956,511</u>	<u>-</u>

LA PRUDENCE LEASING FINANCE CO. LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****31 ALLOWANCE FOR CREDIT IMPAIRMENT**

	2021	2020	2019
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Finance lease to customers	(2,006,940)	7,318,026	(9,540,496)
Fixed deposits and other financial assets	400,989	-	-
Commitments	<u>(300,978)</u>	<u>554,359</u>	<u>-</u>
(Credit)/Charge for the year	<u>(1,906,929)</u>	<u>7,872,385</u>	<u>(9,540,496)</u>

32 IMPACT OF COVID-19

Some of these key measures are described below to limit the impact of COVID-19 on the population and the businesses. The Government of Mauritius has taken a series of accompanying measures.

- (i) The moratorium on loans granted to economic operators, SMEs, households and individuals impacted by COVID-19 has been extended to 30 June 2022;
- (ii) 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. This was extended to 30 June 2022 which aims at meeting cash flow and working capital requirements of economic operators directly impacted by COVID-19; and
- (iii) The cash reserve ratio applicable to commercial banks has reduced from 9 per cent to 8 per cent has equally been extended to 30 June 2022. This reduction will further support banks to assist businesses which are directly impacted by COVID-19

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; and
- 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32 IMPACT OF COVID-19 (CONTINUED)

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. 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. Management has taken this into consideration and made provisions for this increase in credit risk.

Finance Lease to Customers

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).

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, 44% 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.

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 2021, the Company has a cash resources of Rs 212m representing a cash ratio of 15.87% as compared to Rs 202m at 31 December 2020. This is more than the minimum reserve ratio of 10% prescribed.

Capital risks

The Company's Risk Weighted Capital Adequacy Ratio stands at 25.34% compared to the regulatory minimum requirement of 10%.

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 and the war in Ukraine 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; and
- 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.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32 IMPACT OF COVID-19 (CONTINUED)

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.

33 EVENTS AFTER THE REPORTING PERIOD

War in Ukraine

On 24 February 2022, Russian troops started invading Ukraine. The ongoing military attack has led, and continues to lead, to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine.

In response, multiple jurisdictions, including the EU, Switzerland, the UK, Canada, Japan and Australia have imposed initial tranches of economic sanctions on Russia (and in certain cases Belarus). In addition to the imposition of sanctions, a growing number of large public and private companies have announced voluntary actions to curtail business activities with Russia and Belarus. These actions include plans to dispose of assets or discontinue operations in Russia/Belarus, curtailing exports to, or imports from, these countries and discontinuing the provision of services.

Further, a number of Russian publicly listed entities have had their listings suspended on certain stock exchanges and have been excluded from market indices. The Russian central bank has temporarily suspended stocks and derivatives trading, and local authorities have also temporarily barred foreign investors from selling Russian assets and placed significant limitations on any payments to foreign entities, e.g to settle financial liabilities.

The war in Ukraine and related events take place at a time of significant global economic uncertainty and volatility, and the effects are likely to interact with and exacerbate the effects of the current market conditions. Many sectors/jurisdictions are already facing the impact of rising commodity prices and increased raw material costs, as a result of surging consumer demand as the COVID-19 pandemic eases. Supply-chain bottlenecks, arising from the effects of the pandemic, continue to persist, and are heightened by labor shortages and trade friction. These conditions may be significantly exacerbated by the wider effects of the war in Ukraine, increasing inflationary pressures and weakening the global post-pandemic recovery.

Given the uncertainty surrounding the situation, management considers that it is not possible to predict any outcome relating to the above factors.

LA PRUDENCE LEASING FINANCE CO. LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

34 PRIOR YEAR ADJUSTMENTS

In prior years, the Company has presented the transactions arising from Due from Customers and funds from Industrial Finance Corporation of Mauritius Ltd in financing activities. Those transactions are the core activities of the Company as funds are used to finance the Company's leasing activities and have therefore been reclassified in operating activities. The impact of those reclassification are shown below.

	As previously stated	Effect of adjustment	As restated
	Rs	Rs	Rs
Statement of cash flows			
31/12/2020			
<u>Effect on cash flows from operating activities</u>			
<i>Changes on operating assets and liabilities</i>			
Deposit paid	-	(490,142,671)	(490,142,671)
Deposit received	-	321,006,947	321,006,947
Other borrowed funds (LEMS) received	-	59,385,746	59,385,746
Other borrowed funds (LEMS) paid	-	(4,551,596)	(4,551,596)
Interest paid	-	(53,591,349)	(53,591,349)
Net cash generated from operating activities	147,134,445	(167,892,923)	(20,758,478)
<u>Effect on cash flows from financing activities</u>			
Deposit paid	(490,142,671)	490,142,671	-
Deposit received	321,006,947	(321,006,947)	-
Other borrowed funds (LEMS) received	59,385,746	(59,385,746)	-
Other borrowed funds (LEMS) paid	(4,683,591)	4,551,596	(372,637)
Interest paid	(53,946,438)	(53,591,349)	(355,089)
Net cash used in investing activities	(220,245,885)	167,892,923	(52,352,962)
31/12/2019			
<u>Effect on cash flows from operating activities</u>			
<i>Changes on operating assets and liabilities</i>			
Deposit paid	-	389,697,822	389,697,822
Deposit received	-	(318,149,723)	(318,149,723)
Other borrowed funds (LEMS) paid	-	(6,537,686)	(6,537,686)
Interest paid	-	(55,635,932)	(55,635,932)
Net cash generated from operating activities	(2,953,834)	18,374,481	15,420,647
<u>Effect on cash flows from investing activities</u>			
Deposit paid	(318,149,723)	318,149,723	-
Deposit received	389,697,822	(389,697,822)	-
Other borrowed funds (LEMS) paid	(106,537,686)	6,537,686	(100,000,000)
Interest paid	(57,126,240)	55,635,935	(1,490,308)
Net cash used in investing activities	40,438,486	(18,374,481)	22,064,005