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Annual Report of
La Prudence Leasing Finance Co. Ltd
For the year ended 31 December 2022

LA PRUDENCE LEASING FINANCE CO. LTD

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LA PRUDENCE LEASING FINANCE CO. LTD

OUR VALUE STATEMENT

OUR VISION

To be the reference for your leasing solutions and investment opportunities.

OUR MISSION

To grow our shareholder's value sustainably while serving passionately our clients through comprehensive, customised financial solutions nurtured by our dedicated employees whom we consider as pivotal to our success.

COMMITMENT

We are committed to serve our clients and partners to the best of our capabilities by being ACCESSIBLE, ACTIVE, ADAPTABLE, AGILE.

LA PRUDENCE LEASING FINANCE CO. LTD

CORPORATE INFORMATION

Registered Address

United Docks Business Park
Kwan Tee Street
Caudan
Port Louis, Mauritius

Business Registration Number
C07026973

Email address/ Website

admin@prudenceleasing.com/ www.prudenceleasing.com

Directors

	Date of appointment	Date of resignation
OOSMAN, Mushtaq (Chairperson)	03 March 2016	-
LIONNET Gerard Aristide	03 December 2015	02 June 2022
LAGESSE Marie Danielle	29 January 2016	28 July 2022
MAUREL Philippe Olivier	30 June 2016	-
YUE-CHI-MING Clement	22 June 2017	-
HUET D'ARLON DE FROBERVILLE Jean Bruno	24 January 2018	-
GALEA Marie Henri Dominique	30 September 2019	-
LEUNG LAM HING Jhonny Vee Fah	07 January 2020	-
JOHN CHUAN Yeung Min	03 August 2020	-
MAMET Linda	01 July 2022	-
PUNCHOO Vikramdass	01 November 2022	-

Company Secretary

ECS Secretaries Ltd
3rd Floor, Labama House, Sir William Newton Street
Port Louis

Bankers

The Mauritius Commercial Bank Ltd	*Absa Bank (Mauritius) Limited*	*AfrAsia Bank Limited*
Sir William Newton Street	Absa House, 68 Wall Street	10, Dr Ferriere Street
Port Louis	Cybercity, 72201, Ebene	Port Louis

External Auditor

Deloitte
7th- 8th Floors, Standard Chartered Tower
19 Bank Street
Cybercity
Ebene
Mauritius

Internal Auditor

PricewaterhouseCoopers
PwC Centre
Avenue de Telfair
Telfair 80829
Moka

LA PRUDENCE LEASING FINANCE CO. LTD

DIRECTORS' REPORT

The Board of Directors has the pleasure to submit the annual report of La Prudence Leasing Finance Co. Ltd ("the Company"/ "Prudence Leasing") which includes the audited financial statements for the financial year ended 31 December 2022.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, the Financial Reporting Act 2004 and the Guidelines and Guidance Notes issued by the Bank of Mauritius.

Overview of the Company

Prudence Leasing is a fully independent company, established in 2001 under the name of La Prudence Leasing Finance Co. Ltd. Our core business over the years has been to facilitate the acquisition of vehicles and equipment by individuals and businesses by providing them with the necessary funding through finance and operating leases.

We are a human-sized company solidly rooted in entrepreneurial values, operating with the conviction that each customer is unique, has different needs, and is entitled to our undivided attention. Regulated by the Bank of Mauritius and the Financial Services Commission, Prudence Leasing is also licensed to offer investment opportunities through fixed deposits.

La Prudence Leasing Finance Co. Ltd was rated A- with a stable outlook by CARE Ratings (Africa) Private Limited, the first credit rating agency licensed by the Financial Services Commission and recognised as External Credit Assessment Institution by the Bank of Mauritius.

Financial performance

The Company made a profit before tax of **Rs. 32.0M** which is an improvement of **47%** from last year's results, with revenue increasing to **Rs 172.8M**. In terms of asset quality, the non-performing ratio has remained stable at **3.0%** with an impairment coverage of **32.4%.** The capital adequacy of the Company remains comfortably above the regulatory requirement of 10% at **22**%.

A more detailed analysis of the Company's performance is disclosed in the Management Discussion and Analysis section of this Annual Report.

The financial statements of the Company have been disclosed on pages 33 to 89 in this annual report. The auditor's report can be found on pages 30 to 32.

Directors

The names of the directors who held office as directors of the Company as at 31 December 2022 and the names of those who ceased to hold office as directors of the Company during the year ended 31 December 2022 are disclosed on page 3.

Directors' share interests and service contracts

The Directors have no direct interest in the share capital of the Company. The indirect interests of the Directors have been disclosed on page 18 of the Corporate Governance Report within this annual report. Furthermore, the Directors do not have service contracts with the Company, other than for the Managing Director who has a contract with indefinite duration.

Directors' emoluments

The remuneration and benefits paid to the Directors have been disclosed on pages 18-19 of the Corporate Governance Report within this annual report.

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. 1,894,572** for the financial year ended 31 December 2022. (2021: Rs.1,820,377).

LA PRUDENCE LEASING FINANCE CO. LTD

DIRECTORS' REPORT

Donations

The Company did not make any political donations during the financial year ended 31 December 2022 (2021: Nil). During the year under review the Company has not participated in CSR initiatives (2021: Rs7,000).

External auditor

Deloitte has been appointed as external auditor of the Company for the year ended 31 December 2022, following a competitive tender exercise held in 2022. The appointment of Deloitte was recommended by the Audit Committee to the Board of Directors and approved at the Annual General Meeting of the Company. Regulatory approval from the Bank of Mauritius was sought and obtained in September 2022.

The previous auditor of the Company was Ernst & Young who completed the mandatory audit cycle of 5 years. Details of the audit and non-audit fees are as follows:

	31 December 2022	31 December 2021
	Rs	Rs
Statutory audit	**1,070,000**	840,000
Audit related services:		
- Dividend certification	**25,000**	150,000

The Company has policies and procedures to ensure that there is no threat to objectivity and independence of the external auditor, resulting from the provision of non-audit services. Any such services need to be pre-approved by the Audit Committee.

Statement of Directors' Responsibilities for Financial Reporting

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the Directors are required to:

- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company while ensuring that the financial statements fairly present the state of affairs of the Company, as at the financial year end, and the results of their operations and cash flows for the year then ended;
- design, implement and maintain an effective system of internal controls and robust risk management practices relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and to safeguard the Company's assets;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- ensure that the financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, the Financial Reporting Act 2004 and the Guidelines and Guidance Notes issued by the Bank of Mauritius.

The directors are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include:

- the assessment of management's performance relative to corporate objectives;
- overseeing the implementation and upholding of the Code of Corporate Governance; and
- ensuring timely and comprehensive communication to all stakeholders on events significant to the Company.

LA PRUDENCE LEASING FINANCE CO. LTD

DIRECTORS' REPORT

The Directors confirm to the best of their knowledge that they have complied with the above-mentioned requirements in preparing the financial statements.

Acknowledgements

The Board of Directors would like to convey its appreciation to the retiring directors, Mrs. Lagesse and Mr. Lionnet for their long years of service and contribution towards the Company's success. At the same time, the Board extends its warm welcome to Mrs. Mamet and Mr. Punchoo as new directors and wishes them the best in their new responsibilities.

The Board of Directors is also thankful to its loyal customers and various stakeholders for their dedicated efforts and commitment towards the Company.

Mushtaq Oosman
Chairperson of the Board

Clement Yue-Chi-Ming
Managing Director

Date: 21 / 03 / 2023

LA PRUDENCE LEASING FINANCE CO. LTD

CORPORATE GOVERNANCE REPORT

INTRODUCTION

La Prudence Leasing Finance Co. Ltd (hereinafter as ''the Company'' or ''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 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.

The Board of Directors has made a concerted effort to adopt the National Code of Corporate Governance by applying the eight principles of the Code.

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: https://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 Mauritius 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 and Remuneration Committee.

The Company's governance structure is as follows:

As at the date of reporting on these financial statements, the Company's organisational structure is as shown on the next page and is effective as from 21 March 2023:

LA PRUDENCE LEASING FINANCE CO. LTD

CORPORATE GOVERNANCE REPORT

1. GOVERNANCE STRUCTURE (CONTINUED)

Note:

- No. of Headcount Permanent Staff is 32. 4 Staff are employed on a temporary basis (1 in Recovery team and 3 in Sales Team);
- Grow Back our Books- Reinforcing and Restructuring of Sales Team with 2 new Sales Support Officers onboarded;
- Risk Management from Head of Credit to Head of Compliance & MLRO -w.e.f 21 March 2023.

2. STRUCTURE OF BOARD AND COMMITTEES

The Board

The unitary Board comprises nine members as at 31 December 2022. The Company's constitution stipulates that the Board shall consist of not less than 5 and not more than 15 Directors. Pursuant to Section 18 of the Banking Act 2004, the Board should have a balance of independent, non-executive and executive directors, with at least 40 per cent of which must be independent directors. The Board shall appoint a Director upon recommendation of its Corporate Governance and Remuneration Committee in line with the latter's Terms of Reference.

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.

The appointment of directors is line with the Board Charter of the Company and the legal and regulatory requirements.

The Board further assumes responsibilities for leading and controlling the Company, meeting all the legal and regulatory requirements as well as approving the Board's Charter, the Company's Code of Ethics, job descriptions of senior governance positions and the statement of accountabilities.

All directors are residents of Mauritius.

The composition of the Board is shown on the next page.

LA PRUDENCE LEASING FINANCE CO. LTD

CORPORATE GOVERNANCE REPORT

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Members	**Date of Appointment**	**Board of Directors**	**Corporate Governance and Remuneration Committee**	**Audit Committee**	**Risk and Conduct Review Committee**	**Assets and liabilities Committee**
OOSMAN, Mushtaq	03 March 2016 (Director) 21 October 2016 (Chairperson)	Chairperson and INED	Member	-	-	Member
MAUREL Philippe Olivier	30 June 2016	NED	Member	-	-	Member
YUE-CHI-MING Clement	22 June 2017	ED	Member	-	Member	Member
HUET D'ARLON DE FROBERVILLE Jean Bruno	24 January 2018	NED	-	-	-	-
GALEA Marie Henri Dominique	30 September 2019	NED	-	-	-	-
LEUNG LAM HING Jhonny Vee Fah	07 January 2020	NED	-	-	-	-
JOHN CHUAN Yeung Min (also known as Christine John Chuan)	03 August 2020	INED	-	Chairperson	Chairperson	Member
MAMET Linda	01 July 2022	INED	Chairperson	Member	Member	-
PUNCHOO Vikramdass	01 November 2022	INED	-	Member	Member	Chairperson
Retiring directors:						
LIONNET Gerard Aristide	03 December 2015 to 02 June 2022	INED	-	Member	Member	Chairperson
LAGESSE Marie Danielle	29 January 2016 to 28 July 2022	INED	Chairperson	Member	Member	-

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

The directorship of Mr Gerard Aristide Lionnet and Mrs Danielle Lagesse have ended on 02 June 2022 and 28 July 2022 respectively. In that respect Mrs Linda Mamet and Mr Vikramdass Punchoo have been appointed with effect from 01 July 2022 and 01 November 2022 respectively. The regulatory approvals have been duly received.

On 19 January 2022, the Company has also applied to the Bank of Mauritius for an extension of the directorships of Mr Mushtaq Oosman and Mr Olivier Maurel whose appointments were to expire on 03 March 2022 and 30 June 2022 respectively. Approval was duly received from the Bank of Mauritius for extension of the term of office of Mr Mushtaq Oosman and Mr Olivier Maurel as Independent Director and Non-Executive Director for another 2 years up to 02 March 2024 and 29 June 2024 respectively.

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

The Directors' profiles, skills and biographies can be viewed on pages 13 to 15 of this report or www.prudenceleasing.com.

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

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 for 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 Mauritius 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 (out of 5 meetings)	Corporate Governance and Remuneration Committee (out of 4 meetings)	Audit Committee (out of 5 meetings)	Risk and Conduct Review Committee (out of 4 meetings)	Assets and Liabilities Committee (out of 4 meetings)
Oosman Mushtaq	5	4	-	-	4
Lionnet Gerard Aristide*	3	-	2	2	2
Lagesse Marie Danielle*	3	2	3	2	-
Maurel Philippe Olivier	5	4	-	-	3
Yue-Chi-Ming Clement	5	4	-	4	4
Huet d'Arlon de Froberville Jean Bruno	4	-	-	-	-
Galea Dominique	4	-	-	-	-
Leung Lam Hing Jhonny Vee Fah	5	-	-	-	-
John Chuan Yeung Min	5	-	5	4	4
Linda Mamet**	2	2	2	2	-
Vikramdass Punchoo**	1	-	1	1	1

**Mr. Lionnet and Mrs. Lagesse retired from the Board in the course of the financial year.*
***Mrs. Mamet and Mr. Punchoo were appointed as new directors in the course of the financial year.*

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 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: www.prudenceleasing.com. Composition of the four committees is found on page 9.

Mrs Brindha Tanee has been acting as secretary of the four committees as from 16 March 2020 until her resignation on 01 February 2023.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities related to accounting, financial reporting practices, quality and integrity of financial reports, compliance, and internal controls.

Further responsibilities of the Audit Committee include:

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

- reviewing of the audited financial statements for adequacy before their approval by the board;
- assessing whether the Company has implemented adequate internal control and financial disclosure procedures;
- reviewing any transactions brought to its attention by the auditors or any officers of the Company, or that might otherwise come to its attention, which might adversely affect the financial condition of the institution;
- reporting to the Board on the conduct of its responsibilities in frequency specified by the Board, with particular reference to section 39 of the Banking Act 2004;
- ensuring that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws;
- recommending to the shareholder the appointment and remuneration of the external auditor and approving the engagement letter setting out the scope and terms of external audit;
- assessing periodically the skills, resources, and independence of the external audit firm and its practices for quality control; and
- ensuring that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the Committee and the Board of instances of non-compliance on a timely basis.

The main areas of focus of the Audit Committee during the year under review were:

- approval of internal and external audit plans to ensure that these are risk-based and address all activities over a measurable cycle, and that the work of external and internal auditors is coordinated;
- recommendation to the Board for the appointment of Deloitte as external auditor in replacement of Ernst& Young who completed their mandatory audit cycle of 5 years;
- 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 financial reports;
- discussion on the adequacy of allowance for credit impairment on impaired leases; and
- approval of the nomination and remuneration of the internal audit function which has been outsourced to PricewaterhouseCoopers Ltd ("PwC").

Risk and Conduct Review Committee

Pursuant to Section 54 of the Banking Act 2004, the Board of Directors is required to maintain adequate internal control systems that are 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 ("RCRC") 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 responsibilities of the RCRC include:

- identifying principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the institution, and actions to mitigate the risks;
- receiving regular reports from the Head of Risk on his activities and findings relating to the Company's risk appetite framework;
- receiving from senior officers, periodic reports on risk exposures and activities to manage risks; and
- formulating and making recommendations to the board on risk management issues.

The RCRC 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 RCRC during the year under review were:

- approving Related Party Transactions;
- reviewing and overseeing the Enterprise-Wide Risk Management framework and Risk Register; and
- formulating, reviewing and approving policies on monitoring and managing risk exposures.

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Corporate Governance and Remuneration Committee ("CGRC")

The CGRC 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 CGRC is responsible for the establishment and implementation of systems and procedures to ensure independence of the Board from management and for ensuring that staff issues are duly communicated and dealt with. Further responsibilities of the CGRC include:

- preparing for approval of the board the remuneration and compensation package for directors, senior managers, and other key personnel, taking into account the soundness of risk taking and risk outcomes as well as any relevant information available on industry norms;
- recommending to the Board an incentive package, as necessary, to enhance staff performance, while ensuring that incentives embedded within remuneration structures do not incentivise staff to take excessive risk; and
- commenting on the contribution of individual directors to the achievement of corporate objectives as well as on the regularity of their attendance at the board and committee meetings.

The main areas of focus of the CGRC during the year under review were:

- reviewing and approving salary increase and performance bonus for employees;
- considering employee matters, including review of the HR Policy;
- creating a safer work environment;
- conducting directors' training and induction for new directors; and
- discussing the progress achieved through the implementation of the Code.

Assets and Liabilities Committee

The Assets and Liabilities Committee assists the Board in discharging its supervision responsibilities by overseeing all matters as specified in its Terms of Reference. The Assets and Liabilities Committee supports the Board in evaluating the adequacy and monitoring the implementation of the Company's policies and procedures with regard to the risk appetite, risk monitoring, capital and liquidity management. 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: pricing strategy, maturity and concentration;
- Review of the liquidity position on a quarterly basis;
- Review of the lease pricing strategy;
- Review the capital situation of the Company; and
- 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 Mauritius 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.

As part of its mandate, the Board carefully considers the needs of the organisation and considers the following factors when appointing new Directors:

- Skills, knowledge and expertise;
- Previous experience;
- Balance required on the Board including but not limited to gender and age;

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

- Independence (where required); and
- Any conflict of interest.

The Board may at any time appoint any person to be a director either to fill a casual vacancy or as an addition to the existing directors up to a maximum number permitted by the Constitution of the Company, subject to approval being obtained from regulatory bodies. The appointed director then remains in office until the next Annual Meeting of Shareholders where the director shall be eligible for re-election.

The nomination and appointment processes are carried out by the Corporate Governance and Remuneration Committee ("CGRC") of the Company.

The CGRC identifies suitable candidate for the Board of the Company and proposes the selected candidates to the Board of the Company. Once the Board has reviewed and is satisfied with the profile of the candidates, the Board shall request the approval of the regulatory authorities.

Directors' Profile

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

Mr Mushtaq Oosman, born in 1954, heads the Board of Prudence Leasing. He is a Director holding no direct or indirect interests in the Company and is widely known for his independence of mind and extensive experience in corporate and financial matters. He has worked for 30 years at PwC. 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 Moulins de la Concorde Ltee and PIM Limited.

Mr Philippe Olivier Maurel
Non-Executive Director

Mr Philippe Olivier Maurel, born in 1982, 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 Dip CRM 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 Limited (now known as Absa Bank (Mauritius) Limited), 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).

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

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 The Mauritian Union Assurance Cy. Ltd. in August 2010. Bruno de Froberville holds an MBA from the University of Birmingham and a bachelor's in science with a major in Marketing from Louisana State University.

Directorship in other companies: The Mauritius Union Assurance Cy. Ltd. and Mauritius Freeport Development Company 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). 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 Limited in 1988, and in Rey & Lenferna International Ltee 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 Chairperson of Phoenix Transafrica Holdings Ltd, United Docks Ltd, Rey & Lenferna International Ltee and Forges Tardieu Limited.

Directorship of listed companies: United Docks Ltd, Ascensia Limited, 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.

Directorship of listed companies: None.

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

Christine Yeung Min John Chuan, born in 1954, was appointed as an Independent Director to the Board on 03 August 2020. She worked with SBM Bank (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 Limited (now Absa Bank (Mauritius) Limited) 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.

Directorship of other companies: Investcorp (Holdings) Ltd.

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

Mrs Linda Mamet
Independent Director

Linda Mamet, born in 1954, holds a BSc (1st class) degree in Biology and Applied Psychology from the University of Aston, UK and an MPhil and a PhD in Plant Genetics from the University of Cambridge, UK. She conducted scientific research at the Mauritius Sugarcane Industry Research Institute from 1986 to 1999. In 1999, she joined the Regional Training Centre ("RTC") where she held the post of Managing Director from 2005 to 2019. Her most recent post was Interim CEO of the Mauritius Institute of Directors ("MIoD"). She is a Non-Executive Director of MIoD and an Independent Director of the Higher Education Commission ("HEC"). She sits on several sub-committees of MIoD and HEC. She is a Fellow of the Mauritius Academy of Science and Technology and a Fellow of the Mauritius Institute of Directors.

Directorship of listed companies: None.

Mr Vikramdass Punchoo
Independent Director

Vikramdass Punchoo, born in 1963, is a seasoned central banker with a career spanning over three decades at the Bank of Mauritius, with 25 years within the Department of Economic Research, Analysis, and Statistics during which he held various senior positions. Effective 30 December 2014, he was appointed Deputy Governor of the Bank of Mauritius, with overall responsibility for banking regulation and supervision, financial stability, legal, and corporate affairs of the Mauritian banking sector.

Over his thirty-year career at the Bank of Mauritius, he has developed core competencies in the areas of economic analysis and research, economic and financial liberalisation, central bank statistics namely compilation of Balance of Payments and Monetary and Financial Statistics, banking regulation and supervision including bank licensing, resolution of failed banks, voluntary liquidation and risk-based supervision, foreign reserves management, financial markets, and corporate governance. Mr Punchoo was appointed as an independent director to the Board on 1 November 2022.

Directorship of listed companies: None.

Mr Gerard Lionnet
Independent Director (until 02 June 2022)

Gerard Lionnet, born in 1950, has been appointed to the Board as Independent Non-Executive Director since 03 December 2015 until his retirement from the Board on 02 June 2022. He has acquired a long experience at senior management level with several achievements at the Mauritius Commercial Bank Limited 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 (until 28 July 2022)

Danielle Lagesse, born in 1953, is an independent Director of La Prudence Leasing since 29 January 2016 until her retirement from the Board on 28 July 2022. 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.

A complete list of directorships can be obtained upon written request from the Company Secretary.

LA PRUDENCE LEASING FINANCE CO. LTD

CORPORATE GOVERNANCE REPORT

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

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 both the day-to-day operations of the Company and its 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 Ravindranathsingh Karroo
Head of Recoveries

Ravindranathsingh 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 (up to 01 February 2023)

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. She resigned from the Company on 01 February 2023.

Ms. Loubna Sooltan
Head of Compliance and MLRO (as from 01 March 2023)

Loubna Sooltan holds a First-Class degree in Economics and Accountancy from City University, London and is a member of the Association of Chartered Certified Accountants and the Mauritius Institute of Professional Accountants.

She was an audit and assurance manager at PwC Mauritius for 17 years and has a wide audit experience in multiple industries, including financial services and asset management. She also served as PwC's Risk and Quality Manager for 2 years overseeing the AML/CFT requirements for onboarding of new clients and ensuring adherence to the firm's risk management and independence policies.

She joined La Prudence Leasing Finance Co Ltd on 01 March 2023.

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

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 Limited (now known as Absa Bank (Mauritius) Limited).

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

Mr Nitish Meetoo
Head of Credit

Nitish has more than 10 years of experience in financial services and he has gained expertise in credit administration, risk and control. He holds a BSc with Honours 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 Limited and SBM Bank (Mauritius) Ltd.

Director's Induction, Professional development and Succession Planning

Upon appointment, the Company provides a comprehensive, formal and tailored induction to the new Directors. The newly appointed Directors receives an induction pack which includes a set of the Company's governing documents. An introductory meeting is organised with the Managing Director to explain the business activities of the Company and its governing policies.

The Chairperson, the Managing Director as well as the Company Secretary are readily available to answer to any further queries that the newly appointed directors may have with respect to the Company. The induction programme in place meets the specific needs of both the Company and the newly appointed Directors and enable the latter to participate actively in Board's discussion.

Directors are encouraged to remain updated with industry practices, trends and standards. They may also request for any specific training of interest to them for the fulfilment of their duties as directors.

During the financial year 2021/2022, the Directors received trainings and followed informational sessions. The main topics covered were financial stress testing, corporate governance and Anti-Money Laundering and Combatting Terrorist Financing ("AML/CFT"). The Company has already identified some areas and subjects in which the directors have also shown an interest for the next financial year's training programme.

The Board ensures the orderly succession of appointment to the Board and to senior management positions so as to maintain an appropriate balance of knowledge, skills and experience on the Board and within the Company. The Corporate Governance and Remuneration Committee of the Company, has been delegated the task by the Board to consider succession planning for Directors and other senior management positions, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed in the future.

As part of the Company's succession plan, the situation at Board and senior management levels is regularly assessed and appropriate action is taken to fill gaps where needed.

4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

All Directors are aware of their legal duties and are required to act in good faith and in the best interests of the Company.

The Board ascertains that any conflicts-of-interest transactions and all 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.

4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE (CONTINUED)

Moreover, at the beginning of each meeting of the Board, the Chairperson 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 to the Company Secretary.

For this reporting period, no conflict of interest has been noted.

Directors' Interest in the Shares of the Company as at 31 December 2022

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

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

Directors	*Indirect Interest*
Mr Philippe Olivier Maurel	23.20%
Mr Jean Bruno Huet d'Arlon de Froberville	6.10%
Mr Dominique Galea	24.24%

Related parties

The Company adheres to the requirements as set out by Guideline on Related Party Transactions (as amended in May 2022) issued by the Bank of Mauritius and to its Policy on Related Party Transactions which has been established under the said guideline.

Details on related-party transactions are found under Note 30 of the accompanying financial statements and in the Management and Discussion Analysis section of this annual report.

Remuneration

Directors

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 and Remuneration Committee of the Company.

The Directors received **Rs 9,134,659** as Directors fees including the Managing Directors' salary/bonus during the year (2021: Rs 8,936,828). The non-executive directors have not received any remuneration in the form of share options or bonuses associated to organisational performance.

Remuneration for the Executive Director comprises a base salary and short-term benefits which reflect his responsibilities and experience, as well as a variable element in the form of a bonus, determined by the performance of both the Company and the individual.

The following table highlights the remuneration and benefits received by the directors throughout the year:

Directors' remuneration for current directors	***Rs***
Oosman Mushtaq	685,000
Maurel Philippe Olivier	420,000
Yue-Chi-Ming Clement	6,522,659
Huet d'Arlon de Froberville Jean Bruno	48,000
Galea Dominique	36,000
Leung Lam Hing Johnny	60,000
John Chuan Yeung Min	470,000
Mamet Linda (Directorship started 1 July 2022)	214,000
Punchoo Vikramdass (Directorship started 1 November 2022)	77,000

4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE (CONTINUED)

Directors remuneration for retiring directors	***Rs***
Lionnet Gerard Aristide (Directorship ended 02 June 2022)	346,000
Lagesse Marie Danielle (Directorship ended 28 July 2022)	256,000

Employees

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

Performance Evaluation

The last Board 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 which was due in 2022 has been postponed for March 2023.

Access to information

The Directors have access to the advice and services of the Company Secretary, as well as access to senior management for matters they wish to discuss at Board or Committee meetings or any other matter they consider to be appropriate. There are no restrictions placed over the right of access to information.

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.

All significant IT expenditure is approved at the level of the board.

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 for 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.

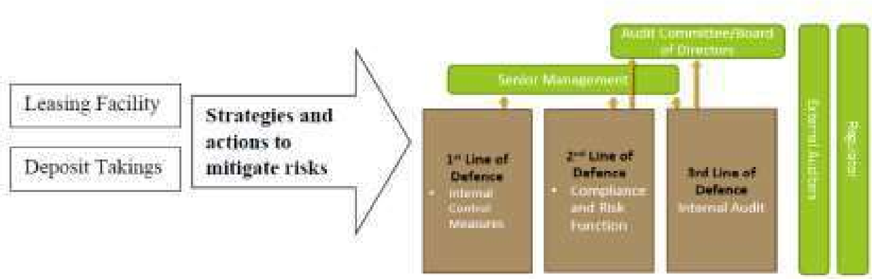
5. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

During the year there were no significant or material deficiencies in the Company's Internal Control systems that the management is not aware of. Management is also not aware of any significant area not covered by Internal Control systems.

The Board derives assurance that the system of internal controls is effective through the three 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 3 lines of defence can be illustrated as follows:

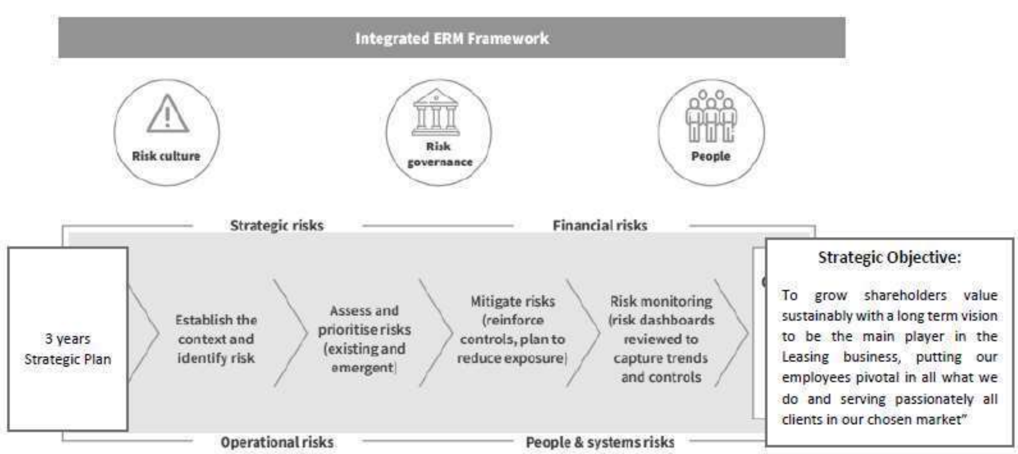


The Board maintains full control and direction over strategic, financial, operational, control and compliance issues and ensures that an effective organisational structure is in place in line with good governance practices.

The risk management approach of the Company rests on 3 pillars:

- Risk culture is part and parcel of business operations and people's mind-set;
- Risk governance sets the structure for risk management in line with the three lines of defence mechanism; and
- People is about nurturing the mind-set of assessing risks and opportunities in decision making process.

The Company has thus developed its enterprise risk management ("ERM") framework along these principles:

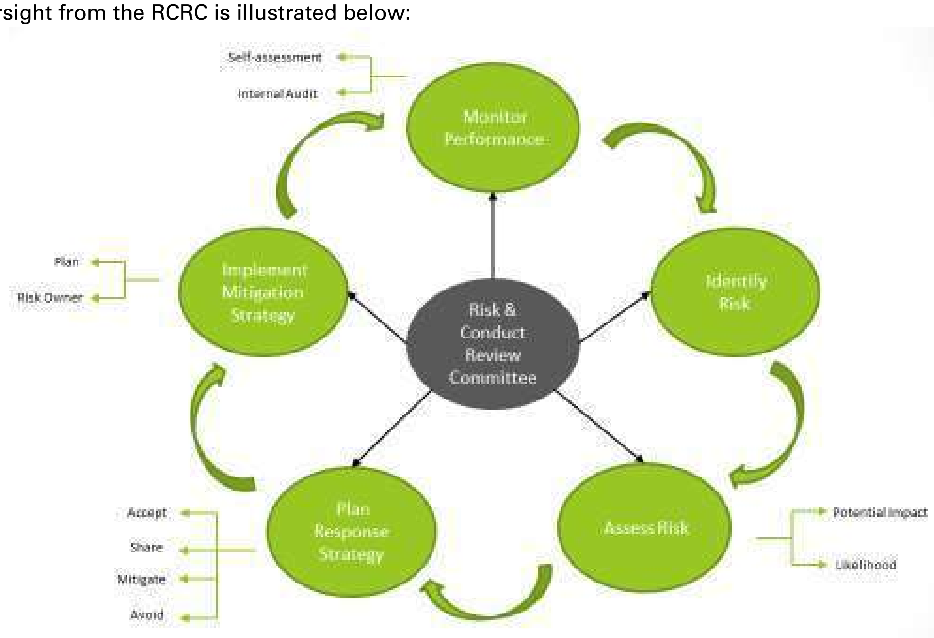


5. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Company's ERM framework enables both a top-down and a bottom-up approach to ensure that risks influencing the Company's ecosystem are duly considered and subsequently prioritized in decision making processes.

Management periodically (at least on a quarterly basis) reviews their principal risks as per their risk management registers and risk matrix, assesses their impact and prioritises their importance in the form of a risk dashboard. Same is tabled at the Risk and Conduct Review Committee and Board Meetings to enable risk oversight by the RCRC members and Board members.

The oversight from the RCRC is illustrated below:



Risk Register

One of the critical tools for management's monitoring of risks is the Risk Register. This tool contains all the risks identified and summarizes or documents the results of the assessment performed including management actions to be undertaken to further mitigate the risks to an acceptable level. It also includes information as to whom (individual or unit) specific risks are assigned and responsible for its mitigation. Information that is included in the detailed risk register are as follows:

- Area, unit, process, activity or project with which the risk is associated;
- Line of Defence;
- Risk description;
- Business Risk Category;
- Assessment score for likelihood;
- Assessment score for impact;
- Overall risk assessment (Risk Score);
- Value at risk or significance (Risk Rating);
- Existing controls that mitigate the risks; and
- Future or action plan to further improve mitigation controls including timeline, responsible person, and status.

After each potential risk event are measured according to its likelihood and consequence, those involved in the risk assessment are required to plot those risks into the Risk Heat Map.

5. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

By plotting the risks identified into the Risk Heat Map taking into consideration its consequence and likelihood, Management and Board members can visualise risks in relation to each other and can be used as a basis for assessing and addressing risks in accordance with their potential impact on the business strategy.

Focus is placed on the risks which management considers having a likely impact on the Company's strategy, future performance, solvency and liquidity. Monitoring is made on a periodic basis for strategic, financial (liquidity, credit risk, market risk, interest rate risk), operational and compliance risks.

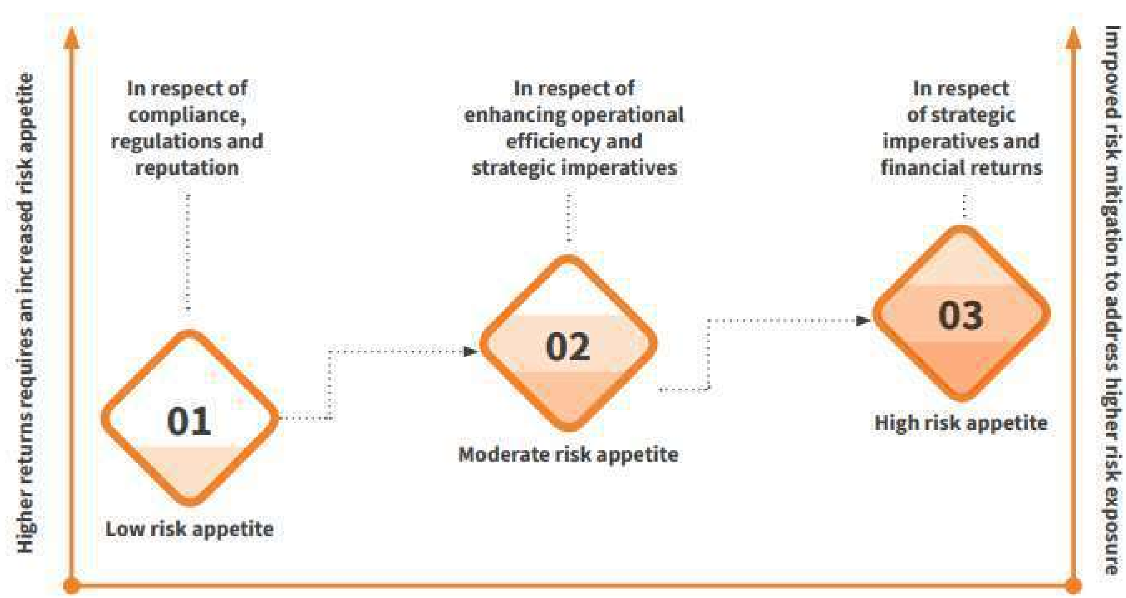
More details on the risks identified by the Company and the mitigants in place are described in the Management and Discussion Analysis section of this annual report, and the Financial Risk Management section of the financial statements.

Risk Appetite

The Board is responsible for strategy setting, leadership and decision-making all of which are subject to risks. The Board thus determines the level of risk tolerance and risk appetite in accordance with set business objectives.

- Risk appetite is a core consideration in an enterprise risk management approach. Risk appetite can be defined as: '*the amount and type of risk that an organisation is willing to take in order to meet pursuit of its strategic objectives*'.
- Risk tolerance is defined as the acceptable performance variation between the actual residual risk profile and the target risk profile in relation to the risks identified and managed through the ERM Framework.
- When risk tolerance is exceeded, management is required to take actions, i.e., to treat, transfer or terminate the associated risk. The risk appetite is dependent on several factors such as prevalent economic cycle; shareholders, regulators and other stakeholders' expectations; and the risk appetite may vary accordingly.

The risk appetite can be pictured as follows:



Whistleblowing policy

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 accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, Banking Act 2004, Financial Reporting Act 2004 and the Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Company are concerned and considers the Annual Report, taken as a whole, fair balanced and understandable.

The Board confirms its commitment in providing therein necessary information for the sole shareholder and various stakeholders to assess the Company's position, performance and outlook.

The audited financial statements contained within the annual report 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 and 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 with 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 shareholder's value sustainably so as to be among the top three 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 organisational structure is reviewed on a regular basis to adapt to the changing business environment and to face with confidence the different challenges and opportunities ahead. The current headcount is 30.

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 with all regulatory and statutory requirements.

Overview of the External Environment

The leasing sector in Mauritius is becoming more and more competitive with the number of net investments in finance leases and deposits almost flat over the past years 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.

Inflationary pressures are likely to continue as supply chain disruption due to the Russia-Ukraine conflict further impact on energy and food prices. This contributes to the erosion of our clients' purchasing power, especially those in the lower- and middle-income groups, and may have a negative impact on our business objectives.

Business Model

In spite of the inflationary pressures, the Company still 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

The Board of Directors decides on the quantum of dividends to be declared and paid based on the availability of funds and the Company meeting the solvency test requirements and the Bank of Mauritius requirements. The payment of dividend is subject to the performance of the Company, its cash flow and investment requirements.

Refer to note 23 of the financial statements for more details on the dividends.

6. REPORTING WITH INTEGRITY

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 Auditor.

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.

The Company is aware of its responsibilities towards the social and environment systems it operates in and works towards achieving its economic objectives with a close look on monitoring its social and environmental impact. The interconnectivity highlights urgency to transform its growth path to be a socially inclusive, low carbon and resource efficient organisation.

Charitable and Political Donations

The Company did not make any political donations during the financial year ended 31 December 2022 (2021: Nil).

During the year under review the Company has not participated the CSR initiative.

	CSR paid to:	Amount (Rs) 2022	Amount (Rs) 2021	Amount (Rs) 2020
1	TIPA	-	7,000	-

7. AUDIT

Internal Audit

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

Internal control 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 appointed PwC in replacement of KPMG on 24 November 2021 to act as internal auditor. On 09 February 2022 the Bank of Mauritius approved PwC as the new Internal Auditor for 3 years as from the financial year 2022. A letter of engagement signed by both parties is in place and the Internal Audit plan is presented to the Audit Committee Members. The scope of their intervention for the year 2022 included the following:

- AML/CFT Type 2;
- Adequacy and Effectiveness of the Compliance Function;
- Leases - Lending and Credit Worthiness; and
- Related Party Transactions (including the role of the Conduct Review Committee).

The internal auditor has full access to the records, management or employees of the Company. The internal auditor reports 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.

7. AUDIT (CONTINUED)

The PwC Partner overseeing the internal audit engagement for the Company is Julien Tyack. Julien Tyack has over 25 years of experience, including 11 years of practice in the United Kingdom. He leads the Risk Assurance Services practice at PwC and has been actively involved in conducting internal audit assignments in multiple industries including banks, non-bank deposit taking institutions, hotels, and large conglomerates. He is a fellow of the Association of Certified Chartered Accountants and a Certified Internal Auditor from the Institute of Internal Auditors. He also holds academic and professional qualifications from the University of Surrey and the Institute of Risk Management, UK.

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 reviews the appointment of the external auditor on a yearly basis and makes recommendations to the Board. Deloitte has been appointed as external auditor of the Company for the financial year ended 31 December 2022 at the Annual Meeting of shareholders held in June 2022 and after regulatory clearance from the Bank of Mauritius.

The Audit Committee also reviews the audit plan presented by the external auditor to discuss the scope, timeline, fees, accounting principles and other areas of focus, amongst others. In addition, the Audit Committee receives reports from the Company's external auditor and has separate sessions with the latter without the presence of management. In the course of the year, the Audit Committee discussed with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors. These discussions included consideration for the choice of accounting policies, critical accounting policies and judgement, financial statement disclosures and internal control deficiencies identified by the external auditor in the course of the audit.

The Audit Committee evaluates the performance of the external auditor against set criteria and reviews the integrity, independence and objectivity of the external auditor by:

- Confirming that the external auditor is independent from the Company; and
- Considering whether the relationships that may exist between the Company and the external auditor impair the external auditor's judgement.

The Audit Committee receives feedback from management and assesses the performance of the external auditor, based on its credentials, commitment to timelines, technical competence, continuity of core audit team, adhesion to audit plan and overall quality of the audit delivered.

Although the external auditor may provide non-audit services to the Company, the objectivity and independence of the external auditor is safeguarded through restrictions on the provisions of these services such as:

- where the external auditor may be required to audit its own work, or
- where the external auditor participates in activities that should normally be undertaken by Management.

The fees charged by the auditors for audit services and other services have been detailed in the Directors' Report on page 5.

8. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

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

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

7. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

The Board aims to properly understand the information needs of all stakeholders and places great importance on an open and meaningful dialogue including outlook and performance with all those involved with the Company. The main stakeholders of the Company are its shareholders, the corporate and retail customers, the regulatory authorities, the employees, the clients and suppliers and the population at large.

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

There is currently no such agreement.

Calendar

Details	Date
Financial year-end	31 December 2022
Approval of Annual Report including Audited Financial Statements	By 31 March 2023
Annual Meeting	By 30 June 2023

Mushtaq Oosman
Chairperson of the Board

Linda Mamet
Chairperson of the Corporate Governance and Remuneration Committee

Clement Yue-Chi-Ming
Managing Director

Date: 21/03/2023

LA PRUDENCE LEASING FINANCE CO. LTD

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 2022**

On behalf of the Board of Directors of La Prudence Leasing Finance Co. Ltd ("the Company"), we confirm that, to the best of our knowledge, the Company has complied with all the obligations and requirements of the National Code of Corporate Governance for Mauritius (2016) (the 'Code') in all material respects. except for the below:

PRINCIPLE 4: DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

The Board has not conducted an assessment of its performance, that of its committees and the individual directors. The assessment, which was scheduled for 2022, has been postponed to 2023.

Mushtaq Oosman
Chairperson of the Board

Linda Mamet
Chairperson of the Corporate Governance and Remuneration Committee

Clement Yue-Chi-Ming
Managing Director

Date: 21 / 03 / 2023

LA PRUDENCE LEASING FINANCE CO. LTD

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements for the Company's operations in Mauritius presented in this Annual Report have been prepared by Management, who is responsible for their integrity, consistency, objectivity and reliability. 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 manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors, acting in part through the Audit Committee and Risk and Conduct Review Committee, which comprise Independent Directors who are not officers or employees of the Company, 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 Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to 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, Deloitte, has full and free access to the Board of Directors and its Committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

For and on behalf of the Board of Directors

Mushtaq Oosman
Chairperson of the Board

Yeung Min (Christine) John Chuan
Chairperson of the Audit Committee

Clement Yue-Chi-Ming
Managing Director

Date 21/03/2023

LA PRUDENCE LEASING FINANCE CO. LTD

REPORT FROM THE COMPANY SECRETARY

We certify to the best of our knowledge and belief that for the year ended 31 December 2022, La Prudence Leasing Finance Co. Ltd ("the Company") has filed with the Corporate and Business Registration Department, all such returns as are required of the Company under the Mauritius Companies Act 2001.

ECS SECRETARIES LTD

ECS Secretaries Ltd

Company Secretary

Date: 21/03/2023

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholder 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" and the "Public Interest Entity") set out on pages 33 to 89, which comprise the statement of financial position as at 31 December 2022, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting 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 Standard Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Provision for expected credit losses</td></tr>
<tr><td>IFRS 9 Financial Instruments requires recognition of expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are:

• Model estimations - Statistical modelling is used to estimate ECL which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the lease portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.
• Macro-Economic Forecasts - IFRS 9 requires the measurement of ECL on a forward-looking basis using the most appropriate macro-economic forecasts. The macro-economic forecasts are estimates of future economic conditions.
• Qualitative adjustments - Adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.

For impaired leases, the most significant judgements are whether impairment events have occurred and the valuation of the underlying collaterals and future cash flows.

Due to the significance of the judgements and estimates applied in the computation of the expected credit losses, this item is considered as a key audit matter.

The details of the policies and processes followed for the determination of ECL are disclosed in Notes 3F and 5.1 to the financial statements.</td><td>Our procedures included the following amongst others:

• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the ECL model;
• Evaluating the appropriateness of the impairment methodology applied by the Company against the requirements of IFRS 9;
• Reviewing the criteria for staging of credit exposures, including the appropriateness of the criteria used for significant increase in credit risk;
• Involving a team of specialists to validate the ECL model, including assessing the appropriateness of:
✓ macro-economic forecast used;
✓ weights and scenarios applied in the model;
✓ PD, LGD and EAD methodologies.
• Inspecting the minutes of Risk and Conduct Review Committee to ensure that there are governance controls in place in relation to the assessment of ECL results.

For impaired leases, we have further:
• Obtained audit evidence in respect of key controls over the processes of identification of impaired leases and impairment assessment;
• Independently recomputed the ECL, on a sample basis, based on our assessment of the expected cash flows at an individual counterparty level
• Assessed the qualifications of the respective independent appraisers for collateral valuation, and inspected the valuation reports on a sample basis, as well as the reasonableness of the time taken to realise the collaterals and any applied haircuts.</td></tr>
</table>

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Independent auditor's report to the Shareholder of La Prudence Leasing Finance Co. Ltd (Cont'd)

Other matter

The financial statements of La Prudence Leasing Finance Co. Ltd for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2022.

Other information

The directors are responsible for the other information. The other information comprises the value statement, the corporate information, the directors' report, the corporate governance report, the statement of compliance, the statement of management's responsibilities for financial reporting, the report from the company secretary and the management and discussion analysis document but, does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Responsibilities of 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 in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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Independent auditor's report to the Shareholder of La Prudence Leasing Finance Co. Ltd (Cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Financial Reporting Act 2004

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

Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

Use of this report

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

Deloitte

Deloitte

Chartered Accountants

28 March 2023

LLK Ah Hee, FCCA

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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021	2020
		Rs	Rs	Rs
ASSETS				
Cash and cash equivalents	7	26,254,312	63,148,504	22,105,318
Deposits with financial institutions	8	146,280,733	143,807,864	92,863,274
Investment in debt securities at amortised cost	9	-	5,128,123	80,927,405
Net investment in lease receivables	10	1,476,392,354	1,257,689,656	1,291,171,313
Advance on finance leases	17	3,639,745	-	-
Property and equipment	11	134,899,246	149,155,193	185,445,146
Right-of-use assets	12	2,964,908	830,140	2,514,988
Current tax assets	13	187,288	187,288	830,433
Deferred tax assets	14	-	1,873,950	5,752,438
Intangible assets	15	16,704,428	19,017,767	477,732
Assets held for sale	16	1,775,770	1,036,777	1,665,000
Other assets	18	8,738,886	9,277,331	8,966,784
Total assets		1,817,837,670	1,651,152,593	1,692,719,831
LIABILITIES				
Deposits from customers	19	1,274,818,178	1,247,641,732	1,334,330,922
Other borrowed funds	20	198,915,670	88,555,005	55,146,943
Lease liabilities	12	3,046,564	977,004	2,797,381
Dividend payable	23	10,000,000	-	-
Other liabilities	22	26,998,975	14,870,395	19,488,939
Deferred tax liabilities	14	1,936,268	-	-
Retirement benefit obligations	21	602,292	1,903,434	2,684,921
Total liabilities		1,516,317,947	1,353,947,570	1,414,449,106
SHAREHOLDERS' EQUITY				
Share capital	24	200,000,000	200,000,000	200,000,000
Statutory reserve		33,497,357	29,233,484	26,521,952
General risk reserve		6,988,679	-	-
Retained earnings		61,033,687	67,971,539	51,748,773
Total equity		301,519,723	297,205,023	278,270,725
Total equity and liabilities		1,817,837,670	1,651,152,593	1,692,719,831

Authorised for issue by the Board of Directors on 21 / 03 / 2023 **and signed on its behalf by:**

Mr. Mushtaq Oosman
CHAIRPERSON
OF THE BOARD OF DIRECTORS

Mr. Clement Yue-Chi-Ming
MANAGING DIRECTOR

Mrs Yeung Min John Chuan
CHAIRPERSON OF THE
AUDIT COMMITTEE

The notes set out on pages 37 to 89 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021	2020
		Rs	Rs	Rs
Interest income				
Interest income calculated using the effective interest rate method	25	**4,213,487**	4,170,314	6,111,471
Interest income on investment in finance lease receivables	25	**103,016,521**	97,859,806	104,847,751
Interest expense	25	**(44,696,049)**	(51,054,530)	(60,826,626)
Net interest income	25	**62,533,959**	50,975,590	50,132,596
Non-interest income				
Operating lease rental income	32	**48,064,342**	51,261,719	52,908,489
Fee and commission income		**8,397,613**	7,038,879	6,122,801
Other income	26	**9,093,064**	1,905,645	2,012,867
Net foreign exchange gain		**144,469**	5,256	431,789
Net non-interest income		**65,699,488**	60,211,499	61,475,946
Operating income		**128,233,447**	111,187,089	111,608,542
Loss incurred on repossessed finance leases		**-**	-	(240,484)
Net impairment gain/(loss) on financial assets	27	**2,212,133**	1,906,929	(7,872,385)
Gain/(loss) on assets held for sale	16	**237,459**	(19,293)	(800,813)
Personnel expenses	28	**(38,458,077)**	(33,407,804)	(29,725,842)
Operating lease expenses		**-**	-	(357,990)
Depreciation of property and equipment	11	**(37,074,235)**	(41,995,762)	(41,713,107)
Depreciation of right-of-use assets	12	**(1,829,365)**	(1,684,848)	(1,676,658)
Amortisation of intangible assets	15	**(2,499,339)**	(813,979)	(405,554)
Other expenses	29	**(18,769,859)**	(13,392,577)	(13,764,756)
Net modification loss on moratoriums		**-**	-	(1,297,988)
		(96,181,283)	(89,407,334)	(97,855,577)
Profit before income tax		**32,052,164**	21,779,755	13,752,965
Income tax (expense)/credit	13	**(3,626,348)**	(3,702,873)	11,117,465
Profit for the year		**28,425,816**	18,076,882	24,870,430
Other comprehensive income				
Other comprehensive income that will not be reclassified to Profit or loss in subsequent period				
Actuarial gain / (loss) on retirement benefit obligations	21	**1,072,754**	1,033,031	(392,385)
Related tax	14	**(183,870)**	(175,615)	66,706
Other comprehensive income for the year		**888,884**	857,416	(325,679)
Profit and total comprehensive income for the year, net of tax		**29,314,700**	18,934,298	24,544,751

The notes set out on pages 37 to 89 are an integral part of these financial statements.

LA PRUDENCE LEASING FINANCE CO. LTD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	Note	Share capital	Statutory reserve	General risk reserve	Retained earnings	Total Equity
		Rs	Rs	Rs	Rs	Rs
Balance at 1 January 2020		200,000,000	22,791,387	-	30,934,587	253,725,974
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
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
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
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
Profit for the year, net of tax		**-**	**-**	**-**	**28,425,816**	**28,425,816**
Other comprehensive income, net of tax		**-**	**-**	**-**	**888,884**	**888,884**
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**29,314,700**	**29,314,700**
Transactions with owner						
Dividends paid during the year	23	**-**	**-**	**-**	**(15,000,000)**	**(15,000,000)**
Dividends declared during the year	23	**-**	**-**	**-**	**(10,000,000)**	**(10,000,000)**
Appropriation of retained earnings to general risk reserve		**-**	**-**	**6,988,679**	**(6,988,679)**	**-**
Transfer to statutory reserve		**-**	**4,263,873**	**-**	**(4,263,873)**	**-**
Balance at 31 December 2022		**200,000,000**	**33,497,357**	**6,988,679**	**61,033,687**	**301,519,723**

General risk reserve

General risk reserve relates to amount set aside in respect of impairment in the lease portfolio, in addition to provisions for expected credit losses computed under IFRS 9. For the year ended 31 December 2022, the Company has transfered the shortfall between the impairment provisioning computed under IFRS 9 and the minimum provisioning required by the Bank of Mauritius *Guideline on Credit Impairment Measurement and Income Recognition* to the General Risk Reserve. This transfer has been made on a prudential basis on account of the anticipated enforcement of the Guideline (which is currently on hold) in the foreseeable future.

Statutory reserve

Under Section 21 of the Banking Act 2004, any financial institution shall maintain a reserve account and shall, each year, transfer therein a sum equal to not less than 15% of the profit of the year after due provision for income tax until the balance in the Reserve Account is equal to the amount paid as stated capital.

The notes set out on pages 37 to 89 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021	2020
Cash flows from operating activities	Notes	**Rs**	Rs	Rs
Profit before income tax		**32,052,164**	21,779,755	13,752,965
Adjustments for items not involving movement of cash:				
Loss incurred on repossessed finance lease		**-**	-	240,484
Net impairment (gain)/loss on financial assets	27	**(2,212,133)**	(1,906,929)	7,872,385
Depreciation of property and equipment	11	**37,074,235**	41,995,762	41,713,106
Amortisation of intangible assets	15	**2,499,339**	813,979	409,211
Depreciation of right-of-use assets	12	**1,829,365**	1,684,848	1,676,658
(Gain) / loss on disposal of assets held for sale	16	**(237,459)**	85,000	740,643
Interest income on investment in finance lease receivables	25	**(103,016,521)**	(98,465,365)	(105,212,403)
Interest income - other financial assets	25	**(4,213,487)**	(4,127,967)	(6,023,613)
Interest expense	25	**44,553,416**	50,935,499	60,471,536
Interest expense on lease liabilities	25	**142,633**	119,031	355,089
Net foreign exchange gain		**(144,469)**	(5,256)	(31,940)
Movement in retirement benefit obligation	21 (b)	**533,834**	251,544	742,440
Write-off		**65,208**	-	-
Profit on disposal of property and equipment (owned assets)		**(296,604)**	-	-
Gain on disposal of early terminated finance leases	16	**(1,694,890)**	19,169	800,813
Day 1 loss on modification of finance leases		**-**	-	1,297,989
		6,934,631	13,179,070	18,805,363
Changes in operating assets and liabilities				
Purchase of assets acquired for leasing purposes (finance leases)		**(707,903,039)**	(474,620,191)	(433,349,532)
Repayments of finance leases		**503,301,953**	510,902,484	511,343,465
Interest income on investment in finance lease receivables	25	**103,851,311**	97,920,707	100,720,863
Acquisition of operating lease	11	**(30,200,303)**	(27,185,548)	(19,613,568)
Deposits from customers		**437,308,659**	203,680,000	321,006,947
Deposit refunded to customers		**(397,952,155)**	(273,645,959)	(490,142,671)
Other borrowed funds (IFCM) received	20	**37,915,000**	54,076,175	59,385,746
Other borrowed funds (IFCM) paid	20	**(27,554,335)**	(22,212,852)	(4,551,596)
Interest paid		**(53,732,045)**	(66,113,991)	(53,591,349)
Proceeds from disposal of inventories	18 (a)	**11,997,528**	9,372,487	2,805,798
New advance on leases		**(7,121,776)**	-	-
Decrease / (increase) in other assets		**420,761**	(1,339,483)	20,526,641
Increase / (decrease) in other liabilities		**959,672**	(4,317,566)	(53,798,082)
Net cash (used in)/generated from operations		**(121,774,138)**	19,695,333	(20,451,975)
Income tax refund	13	**-**	643,145	-
Retirement benefit obligation paid	21 (e)	**(762,222)**	-	(306,503)
Net cash (used in)/generated from operating activities		**(122,536,360)**	20,338,478	(20,758,478)
Cash flows from investing activities				
Acquisition of intangible assets	15	**(186,000)**	(2,096,392)	(85,100)
Acquisition of property and equipment (owned assets)	11	**(5,094,765)**	(4,118,778)	(7,233,426)
Interest received - other financial assets		**1,542,545**	4,068,780	18,319,993
Additions to term deposits	8	**-**	(75,000,000)	(220,000,000)
Repayment of term deposits	8	**-**	25,000,000	250,000,000
Investment in debt securities	9	**-**	(25,000,000)	-
Maturity of debt securities	9	**4,977,600**	99,510,250	-
Proceeds from disposal of assets held for sale	16	**1,474,552**	275,000	245,770
Disposal proceeds from property and equipment		**343,108**	-	295,238
Net cash generated from investing activities		**3,057,040**	22,638,860	41,542,475
Cash flows from financing activities				
Other borrowed funds (Banks) received	20	**250,000,000**	-	-
Other borrowed funds (Banks) paid	20	**(150,000,000)**	-	(50,000,000)
Interest paid on other borrowed funds		**(1,050,299)**	(119,031)	(727,726)
Repayment lease liabilities	12 (b)	**(1,894,573)**	(1,820,377)	(1,625,236)
Dividend paid**		**(14,470,000)**	-	-
Net cash generated from/(used in) financing activities		**82,585,128**	(1,939,408)	(52,352,962)
Net change in cash and cash equivalents		**(36,894,192)**	41,037,930	(31,568,965)
Cash and cash equivalents at beginning of year		**63,148,504**	22,105,318	53,642,343
Effect of exchange rate changes on cash and cash equivalents		**-**	5,256	31,940
Cash and cash equivalents at end of year	7	**26,254,312**	63,148,504	22,105,318

** The difference of Rs530,000 relates to a non-cash item in respect of an amount which was offset against a loan receivable from the shareholder.

The notes set out on pages 37 to 89 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 2022

1 GENERAL INFORMATION

La Prudence Leasing Finance Co. Ltd (the "Company") is a non-bank deposit taking institution licensed by the Bank of Mauritius that provides asset financing through finance leases and operating leases. Its leasing business is regulated by the Financial Services Commission.

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.

The financial statements are presented in Mauritian Rupees ("Rs") rounded to the nearest rupee, except where otherwise stated.

2 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<u>Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use</u>

The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS *2 Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

<u>Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*</u>

The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relatedirectly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

<u>Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle</u>

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual improvements include amendments to the below standards which are applicable to the Company:

- IFRS 9 *Financial Instruments*
  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IFRS 16 *Leases*
  The amendment removes the illustration of the reimbursement of leasehold improvements.

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below:

Amendments to IAS 1 *Presentation of Financial Statements—Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective (continued)

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

3 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 Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, Banking Act 2004, Financial Reporting Act 2004 and the Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Company are concerned.

The financial statements have been prepared on a historical cost basis, except where otherwise stated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

B Going concern

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.

C Foreign currency translation

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 ("Rs"), which is the Company's functional currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Foreign currency translation (continued)

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.

D Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income ("FVTOCI");
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Company may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial instruments (continued)

(ii) Debt instruments at amortised cost or FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company has more than one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company takes into account all relevant evidence available 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 in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. The Company classifies its financial assets, consisting mainly of cash and cash equivalents, deposits with financial institutions, investment securities, net investment in finance leases and other assets under amortised cost measurement model. The Company does not have any financial assets classified in the other IFRS 9 categories of FVOCI and FVTPL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial instruments (continued)

(ii) Debt instruments at amortised cost or FVTOCI (continued)

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

Financial instrument	SPPI	Business model	Classification
Cash and cash equivalents	Yes	Hold to collect	At amortised cost
Advance on finance leases	Yes	Hold to collect	At amortised cost
Deposits with financial institutions	Yes	Hold to collect	At amortised cost
Net investment in lease receivables	Yes	Hold to collect	At amortised cost
Investment in debt securities	Yes	Hold to collect	At amortised cost
Other assets (excluding non-financial assets)	Yes	Hold to collect	At amortised cost

(iii) Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(iv) Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

(v) Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial instruments (continued)

(vi) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

(vii) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset.

A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing lease would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Company deems the arrangement is substantially different leading to derecognition.
- When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Company considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

The Company renegotiates leases to customers in financial difficulty to maximise collection and minimise the risk of default. A lease forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial instruments (continued)

(vii) Modification and derecognition of financial assets (continued)

The revised terms in most of the cases include an extension of the maturity of the lease, changes to the timing of the cash flows of the lease (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Company has an established forbearance policy which applies for its lease book.

(viii) 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.

E Leases

(i) The Company is the lessee

The Company assesses whether a contract is, or contains, a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Leases (continued)

(i) The Company is the lessee (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

(ii) The Company is the lessor

The Company is engaged in the provision of finance and operating leases to both individuals and corporates. The Company's portfolio is made up of principally motor vehicles and equipment. The credit quality of the lease book is monitored by a dedicated Credit Risk Team, with the Company having established strong credit quality assessment criteria, with monitoring of credit limits and collateralisation.

Leases for which the Company is a lessor are classified as finance or operating leases.

Finance leases – Company is a lessor

(i) Recognition and initial measurement for finance lease receivables

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 income to reimburse and reward the lessor for its investment and services. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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.

(ii) 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.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Leases (continued)

(ii) The Company is the lessor (continued)

Finance leases – Company is a lessor (continued)

(ii) Subsequent measurement (continued)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in finance lease receivables. Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease receivables 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.

Operating leases – Company is a lessor

Assets leased out under operating leases are included in property and equipment in the statement of financial position. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets classified as operating leases are depreciated over their useful lives on a basis consistent with similar fixed assets.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

F Impairment of financial assets

(i) Investment in finance leases

I: Impairment methodology

The Company has been recording the allowance for expected credit losses ("ECL") for all lease receivables using the 3 stage approach as prescribed by IFRS 9. 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 recognised.
- 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 recognised.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Impairment of financial assets (continued)

(i) Investment in finance leases (continued)

I: <u>Impairment methodology (continued)</u>

The above approach is quantitatively modelled using following formula:

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

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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

The model uses multiple scenarios to produce probability-weighted lifetime expected credit losses, and is hence forward looking the recognition of credit losses. Economic conditions take a central place in the impairment forecast.

Three hypothetical macro-economic scenarios have been considered namely: Baseline Scenario (proxy of current scenario), Adverse Scenario (proxy of bad economic environment) and Good Scenario (proxy of good economic environment). The weightage assigned to them are 60%- Baseline scenario, 20% - Good scenario and 20% Bad scenario.

The baseline scenario reflects the most probable state of the economy balanced by risks from both sides, while the alternative scenarios consider different types of shocks (both positive and negative). The shocks are selected based on their relevance to current circumstances and on expert judgement.

Management has 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.
  - ✓ 12 Months PD: likelihood of default in 12 months for an asset;
  - ✓ Lifetime 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 lease portfolio, EAD is dependent on the outstanding exposure of an asset, sanctioned amount of a lease, 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 reporting 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Impairment of financial assets (continued)

(i) Investment in finance leases (continued)

II: Significant increase in credit risk ("SICR")

The Company monitors all financial assets, issued lease commitments and unused credit lines that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets, issued lease commitments and unused credit lines that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, lending forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Company uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Company still considers separately some qualitative factors to assess if credit risk has increased significantly. For retail lending the Company considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition lease receivables that are individually assessed and are included on a watch list are in stage 2 of the impairment model. If there is objective evidence of credit-impairment, the assets are under stage 3 of the impairment model.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Impairment of financial assets (continued)

(i) Investment in finance leases (continued)

III: <u>Definition of default and curing</u>

The Company considers a financial instrument or lease defaulted and stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes more than 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; and
- 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. The Company is also guided by the Bank of Mauritius' requirement that an account is upgraded only only when all the outstanding facilities perform satisfactorily for a period of 6 months (i.e. interest and principal on all facilities in the account are services as per the restructured terms of payment) from the commencement of the first payment of interest or principal, whichever is later, on the credit facilities with the longest period of moratorium under the terms of restructuring.

IV: <u>Write offs</u>

Lease receivables are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

The Company is also guided by the requirements set out by the Bank of Mauritius *Guideline on Write Off of Non-Performing Assets* in determining its write off policy.

V: <u>Modifications gains or losses</u>

Refer to Note 3D(vii) for details of modification of a financial asset and when it can result in a derecognition. This note provides details on the ECLs.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new finance lease receivable is considered to be originated-credit impaired. This applies only in the case where the fair value of the new finance lease receivable is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms with the remaining lifetime PD at the reporting date based on the modified terms.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Impairment of financial assets (continued)

(i) Investment in finance leases (continued)

V: Modifications gains or losses (continued)

For financial assets modified as part of the Company's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Company performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the lease is no longer credit-impaired. The loss allowance on forborne leases will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Company calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in '*Net modification loss on moratoriums*'. Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

(ii) 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.

(iii) Presentations of ECLs in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for lease commitments and unused credit lines: as a provision.

G: Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Company's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

H: Investment securities

Investment securities comprise debt instruments held to collect contractual cash flow and gave rise to cash flows representing sole payment and payments of principal and interest. These are classified and measured as debt instruments at amortised cost, and carry ECLs.

Interest income on those investment securities is computed under the effective interest rate method and recognised in the statement of profit or loss and other comprehensive income under "*Interest income calculated using the effective interest rate method*".

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I 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.

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 expenditure 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 useful lives of the intangible assets are between 1- 8 years.

K Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

M 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.

Deposits are received from individual and corporate clients. Deposits are repayable and derecognised on demand or when the deposits come to maturity. Deposits are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(i) 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.

(ii) Derecognition

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

N 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 and other comprehensive income in the period in which they occur.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O Current and deferred income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Other tax exposures

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 Company is also subject to the Advanced Payment System (APS) whereby it pays income tax on a quarterly basis.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P Employee benefits

(i) 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 gratuity allowance on retirement of its employees and is allowed to deduct from this gratuity allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

The present value of the gratuity payable under the Workers Rights Act 2019 is calculated annually by independent actuaries using the projected unit credit method. The present value of the gratuity 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 gratuity payable on retirement is greater than five years of pension payable under the pension plan, the additional gratuity 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.

(ii) 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.

(iii) State Plan

Contributions to the Contribution Sociale Generalisee ("CSG") plan are expensed to the profit or loss in the period in which they fall due.

(iv) Short term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Q 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R 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.

S Share capital

Ordinary shares are classified as equity.

T Income from leasing business

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 lease receivables.

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.

U 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.

V Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

W Dividend distribution

Dividend distribution to the Company's shareholder 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 and following regulatory approval.

X Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been reclassified to conform with changes in presentation in the current year.

As required by the Bank of Mauritius *Guideline on Public Disclosure of Information*, disclosures have been made with comparative information for two years.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Determining whether a lease is a finance or operating lease

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.

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Discount rate used to determine the carrying amount of the Company's retirement benefit obligations

The determination of the Company's retirement benefit obligations depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the quality of the bonds, the tenor and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year. Further information on the carrying amounts of the Company's retirement benefit obligations and the sensitivity of those amounts to changes in discount rate are provided in note 21.

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:

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

- 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; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The sensitivity analysis on the above judgement and estimates is disclosed in note 5.1.4 to this Annual report.

5 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'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.

5.1 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.

5.1.1 *Inputs, assumptions and techniques used for estimating impairment*

Please refer to accounting policy in Note 3F.

5.1.2 *Credit risk grades*

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Large credits are subject to an annual review which involves the use of the following data:

Corporate exposures	✓ Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts or projections. ✓ Data from credit reference agencies, press articles, changes in external credit ratings ✓ Actual and expected significant changes in the political, regulatory, technological environment of the borrower or in its business activities.
All exposures	✓ Payment record – this includes overdue requests; ✓ Requests for granting forebearance; ✓ Existing and forecast changes in business, financial and economic conditions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 *Incorporating forward-looking information*

The Company has identified and documented key drivers of credit risk and credit losses, using an analysis of historical data, and has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk are GDP growth, unemployment and interest rates.

Periodically, the Company carries out stress testing of more extreme shocks to calibrate the determination of the good and bad scenarios, as described in Note 3F(i) / on page 47.

A comprehensive review is performed at least annually on the design of the scenarios by the Company's IFRS 9 independent consultant who advises the senior management. External information considered in the determination of the economic scenarios include economic data and forecasts published by governmental bodies and monetary authorities, IMF, selected private sector and academic forecasts.

There has been no revision made to the weightages in the scenarios from 2021 to 2022.

5.1.4 *Sensitivity of ECL to future economic conditions*

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on its lease book.

Had the ECL loss rate been 5% higher, the profit before tax of the Company would have been **Rs1,386,248** lower for the year ended 31 December 2022 (2021: 2,044,358).

5.1.5 *Post model adjustments*

Post model adjustments (PMAs) are short-term adjustments to the ECL balance as part of the year-end reporting process to reflect latest updates to the market data, known model deficiencies and expert credit judgement.

The Company has internal governance frameworks and controls in place to assess the appropriateness of all PMAs. The aim of the Company is to incorporate these PMAs into the ECL model, where possible, as part of the periodic recalibration and model assessment procedures.

There were no PMAs for both the current and prior year.

5.1.6 *Concentration of credit risk*

The Company monitors concentrations of credit risk by sector, and in line with its internal policies and the *Guideline on Credit Concentration* as issued by the Bank of Mauritius.

More details on the credit concentration can be found in Note 10 (b) (i) of the financial statements and in the Management Discussion and Analysis section of the annual report.

5.1.7 *Modified financial assets*

The table below includes Stage 2 and 3 finance leases which were modified.

	2022	2021
	Rs	Rs
Amortised cost before modification	**10,893,000**	7,164,594

Management has assessed the net modification loss on restructuring not to be material for both the current and period years.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.8 *Credit risk mitigation, collaterals 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.

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

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

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 limiting additional facilities through discussion with the customers, clients or counterparties, if appropriate, or seeking additional securities.

The Company closely monitors collaterals held for financial assets considered to be credit impaired as it becomes more likely that the Company will take possession of the collaterals to mitigate potential credit losses. The fair value of these collaterals is assessed on an annual basis.

	Gross exposure	ECL allowance	Carrying amount	Fair value of collaterals held
Credit impaired finance leases	**Rs**	**Rs**	**Rs**	**Rs**
31 December 2022	**45,542,758**	**14,739,603**	**30,803,155**	**47,740,585**
31 December 2021	80,958,693	29,633,397	51,325,296	40,082,834
31 December 2020	96,149,886	25,250,757	70,899,129	103,370,000

5.1.9 *Write offs*

The Company write off lease receivables when management determines that these are uncollectible. This determination is reached after considering information such as the occurrence of significant changes on the borrowers' financial position such that the borrower can no longer pay the obligation.

A total amount of **Rs11M** (2021: Rs.3.4M, 2020: Rs3.0M) was written off during the year, which was still subject to enforcement activity. The Company is complying with the *Guideline on Write off of Non-Performing Assets,* as issued by the Bank of Mauritius.

5.1.10 *Loss allowance*

Refer to Note 10(c) for the reconciliations from the opening to the closing balance of the loss allowance for the investment in lease receivables. The reconciliation in loss allowance for all classes of financial assets by stage classification is disclosed in Note 27.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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

The following table presents the maximum exposure as at 31 December 2022, 2021 and 2020 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.

	2022	**2021**	2020
	Rs	Rs	Rs
Cash and cash equivalents	**26,254,312**	63,148,504	22,105,318
Deposits with financial institutions	**146,280,733**	143,807,864	92,863,274
Investment in debt securities at amortised cost	**-**	5,128,123	80,927,405
Net investment in lease receivables	**1,476,392,354**	1,257,689,656	1,291,171,313
Advance on finance leases	**3,639,745**	-	-
Other assets	**2,098,086**	4,565,358	1,677,594
	1,654,665,230	1,474,339,505	1,488,744,904
Off balance sheet commitments	**116,587,627**	30,405,032	52,238,185

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, VAT receivable and inventory amounted to Rs **6,640,800** (2021: Rs 4,711,973 2020: Rs 7,289,190).

5.1.12 *Assets obtained by taking possession of collateral*

Details of financial assets obtained by the Company during the year by taking possession of the collaterals held as security against the finance leases and held at year end are shown below. These are classified as "Assets held for sale" in line with IFRS 5.

	2022	**2021**	2020
	Rs'000	**Rs'000**	Rs'000
Vehicles	**1,775**	1,037	1,665

The Company's policy is to pursue timely realisation of the collaterals in an orderly manner. The Company does not generally use the non-cash collaterals for its own operations.

5.2 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.

5.2.1 *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.

5.2.2 *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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk

5.2.2 *Currency risk (continued)*

		Denominated in			
		EURO	**USD**	**MUR**	**Total**
At 31 December 2022					
Assets	**Rs**	**1,235,269**	**49,987**	**1,653,379,974**	**1,654,665,230**
Liabilities	**Rs**	**-**	**-**	**1,516,317,947**	**1,516,317,947**
Net position	**Rs**	**1,235,269**	**49,987**	**137,062,027**	**138,347,283**
At 31 December 2021					
Assets	Rs	72,292	51,521	1,474,215,692	1,474,339,505
Liabilities	Rs	-	-	1,353,947,570	1,353,947,570
Net position	Rs	72,292	51,521	120,268,122	120,391,935
At 31 December 2020					
Assets	Rs	73,528	48,849	1,488,622,527	1,488,744,904
Liabilities	Rs	-	-	1,414,449,106	1,414,449,106
Net position	Rs	73,528	48,849	74,173,421	74,295,798

The Company is exposed to foreign exchange risk arising from cash and cash equivalents and other financial assets held in foreign currency.

As at 31 December 2022, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Company's profit before tax would have been Rs **123,527 (**2021: Rs. 7,229; 2020: Rs 7,353) higher/lower and **Rs 4,999** (2021: Rs. 5,152; 2020: Rs 4,885) higher/lower respectively.

5.2.3 *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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

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

		Up to 1 Month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
31 December 2022									
Cash and cash equivalents		26,254,312	-	-	-	-	-	-	26,254,312
Deposits with financial institutions		-	29,755,949	-	-	116,524,784	-	-	146,280,733
Net investment in lease receivables		1,024,336	3,938,607	10,242,557	36,690,954	828,900,342	595,595,558	-	1,476,392,354
Advance on finance leases		-	-	3,639,745	-	-	-	-	3,639,745
Other assets		-	-	-	-	-	-	2,098,086	2,098,086
Total financial assets		27,278,648	33,694,556	13,882,302	36,690,954	945,425,126	595,595,558	2,098,086	1,654,665,230
Liabilities									
Deposits from customers		23,826,219	62,046,540	118,961,179	436,331,468	632,304,928	1,347,844	-	1,274,818,178
Other borrowed funds		-	50,000,000	50,000,000	30,597,935	68,317,735	-	-	198,915,670
Lease liabilities		-	-	-	1,980,071	1,066,493	-	-	3,046,564
Other liabilities		-	-	-	-	-	-	26,998,975	26,998,975
Total financial liabilities		23,826,219	112,046,540	168,961,179	468,909,474	701,689,156	1,347,844	26,998,975	1,503,779,387
On balance sheet interest sensitivity gap	Rs	3,452,429	(78,351,984)	(155,078,877)	(432,218,520)	243,735,970	594,247,714	(24,900,889)	150,885,843

Financial liabilities exclude non-interest bearing liabilities including retirement benefit obligations, dividend payable and deferred tax liabilities.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

		Up to 1 Month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
31 December 2021									
Cash and cash equivalents		63,148,504	-	-	-	-	-	-	63,148,504
Deposits with financial institutions		-	-	-		143,807,864	-	-	143,807,864
Investment in debt securities at amortised cost		-	-	-	5,128,123	-	-	-	5,128,123
Net investment in lease receivables		40,877,452	2,986,809	8,620,544	41,403,185	855,995,809	307,805,857	-	1,257,689,656
Other assets		-	-	-	-	-	-	4,565,357	4,565,357
Total financial assets		104,025,956	2,986,809	8,620,544	46,531,308	999,803,673	307,805,857	4,565,357	1,474,339,504
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
Lease liabilities		-	-	-	977,004	-	-	-	977,004
Other liabilities		-	-	-	-	-	-	14,870,395	14,870,395
Total financial liabilities		91,146,227	49,835,416	228,804,489	250,167,212	715,920,140	1,300,257	14,870,395	1,352,044,136
On balance sheet interest sensitivity gap	Rs	12,879,729	(46,848,607)	(220,183,945)	(203,635,904)	283,883,533	306,505,600	(10,305,038)	122,295,368

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

		Up to 1 month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2020									
Cash and cash equivalents		22,105,318	-	-	-	-	-	-	22,105,318
Deposits with financial institutions and investment in debt securities at amortised cost		78,229,557	-	-	25,432,250	70,128,872	-	-	173,790,679
Net investment in lease receivables		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	1,488,744,904
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		-	-	-	-	55,146,943	-	-	55,146,943
Lease liabilities		-	-	-	2,797,381	-	-	-	2,797,381
Other liabilities		-	-	-	-	-	-	19,488,939	19,488,939
Total financial liabilities		119,524,767	63,441,293	107,275,439	388,540,498	713,493,249	-	19,488,939	1,411,764,185
On balance sheet interest sensitivity gap	Rs	82,918,612	(61,253,435)	(92,782,763)	(329,963,756)	246,113,532	249,759,858	(17,811,329)	76,980,719

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

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

	2022 % Min	2022 % Max	2021 % Min	2021 % Max	2020 % Min	2020 % Max
Assets						
Cash and cash equivalents	-	1.30	0.11	0.14	0.15	0.15
Deposits with financial institutions	2.09	4.02	2.09	4.12	2.09	4.12
Net investment in lease receivables	2.9	13	2.50	13.00	2.50	14.50
Liabilities						
Other borrowed funds	0.5	1.5	0.50	1.50	0.35	1.50
Deposits from customers	1.30	6.15	1.00	6.50	1.00	7.60

The Company is exposed to interest rate risk arising from financial assets and financial liabilities. As at 31 December 2022, if the interest rate had increased/decreased by 0.50%, the Company's profit before tax would have been **Rs 875,968** (2021: Rs 667,887; 2020: Rs 487,947) higher/lower.

5.3 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.

5.3.1 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.

5.3.2 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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.2 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 2022.

5.3.3 Maturities of assets and liabilities:

	Up to 1 Month	1 – 3 months	4– 6 Months	7– 12 Months	1 – 5 years	Over 5 years	Total
At 31 December 2022	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Deposits from customers	23,841,745	62,977,270	122,705,332	459,052,730	687,236,431	1,673,100	1,357,486,608
Other borrowed funds	2,992,994	55,985,988	58,516,483	15,782,965	66,627,547	1,232,629	201,138,606
Lease liabilities	173,837	347,674	521,512	1,088,372	1,088,372	-	3,219,767
Other liabilities	21,517,611	-	-	-	-	-	21,517,611
Dividend payable	10,000,000	-	-	-	-	-	10,000,000
Total liabilities	58,526,187	119,310,932	181,743,327	475,924,067	754,952,350	2,905,729	1,593,362,592
Undrawn commitments	28,701,278	87,886,349	-	-	-	-	116,587,627
Assets							
Cash and cash equivalents	26,254,312	-	-	-	-	-	26,254,312
Deposits with financial institutions	113,208	30,251,417	339,625	679,250	129,309,139	-	160,692,639
Gross Investment in lease receivables	42,668,253	84,094,681	123,395,513	231,126,685	1,115,801,816	214,827,317	1,811,914,265
Other assets	2,098,086	-	-	-	-	-	2,098,086
Total assets	71,133,859	114,346,098	123,735,138	231,805,935	1,245,110,955	214,827,317	2,000,959,302
Net liquidity gap	(16,093,606)	(92,851,183)	(58,008,189)	(244,118,132)	490,158,605	211,921,588	291,009,083

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.3 Maturities of assets and liabilities (continued):

	Up to 1 Month	1 – 3 months	4– 6 Months	7– 12 Months	1 – 5 years	Over 5 years	Total
At 31 December 2021	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
Deposits with financial institutions	113,208	226,417	339,625	6,482,177	155,688,965	-	162,850,392
Gross Investment in lease receivables	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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.3 Maturities of assets and liabilities (continued):

	Up to 1 Month	1 – 3 months	4– 6 months	7– 12 months	1 – 5 years	Over 5 years	Total
At 31 December 2020	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
At 31 December 2020							
Assets							
Cash and cash equivalents	22,105,318	-	-	-	-	-	22,105,318
Deposits with financial institutions	51,109,649	226,417	424,244	26,349,224	104,833,182	-	182,942,716
Gross Investment in lease receivables	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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair values of financial liabilities

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

	2022 Carrying value	**2022 Fair value**	2021 Carrying value	2021 Fair value	2020 Carrying Value	2020 Fair value
	Rs'000	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000
Financial liabilities						
Deposits from customers	**1,277,927**	**1,274,818**	1,248,657	1,247,642	1,334,331	1,376,524

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 under IFRS 13.

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

5.5 Categories of financial assets and financial liabilities

All financial assets and financial liabilities are carried at amortised cost.

	2022	**2021**	**2020**
	Rs	**Rs**	**Rs**
Assets			
Cash and cash equivalents	**26,254,312**	63,148,504	22,105,318
Deposits with financial institutions	**146,280,733**	143,807,864	92,863,274
Investment in debt securities at amortised cost	**-**	5,128,123	80,927,405
Net investment in lease receivables	**1,476,392,354**	1,257,689,656	1,291,171,313
Advances on finance leases	**3,639,745**	-	-
Other assets *	**2,098,086**	4,565,358	1,677,594
	1,654,665,230	1,474,339,505	1,488,744,904
Liabilities			
Deposits from customers	**1,274,818,178**	1,247,641,732	1,334,330,922
Lease liabilities	**3,046,564**	977,004	2,797,381
Other borrowed funds	**198,915,670**	88,555,005	55,146,943
Other liabilities	**26,998,975**	14,870,395	19,488,938
	1,503,779,387	1,352,044,136	1,411,764,184

* Other assets exclude prepayment, VAT receivable and inventory.

6 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.

The capital adequacy ratios as at 31 December 2022, 2021 and 2020 were as follows:

	2022	2021	2020
Capital adequacy ratio	**22%**	25%	23%

Please refer to the Management Discussion and Analysis section of this annual report for more details.

7 CASH AND CASH EQUIVALENTS

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

	2022	2021	2020
	Rs	Rs	Rs
Current			
Balances and deposits with banks in Mauritius	26,359,316	63,144,008	22,097,318
Cash in hand	8,000	4,496	8,000
Less provisions for expected credit losses (Stage 1)	(113,004)	-	-
	26,254,312	63,148,504	22,105,318

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 and has provided a collateral of Rs75M. At year end, the Company has utilised Rs100M from the money market line as disclosed in note 20.

8 DEPOSITS WITH FINANCIAL INSITITUTIONS

	2022	2021	2020
	Rs	Rs	Rs
Fixed deposits held with banks	140,000,000	140,000,000	90,000,000
Accrued interest receivable	6,666,293	4,208,853	2,863,274
Less provisions for expected credit losses (Stage 1)	(385,560)	(400,989)	-
	146,280,733	143,807,864	92,863,274
Current	29,865,721	-	-
Non-current	116,415,012	143,807,864	92,863,274
	146,280,733	143,807,864	92,863,274

Deposits with financial institutions have been contracted with Absa Bank (Mauritius) Ltd and AfrAsia Bank Limited and carry an interest rate ranging from 2.09% to 4.02% with maturity until December 2026 and an average tenor of 5 years.

9 INVESTMENT IN DEBT SECURITIES AT AMORTISED COST

	2022	2021	2020
	Rs	Rs	Rs
Investment in debt securities at amortised cost	-	4,977,600	79,553,059
Accrued interest receivable	-	150,523	1,374,346
	-	5,128,123	80,927,405
Current	-	5,128,123	75,799,282
Non-current	-	-	5,128,123
	-	5,128,123	80,927,405

On 21 July 2022, the treasury bond held at Absa Bank (Mauritius) Ltd which carried an interest of 3.4% p.a came to maturity. Management has assessed the impact of ECLs on this investment as not material in both 2021 and 2020.

10 NET INVESTMENT IN LEASE RECEIVABLES

	Note	2022	2021	2020
		Rs	Rs	Rs
(a) **Gross investment in lease receivables:**				
Within 1 year		481,285,132	445,281,072	475,007,665
Over year 1 up to year 2		397,972,673	357,881,730	385,477,985
Over year 2 up to year 3		322,966,834	267,004,816	283,653,623
Over year 3 up to year 4		231,138,742	184,537,535	190,618,307
Over year 4 up to year 5		163,722,391	100,277,599	103,000,670
Over 5 years		214,827,317	92,062,254	55,467,068
		1,811,913,089	1,447,045,006	1,493,225,318
Unearned future finance income on finance leases		(345,948,974)	(202,220,680)	(202,639,400)
		1,465,964,115	1,244,824,326	1,290,585,918
Rental receivables for finance and operating leases		38,153,203	53,752,484	46,929,700
Provisions for expected credit losses		(27,724,964)	(40,887,154)	(46,344,305)
Net investment in lease receivables		1,476,392,354	1,257,689,656	1,291,171,313
Current		65,351,820	366,450,902	390,701,074
Non-current		1,411,040,534	891,238,754	900,470,239
		1,476,392,354	1,257,689,656	1,291,171,313
Net investment in lease receivables				
Individual		882,409,746	705,858,220	701,042,673
Corporate		593,982,608	551,831,436	590,128,640
		1,476,392,354	1,257,689,656	1,291,171,313

Assets (vehicles and equipment) are leased to customers for periods ranging from 12 to 120 months. The average lease term is 60 months.

(b) (i) **Credit concentration of risk by industry sectors**

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Agriculture and fishing	33,793	71,835	60,468
Manufacturing and textile	146,301	76,147	93,100
Tourism	99,192	51,658	58,058
Transport	179,710	94,063	108,161
Construction and civil engineering	145,347	161,040	155,462
Financial and Business Services	81,108	111,274	154,438
Traders & Commerce	290,848	277,671	258,802
Personal	35,106	7,179	5,133
Professional	44,060	45,699	51,823
Media Entertainment and recreational activities	47,415	33,662	36,829
Freeport Enterprise Certificate Holder	344	1,107	2,309
Other	9,724	35,435	1,881
Infrastructure	8,937	27,370	37,063
Education	56,231	30,227	30,120
Modernisation and Expansion	452	2,867	4,343
ICT Services	51,358	32,519	33,703
Services Sector	177,406	152,875	154,746
Health Development Certificate Holder	69,060	45,062	44,732
	1,476,392	1,257,690	1,291,171

10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(b) (ii) **Credit quality**

The Company classifies its lease portfolio in two categories: performing and non performing. The performing porfolio relates to all leases which are less than 90 days overdue.

	2022 Stage 1	2022 Stage 2	2022 Stage 3	2022 Total
	Rs	Rs	Rs	Rs
Performing	1,373,506,176	85,068,384	-	1,458,574,560
Non-performing	-	-	45,542,758	45,542,758
	1,373,506,176	85,068,384	45,542,758	1,504,117,318
ECL allowance	(6,966,381)	(6,018,980)	(14,739,603)	(27,724,964)
Net	1,366,539,795	79,049,404	30,803,155	1,476,392,354

	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total
	Rs	Rs	Rs	Rs
Performing	1,140,542,104	77,076,013		1,217,618,117
Non-performing	-	-	80,958,693	80,958,693
	1,140,542,104	77,076,013	80,958,693	1,298,576,810
ECL allowance	(6,203,777)	(5,049,980)	(29,633,397)	(40,887,154)
Net	1,134,338,327	72,026,033	51,325,296	1,257,689,656

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
	Rs	Rs	Rs	Rs
Performing	1,151,577,327	89,788,405		1,241,365,732
Non-performing	-	-	96,149,886	96,149,886
	1,151,577,327	89,788,405	96,149,886	1,337,515,618
ECL allowance	(10,334,317)	(10,759,231)	(25,250,757)	(46,344,305)
Net	1,141,243,010	79,029,174	70,899,129	1,291,171,313

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

	2022 Stage 1	2022 Stage 2	2022 Stage 3	2022 Total
	Rs	Rs	Rs	Rs
Gross carrying amount as at 01 January 2022	1,140,542,104	77,076,013	80,958,693	1,298,576,810
New finance leases originated	707,903,039	-	-	707,903,039
Finance leases derecognised or repaid	(436,461,263)	(27,111,118)	(28,132,889)	(491,705,270)
Write off	-	(86,534)	(10,570,727)	(10,657,261)
Transfer to stage 1	34,229,729	(28,523,512)	(5,706,217)	-
Transfer to stage 2	(66,512,833)	69,946,665	(3,433,832)	-
Transfer to stage 3	(6,194,600)	(6,233,130)	12,427,730	-
As at 31 December 2022	1,373,506,176	85,068,384	45,542,758	1,504,117,318

10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

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

	2022 Stage 1	2022 Stage 2	2022 Stage 3	2022 Total
	Rs	Rs	Rs	Rs
ECL allowance as at 01 January 2022	6,203,777	5,049,980	29,633,397	40,887,154
New finance leases originated	6,669,737	-	-	6,669,737
Finance leases derecognised or repaid	(2,242,723)	(635,453)	(4,187,544)	(7,065,720)
Write off	-	(86,534)	(10,570,727)	(10,657,261)
Transfers to stage 1	178,866	(148,705)	(30,161)	-
Transfers to stage 2	(4,977,358)	5,156,488	(179,130)	-
Transfers to stage 3	(1,014,353)	(870,070)	1,884,423	-
Impact on ECL of transfers	2,148,435	(2,446,726)	(1,810,655)	(2,108,946)
As at 31 December 2022	6,966,381	6,018,980	14,739,603	27,724,964
ECL allowance for the year	762,604	1,055,534	(4,323,067)	(2,504,929)

	2021 Stage 1	2021 Stage 2	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 finance leases originated	474,669,136	-	-	474,669,136
Transfer from asset held for sale	734,012	-	-	734,012
Finance leases derecognised or repaid	(452,354,573)	(28,627,278)	(29,920,633)	(510,902,484)
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

	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total
	Rs	Rs	Rs	Rs
ECL allowance as at 01 January 2021	10,334,317	10,759,231	25,250,757	46,344,305
New finance leases originated	2,558,248	-	-	2,558,248
Transfer from asset held for sale	4,587	-	-	4,587
Finance leases derecognised or repaid	(6,206,206)	(1,982,820)	(2,197,948)	(10,386,974)
Write off	-	-	(3,439,472)	(3,439,472)
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	6,203,777	5,049,980	29,633,397	40,887,154
ECL allowance for the year	(4,130,540)	(5,709,251)	7,832,851	(2,006,940)

10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

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

	2020 Stage 1	2020 Stage 2	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 finance leases originated	433,349,532	-	-	433,349,532
Finance leases 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	1,151,577,327	89,788,405	96,149,886	1,337,515,618

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
	Rs	Rs	Rs	Rs
ECL allowance as at 01 January 2020	11,683,467	8,119,297	22,268,939	42,071,703
New finance leases originated	3,939,565	-	-	3,939,565
Finance leases 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	14,865,293	(2,964,171)	(666,534)	11,234,588
As at 31 December 2020	10,334,317	10,759,231	25,250,757	46,344,305
ECL allowance for the year	(1,349,150)	2,639,934	6,027,539	7,318,323

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10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(d) Allowance for credit exposure by industry sector

	Net investment in leases receivables	Instalments Due	Non performing leases	Stage 3 ECL	Stages 1 and 2 ECL	2022 Total ECL provision	2021 Total ECL provision	2020 Total ECL provision
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Agriculture and fishing	33,793	253	-	-	247	247	1,619	1,451
Manufacturing and textile	146,301	2,162	2,117	207	1,078	1,285	2,957	3,677
Tourism	99,192	766	535	121	666	787	1,077	2,093
Transport	179,710	7,595	13,820	1,693	1,895	3,588	2,750	3,617
Construction and civil engineering	145,347	3,412	3,025	442	1,923	2,365	4,743	8,270
Financial and Business Services	81,108	821	1,131	313	494	807	7,736	9,185
Traders & Commerce	290,848	14,656	16,774	9,904	3,345	13,249	13,455	6,990
Personal	35,106	319	1,003	215	272	487	114	40
Professional	44,060	587	436	-	227	227	1,707	2,107
Media Entertainment and recreational activities	47,415	1,661	1,435	344	372	716	636	1,325
Freeport Enterprise Certificate Holder	344	-	-	-	1	1	5	16
Other	9,724	294	-	-	100	100	385	14
Infrastructure	8,937	96	-	-	48	48	641	1,777
Education	56,231	399	653	164	281	445	174	352
Modernisation and Expansion	452	43	89	-	2	2	20	1,213
ICT Services	51,358	507	969	76	316	392	557	575
Services Sector	177,406	3,794	3,078	1,116	1,046	2,162	1,392	2,261
Health Development Certificate Holder	69,060	788	478	145	672	817	920	1,381
	1,476,392	38,153	45,543	14,740	12,985	27,725	40,888	46,344

11 PROPERTY AND EQUIPMENT

	Note	Fixtures and Fittings	Computer Equipment	Motor Vehicle	Assets under operating leases		Capital work in progress	Total
					Motor vehicles	Equipment		
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost:								
At 31 December 2019		4,279,476	3,880,514	2,657,369	262,550,788	10,593,809	7,077,497	291,039,453
Additions		70,500	284,270	-	19,416,855	196,713	6,878,656	26,846,994
Disposals		(335,807)	(2,172)	-	-		-	(337,979)
Transfer to inventories	18 (a)	-	-	-	(21,267,884)		-	(21,267,884)
At 31 December 2020		4,014,169	4,162,612	2,657,369	260,699,759	10,790,522	13,956,153	296,280,584
Additions		97,409	719,900	-	27,185,547		3,301,469	31,304,325
Transfer from inventories	18 (a)	-	-	-	2,239,120		-	2,239,120
Transfer to inventories	18 (a)	-	-	-	(44,105,258)	(3,098,733)	-	(47,203,991)
Transfer to intangible assets	15	-	-	-	-		(17,257,622)	(17,257,622)
At 31 December 2021		4,111,578	4,882,512	2,657,369	246,019,168	7,691,789	-	265,362,416
Additions		**33,496**	**301,285**	**4,759,984**	**28,320,303**	**1,880,000**	**-**	**35,295,068**
Transfer to inventories	**18 (a)**	**-**	**-**	**-**	**(38,260,663)**	**(6,420,476)**	**-**	**(44,681,139)**
Transfer from inventories	**18 (a)**	**-**	**-**	**-**	**2,272,990**	**-**	**-**	**2,272,990**
Disposals		**-**	**-**	**(2,232,200)**	**-**	**-**	**-**	**(2,232,200)**
At 31 December 2022		**4,145,074**	**5,183,797**	**5,185,153**	**238,351,798**	**3,151,313**	**-**	**256,017,135**
Accumulated depreciation:								
At 31 December 2019		2,103,442	3,172,863	1,097,771	74,302,756	2,993,815	-	83,670,647
Charge for the year		369,109	365,622	664,344	37,696,183	2,617,849	-	41,713,107
Disposals		(42,061)	(680)	-	-	-	-	(42,741)
Transfer to inventories	18 (a)	-	-	-	(14,505,575)	-	-	(14,505,575)
At 31 December 2020		2,430,490	3,537,805	1,762,115	97,493,364	5,611,664	-	110,835,438
Charge for the year		298,854	395,259	655,337	38,405,755	2,240,557	-	41,995,762
Transfer to inventories	18 (a)	-	-	-	(33,740,218)	(2,883,759)	-	(36,623,977)
At 31 December 2021		2,729,344	3,933,064	2,417,452	102,158,900	4,968,462	-	116,207,223
Charge for the year		**273,734**	**382,159**	**1,120,786**	**34,486,122**	**811,434**	**-**	**37,074,235**
Transfer to inventories		**-**	**-**	**-**	**(25,206,172)**	**(4,771,701)**		**(29,977,873)**
Disposals		**-**	**-**	**(2,185,696)**	**-**		**-**	**(2,185,696)**
At 31 December 2022		**3,003,078**	**4,315,223**	**1,352,542**	**111,438,851**	**1,008,195**	**-**	**121,117,889**
Net book amount:								
At 31 December 2020		1,583,679	624,807	895,254	163,206,394	5,178,859	13,956,153	185,445,146
At 31 December 2021		1,382,234	949,448	239,917	143,860,267	2,723,327	-	149,155,193
At 31 December 2022		**1,141,996**	**868,574**	**3,832,611**	**126,912,947**	**2,143,118**	**-**	**134,899,246**

Management has reviewed the carrying value of the property and equipment and is of the opinion that at 31 December 2022, the property and equipment has not suffered any impairment. (2021: Nil, 2020: Nil).

12 RIGHT-OF-USE ASSETS / LEASE LIABILITIES

(a) Right-of-use-assets

Set out below are the carrying amounts of right-of-use-assets recognised and movement during the year.

	2022	2021	2020
Cost:	Rs	Rs	Rs
At 01 January	5,868,304	5,868,304	5,868,304
Additions	3,964,133	-	-
Retirement of right-of-use assets	(5,868,304)	-	-
At 31 December	3,964,133	5,868,304	5,868,304

	2022	2021	2020
Accumulated depreciation:	Rs	Rs	Rs
At 01 January	5,038,164	3,353,316	1,676,658
Charge for the year	1,829,365	1,684,848	1,676,658
Retirement of right-of-use assets	(5,868,304)	-	-
At 31 December	999,225	5,038,164	3,353,316
Net book value:	2,964,908	830,140	2,514,988

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities recognised and movement during the year.

	2022	2021	2020
	Rs	Rs	Rs
At 01 January	977,004	2,797,381	4,422,617
Addition	3,964,133	-	-
Interest expense	142,633	119,031	355,089
Payment	(2,037,206)	(1,939,408)	(1,980,325)
At 31 December	3,046,564	977,004	2,797,381

	2022	2021	2020
	Rs	Rs	Rs
Analysed as:			
Current	1,980,071	977,004	1,820,377
Non-Current	1,066,493	-	977,004
	3,046,564	977,004	2,797,381
Maturity Analysis			
Year 1	1,980,071	977,004	1,820,377
Year 2	1,066,493	-	977,004
	3,046,564	977,004	2,797,381

Amounts recognised in the statement of profit or loss and other comprehensive income	2022	2021	2020
	Rs	Rs	Rs
The following are amounts recognised in profit or loss:			
Depreciation expense of right-of-use assets	1,829,365	1,684,848	1,676,658
Interest expense on lease liabilities	142,633	119,031	355,089
Expenses on short term and low value leases	236,905	229,200	202,400

13 INCOME TAX

Tax (Credit)/ Charge :

	Note	2022	2021	2020
		Rs	Rs	Rs
Tax on the profit for the year, as adjusted for tax purposes at applicable rate (2021: 17% and 2020: 17%)		-	-	-
(Over)/under provision of current tax		-	-	(99,987)
Over provision of deferred tax assets		-	(29,927)	-
Deferred tax movement		3,626,348	3,732,800	(2,481,525)
Effect of change in tax laws		-	-	(8,535,953)
		3,626,348	3,702,873	(11,117,465)
(Asset)/Liability:				
At 01 January		(187,288)	(830,433)	(692,265)
Income tax charge for the year				
Overpayment of CSR in 2020		-	-	(138,168)
Refund during the year		-	643,145	-
At 31 December		(187,288)	(187,288)	(830,433)
Current		(187,288)	(187,288)	(830,433)

The reconciliation between the effective tax rate for the year of 11.4% (2021 – 18.0% and 2020 – (80.8)%) and the applicable income tax rate of **17%** (2021 and 2020 – 17%) is as follows:

	2022	2021	2020
(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)
Over provision of deferred tax assets	(1.5)	0.1	-
Other tax adjustments	(4.5)	-	-
Non allowable expenses*	0.4	0.8	64.2
Non taxable income*	-	-	(99.2)
Effect of change in tax laws	-	-	(62.1)
Actual income tax rate	11.4	18.0	(80.8)

* In 2020, there was a 80% exemption on the Company's interest income. This exemption was lifted in December 2020.

As at 31 December 2022, the Company had accumulated tax losses of **Rs9,452,719**, which it can carry indefinitely in the future.

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14 DEFERRED INCOME TAX

Deferred income tax is calculated in full on all temporary differences under the liability method using the applicable tax rate 17% (2021 and 2020- 17%).

The movement on the deferred income tax (liability)/asset account is as follows:

	2022	2021	2020
	Rs	Rs	Rs
At 01 January	**1,873,950**	5,752,438	(5,331,746)
Effect of change in tax laws	-	-	8,535,953
(Charge)/credit to Profit or loss	**(3,626,348)**	(3,732,800)	2,481,525
(Charge)/credit to Other Comprehensive Income	**(183,870)**	(175,615)	66,706
Over provision of deferred tax asset	-	29,927	-
At 31 December	**(1,936,268)**	1,873,950	5,752,438

The balance is attributable to the following:			
Accelerated capital allowances	**(9,017,446)**	(9,936,244)	(8,731,078)
Provision for credit impairment	**5,371,826**	6,969,644	7,813,840
Tax Losses	**1,606,962**	4,707,697	6,528,861
Retirement benefits obligation	**102,390**	132,853	140,815
	(1,936,268)	1,873,950	5,752,438

Deferred tax liabilities and assets are attributable to the following:

	Accelerated capital allowances	Provisions for credit impairment	Retirement benefits obligation	Tax losses	Total
	Rs	Rs	Rs	Rs	Rs
Deferred tax (liabilities)/assets					
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 01 January 2021	(8,731,078)	7,813,840	140,815	6,528,861	5,752,438
Credit to statement of comprehensive income	(1,205,166)	(844,196)	(7,962)	(1,821,164)	(3,878,488)
At 31 December 2021	(9,936,244)	6,969,644	132,853	4,707,697	1,873,950
Credit/(Charge) to profit or loss	**918,798**	**(1,597,818)**	**153,407**	**(3,100,735)**	**(3,626,348)**
Charge to other comprehensive income	-	-	**(183,870)**	-	**(183,870)**
At 31 December 2022	**(9,017,446)**	**5,371,826**	**102,390**	**1,606,962**	**(1,936,268)**

15 INTANGIBLE ASSETS

	Note	2022	2021	2020
Computer software:		Rs	Rs	Rs
Cost:				
At 01 January		**23,069,000**	3,714,986	3,629,886
Additions		**186,000**	2,096,392	85,100
Transfer from work in progress	11	-	17,257,622	-
At 31 December		**23,255,000**	23,069,000	3,714,986
Accumulated amortisation:				
At 01 January		**4,051,233**	3,237,254	2,828,042
Charge for the year		**2,499,339**	813,979	405,554
Reclassification		-	-	3,658
At 31 December		**6,550,572**	4,051,233	3,237,254
Net book amount:				
At 31 December		**16,704,428**	19,017,767	477,732

The Company had capitalised work in progress relating to accounting software which was fully implemented in September 2021.
Management has reviewed the carrying value of the intangibles and is of the opinion that at 31 December 2022, the intangibles have not suffered any impairment. (2021: Nil, 2020: Nil).

16 ASSETS HELD FOR SALE

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

	Note	2022	2021	2020
				Restated
		Rs	Rs	Rs
At 01 January		1,036,777	1,665,000	352,535
Transfer from finance lease	11	1,976,086	1,006,070	2,465,813
Transfer to finance lease*	11	-	(1,255,000)	-
Disposal made during the year		(1,474,552)	(360,000)	(352,535)
Gain/(loss) recognised in profit and loss		237,459	(19,293)	(800,813)
At 31 December		1,775,770	1,036,777	1,665,000

As management had the intention of disposing of all the unsold repossessed assets at 31 December 2022 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; and
- Potential bidders have been identified and negotiations are in progress as at the reporting date.

17 ADVANCE ON FINANCE LEASES

	2022
Current	Rs
At 01 January	-
New advances during the year	7,121,776
Accrued interest	212,666
Transfer to finance leases	(3,694,697)
At 31 December	3,639,745

Advances on finance leases relate advance payments to the lessee for the purchase of equipment from suppliers. Until lease contracts are established, advance on finance leases bear interest rates ranging from 7%-9%. These are short term advances not exceeding one year and are unsecured. Management has assessed the impact of ECL on advances on finance leases as not material.

18 OTHER ASSETS

	Note	2022	2021	2020
		Rs	Rs	Rs
Prepayments		1,680,671	1,787,055	2,187,076
Inventories	(a)	3,357,665	2,924,918	3,956,511
VAT receivable		1,602,464	-	1,145,603
Other receivables	(b)	2,098,086	4,565,358	1,677,594
		8,738,886	9,277,331	8,966,784

(a) *Inventories*

	Note	2022	2021	2020
		Rs	Rs	Rs
At 01 January		2,924,918	3,956,511	-
Transfer from property and equipment	11	14,703,266	10,580,014	6,762,309
Disposal		(11,997,529)	(9,372,487)	(2,805,798)
Transfer to property and equipment	11	(2,272,990)	(2,239,120)	-
At 31 December		3,357,665	2,924,918	3,956,511

18 OTHER ASSETS (CONTINUED)

(b) Other receivables as disclosed above are repayable on demand and thus are not backed by collateral and not impaired at 31 December 2022, 2021 and 2020. Management has assessed the impact of ECLs on other receivables as **Rs27,589** for the year ended 31 December 2022.

19 DEPOSITS FROM CUSTOMERS

	2022	2021	2020
	Rs	Rs	Rs
Term deposits with remaining term to maturity:			
Individual customers			
Within 3 months	**19,013,620**	32,540,797	53,884,802
Over 3 months up to 6 months	**60,493,595**	52,122,690	55,137,816
Over 6 months up to 12 months	**197,320,488**	93,696,984	141,824,088
Over 1 year up to 7 years	**455,694,429**	308,340,745	364,460,634
Corporate customers			
Within 3 months	**66,859,138**	108,440,847	34,849,044
Over 3 months up to 6 months	**58,467,584**	174,823,061	59,824,944
Over 6 months up to 12 months	**239,010,980**	154,188,617	243,919,029
Over 1 year up to 7 years	**177,958,344**	323,487,991	380,430,565
	1,274,818,178	1,247,641,732	1,334,330,922
Current	**641,165,405**	615,812,996	589,439,723
Non-current	**633,652,773**	631,828,736	744,891,199
Total deposits	**1,274,818,178**	1,247,641,732	1,334,330,922

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 1.3% and 6.15%.

20 OTHER BORROWED FUNDS

	2022	2021	2020
	Rs	Rs	Rs
Loan from Industrial Finance Corporation of Mauritius (IFCM)	**98,915,670**	88,555,005	55,146,943
Loan from banks	**100,000,000**	-	-
	198,915,670	88,555,005	55,146,943
Current	**130,597,935**	22,778,737	11,725,279
Non-current	**68,317,735**	65,776,268	43,421,664
Total other borrowed funds	**198,915,670**	88,555,005	55,146,943

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

Loans from banks are contracted with The Mauritius Commercial Bank Ltd, Absa Bank (Mauritius) Ltd and Afrasia Bank Ltd. Absa Bank (Mauritius) Ltd has a first rank floating charge up to Rs 50 million and The Mauritius Commercial Bank Ltd has a second rank floating charge of up to Rs 25 million each on all the Company's assets. Interest rates range between 5%-5.8% per annum.

21 RETIREMENT BENEFITS OBLIGATION

The Company operates a defined contribution employee scheme. The Company has recognised a retirement gratuity under the requirement of the Workers Rights Act 2019 for both employees who are under the scheme but unsufficiently covered under the pension plan and those who are not covered under any scheme. From 2022, all employees are entitled to join the scheme (2021 - 22 members and 7 non-members respectively, 2020 - 18 members and 11 non-members respectively).

The amount of **Rs. 8,838** corresponds to the contributions which have been paid into the Portable Retirement Gratuity Fund ("PRGF") for the active employee who is not member of a pension scheme during the year ended 31 December 2022.

21 RETIREMENT BENEFITS OBLIGATION (CONTINUED)

(a) The amounts recognised in the statement of financial position are as follows:

	2022	2021	2020
	Rs	Rs	Rs
Present value of obligations	611,130	1,903,434	2,684,921
Fair value of plan assets	(8,838)	-	-
	602,292	1,903,434	2,684,921

(b) Movement in the liability recognised in the statement of financial position:

	2022	2021	2020
	Rs	Rs	Rs
Net liability at start of period	1,903,434	2,684,921	1,856,599
Net expense recognised in Profit or Loss	533,834	251,544	742,440
Net actuarial (gains)/losses recognised in OCI	(1,072,754)	(1,033,031)	392,385
Benefits paid	(762,222)	-	(306,503)
	602,292	1,903,434	2,684,921

(c) The amounts recognised in profit or loss are as follows:

	2022	2021	2020
	Rs	Rs	Rs
Interest cost	64,567	66,332	78,408
Current service cost	73,975	346,585	664,032
Past service cost	395,292	-	-
Curtailment/settlement (gain)/loss on obligation	-	(161,373)	-
Net expense recognised in Profit or Loss	533,834	251,544	742,440

(d) The amounts recognised in other comprehensive income are as follows:

	2022	2021	2020
	Rs	Rs	Rs
Actuarial gain/(losses) recognised in OCI	1,072,754	1,033,031	(392,385)

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

	2022	2021	2020
	Rs	Rs	Rs
Present value of obligation at start	1,903,434	2,684,921	1,856,599
Interest cost	64,567	66,332	78,408
Current service cost	73,975	346,585	664,032
Past service cost	395,292	-	-
Benefits paid	(753,384)	-	(306,503)
Curtailment/settlement gain on obligation	-	(161,373)	-
Expected obligation at end of year	1,683,884	2,936,465	2,292,536
Present value of obligation at end of year	611,130	1,903,434	2,684,921
Re-measurement recognised in OCI at end of year - Gain/(Losses)	1,072,754	1,033,031	(392,385)

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

	2022	2021	2020
Normal Retirement Age	65	65	65
Discount rate	Mid rates of the Mauritian govt bond market		
Weighted average discount rate	4.00%	4.00%	2.60%
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		
Actual table for employee mortality	PMA92_PFA92		

The weighted average duration of the liabilities at 31 December 2022 is 17 years with a weighted average discount rate of 6.22%.

Employer's contribution to be paid in the next reporting period is estimated at Rs 3,083,189.

21 RETIREMENT BENEFITS OBLIGATION (CONTINUED)

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

Effect on present value of obligations	2022	2021	2020
	Rs	Rs	Rs
1% Increase in discount rate	217,672	1,317,681	1,808,455
1% Decrease in discount rate	1,353,783	2,792,822	3,789,443
1% Increase in salary increase assumption	1,084,371	2,454,237	3,479,603
1% Decrease in salary increase assumption	315,711	1,479,794	2,052,089
Effect of changing longevity – rate up	540,103	1,820,397	2,577,917
Effect of changing longevity – rate down	678,253	1,981,492	2,785,502

The Company has recognised a liability as the present value of the retirement benefit obligation as per the Worker's Rights Act 2019 exceeds the present value of the members' accounts of defined contribution, based on the actuarial assumptions used below:

- Interest risk: A decrease in the interest rate will increase the plan liability; however, this may be partially offset by a decrease in inflationary pressures on salary increases.

- Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

22 OTHER LIABILITIES

	2022	2021	2020
Current	Rs	Rs	Rs
Lease creditors	-	1,236,837	4,543,566
Other payables	19,781,101	11,912,989	13,098,941
Accruals	3,337,108	1,467,188	1,292,370
Debt service reserve account	3,449,014	-	-
Provision for expected credit losses on off-balance sheet items	431,752	253,381	554,062
	26,998,975	14,870,395	19,488,939

Other payables comprise payable to service providers, 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.

23 DIVIDEND PAYABLE

	2022
Current	Rs
At 01 January	-
Dividend proposed	25,000,000
Dividend paid	(15,000,000)
At 31 December	10,000,000

On 07 May 2021, the Company declared dividends of Rs10M and Rs5M for the financial years 2019 and 2020 respectively for which approval was obtained from the Bank of Mauritius on 29 March 2022. On 14 June 2022, the Company declared dividends of Rs10M the financial year 2021 for which approval was obtained from the Bank of Mauritius on 02 December 2022. The Company has complied at all times with the regulatory requirements in respect of dividend payout.

24 SHARE CAPITAL

	As at 31 December 2022, 2021 and 2020
Authorised and issued:	Rs
20,000,000 Ordinary shares of Rs 10 each	200,000,000

The Company has one class of ordinary shares which carries a right to vote.

25 NET INTEREST INCOME

	2022	2021	2020
	Rs	Rs	Rs
Interest income on financial assets at amortised cost			
Cash and cash equivalents	81,634	42,347	87,858
Deposits with financial institutions	3,817,085	2,817,450	3,243,211
Staff loan	7,157	10,908	3,079
Investment in debt securities at amortised cost	97,586	1,296,969	2,777,323
Advances on finance leases	210,025	2,640	-
Total interest income calculated using the EIR	4,213,487	4,170,314	6,111,471
Others			
Investment in finance lease receivables	103,016,521	97,859,806	104,847,751
Total interest income	107,230,008	102,030,120	110,959,222
Interest expense on financial liabilities at amortised cost			
Deposits from customers	42,228,722	49,390,760	60,026,748
Lease Liabilities	142,633	119,031	355,089
Interest on other borrowed funds	2,324,694	1,544,739	444,789
Total interest expense	44,696,049	51,054,530	60,826,626
Net interest income	62,533,959	50,975,590	50,132,596

26 OTHER INCOME

	2022	2021	2020
	Rs	Rs	Rs
Profit on disposal of owned assets	296,604	-	-
Profit on disposal of early terminated leases	1,693,890	863,363	157,116
Penalties	6,974,378	967,944	1,802,811
Miscellaneous income including revenue from Bancassurance	127,192	74,338	52,940
	9,092,064	1,905,645	2,012,867

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27 NET IMPAIRMENT (GAIN)/LOSS ON FINANCIAL ASSETS

	Stages 1 & 2 ECL on lease receivables	Stages 3 ECL on lease receivables	Stage 1 ECL on cash and cash equivalent	Stage 1 & 2 ECL on other assets	Stage 1 ECL on deposits with financial institutions	Stage 1 ECL on undrawn commitments	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening impairment provisions at 01 January 2020	19,802,764	22,268,939	-	-	-	-	42,071,703
Bad debts written off against provisions	-	(3,045,721)	-	-	-	-	(3,045,721)
Impairment charge to profit or loss for the year	1,290,784	6,027,539	-	-	-	554,359	7,872,682
Closing impairment provisions at 31 December 2020	21,093,548	25,250,757	-	-	-	554,359	46,898,664
Bad debts written off against provisions	-	(3,439,472)	-	-	-	-	(3,439,472)
Impairment charge to profit or loss for the year	(9,839,791)	7,832,851	-	-	400,989	(300,978)	(1,906,929)
Closing impairment provisions at 31 December 2021	11,253,757	29,644,136	-	-	400,989	253,381	41,552,263
Bad debts written off against provisions	-	(10,657,261)	-	-	-	-	(10,657,261)
Impairment charge to profit or loss for the year	1,731,604	(4,247,272)	113,004	27,589	(15,429)	178,371	(2,212,133)
Closing impairment provisions at 31 December 2022	12,985,361	14,739,603	113,004	27,589	385,560	431,752	28,682,869

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28 PERSONNEL EXPENSES

	Note	2022	2021	2020
		Rs	Rs	Rs
Wages and salaries		32,681,385	29,394,423	25,352,964
Social security obligations		1,411,984	1,331,582	921,647
Contributions to defined contribution scheme		2,605,149	2,126,786	2,054,701
Retirement benefits obligation expense	21 (c)	533,834	251,544	742,440
Other personnel expenses		1,225,725	303,469	654,090
		38,458,077	33,407,804	29,725,842

Other personnel expenses comprise training expenses and staff welfare.

29 OTHER EXPENSES

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

	2022	2021	2020
	Rs	Rs	Rs
Software maintenance	1,594,204	1,513,058	1,612,579
Advertising	1,041,868	288,279	838,637
Licenses	2,162,625	2,163,308	2,208,500
Audit and other services	2,419,206	1,299,587	1,463,210
Professional fees	3,840,457	2,569,297	968,300
Write-offs	-	-	240,484
Director fees	2,550,000	2,612,000	2,060,000
Others	5,161,499	2,947,048	4,373,046
	18,769,859	13,392,577	13,764,756

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

The breakdown of fees for audit and non audit services is disclosed on page 5 of this annual report.

30 RELATED PARTY DISCLOSURES

The Company's holding company is Prudence Holding Ltd, 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:

	2022	2021	2020
	Rs	Rs	Rs
i) Finance lease receivable			
Leases due from key management personnel			
At 01 January	-	-	-
Leases granted during the year	3,317,322	-	-
Repayments during the year	(412,324)	-	-
At 31 December	2,904,998	-	-
Interest income	117,040	-	-

30 RELATED PARTY DISCLOSURES (CONTINUED)

	2022	2021	2020
	Rs	Rs	Rs
i) Finance lease receivable (continued)			
Leases due from entities with common directors and shareholders			
At 01 January	55,434,263	81,564,890	91,151,157
Leases granted during the year	15,277,569	26,327,828	26,474,494
Repayments during the year	(31,852,718)	(52,458,455)	(36,060,761)
At 31 December	38,859,114	55,434,263	81,564,890
Interest income	2,900,899	4,021,269	6,286,149

	2022	2021	2020
	Rs	Rs	Rs
ii) Deposits			
At 01 January	87,245,665	142,342,550	74,238,795
Received during the year	141,799,438	5,168,720	86,086,126
Encashed during the year	(27,645,103)	(60,265,605)	(17,982,371)
At 31 December	201,400,000	87,245,665	142,342,550
Interest expense	1,673,655	3,774,640	3,062,992

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%.

	2022	2021	2020
	Rs	Rs	Rs
iii) Amount due from holding company			
At 01 January	530,000	-	-
Expenses paid on behalf of holding company	-	530,000	-
Payments during the year (Non-cash)	(530,000)	-	-
At 31 December	-	530,000	-

The amount due from the holding company is interest free and fully repaid during the year ended 31 December 2022 through offsetting against dividend payable of Rs 530,000.

	2022	2021	2020
	Rs	Rs	Rs
v) Compensation of key management personnel			
Short-term employee benefits	7,244,029	6,704,704	6,315,181
Post-employment benefits	942,305	627,541	996,967
Total	8,186,334	7,332,245	7,312,148

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 Bank of Mauritius *Guideline on Related Party Transactions* whereby aggregate of credit exposures to related parties should not exceed 60% of the Company's Tier 1 capital. Approval of leasing facilities goes through the same process as other clients and mandate the authorisation of the Risk and Conduct Review Committee. There has been no impairment on those leases and amount receivable from related parties.

31 COMMITMENTS

Finance leases

The Company had commitments in respect of lease contracts which had been signed at 31 December 2022 of **Rs 49,506,728** (2021 – Rs. 30,405,032; 2020 - Rs. 52,238,185) but for which no monies had been disbursed.

As at 31 December 2022, the Company has **Rs 67,080,899** as unused credit lines.

32 OPERATING LEASE RECEIVABLES

Operating leases where the Company is the lessor

Maturity analysis of undiscounted lease payments:

	2022	2021	2020
	Rs	Rs	Rs
Within 1 year	60,224,501	64,593,558	56,187,850
Between 1 year and 2 years	52,352,124	54,021,830	51,210,547
Between 2 years and 3 years	29,085,341	46,157,728	43,528,970
Between 3 years and 4 years	19,311,225	22,825,013	39,976,493
Between 4 years and 5 years	9,820,397	12,915,639	14,694,084
Over 5 years	4,593,398	2,924,309	5,167,333
	175,386,986	203,438,077	210,765,277

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

	2022	2021	2020
	Rs	Rs	Rs
Within 1 year	60,224,501	64,593,558	56,187,850
Over 1 year up to 7 years	115,162,485	138,844,519	154,577,427
	175,386,986	203,438,077	210,765,277

Operating lease rental income recognised in profit or loss is **Rs 48,064,342** (2021 – Rs. 51,261,719; 2020 - Rs. 52,908,489).

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%.

33 IMMEDIATE AND ULTIMATE PARENT

Prudence Holding Ltd, 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 and ultimate holding company.

34 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The below tables detail changes in the Company's liabilities arising from financing activities, both cash and non-cash changes.

	At start of reporting period	Dividend declared	Financing cash flows	New leases	Other non-cash changes	At end of reporting period
2022	Rs	Rs	Rs	Rs	Rs	Rs
Borrowings from banks	-	-	100,000,000	-	-	100,000,000
Lease liabilities	977,004	-	(1,894,573)	3,964,133	-	3,046,564
Dividend payable	-	25,000,000	(14,470,000)	-	(530,000)	10,000,000
Total liabilities from financing activities	977,004	25,000,000	83,635,427	3,964,133	(530,000)	113,046,564

34 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	At start of reporting period	Financing cash flows	New leases	Other non-cash changes	At end of reporting period
2021	Rs	Rs	Rs	Rs	Rs
Lease liabilities	2,797,381	-	-	- 1,820,377	977,004
Total liabilities from financing activities	2,797,381	-	-	- 1,820,377	977,004

	At start of reporting period	Financing cash flows	New leases	Other changes	At end of reporting period
2020	Rs	Rs	Rs	Rs	Rs
Lease liabilities	4,422,617	-	-	- 1,625,236	2,797,381
Total liabilities from financing activities	4,422,617	-	-	- 1,625,236	2,797,381

35 EVENTS AFTER THE REPORTING PERIOD

Bond raising

The Company has issued notes through a Note Programme of up to Rs 700M out of which a first tranche of Rs 369M has been issued through a private placement for sophisticated investors. The issuance has been credited Care MAU A- by Care Ratings (Africa) Private Limited and closed on 27 February 2023.

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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 2021	Budget 2022	Actual 2022	Budget 2023
	%	**%**	%	**%**
AREAS OF PERFORMANCE				
REVENUE GROWTH RATIO				
Revenue growth	(6.33%)	8.56%	6.59%	8.30%
EXPENSE GROWTH RATIO				
Interest expense	(16.07%)	(10.77%)	(12.45%)	(10.00%)
PRODUCTIVITY RATIO				
Non-interest expense/(Net interest income + other income)	82.11%	78.10%	75.49%	57.79%
OVERALL PERFORMANCE RATIO				
Return on equity	6.08%	7.44%	9.43%	6.93%
Return on average assets	1.08%	1.21%	1.64%	1.21%
Portfolio quality				
- Ratio of adjustment & provision for credit losses to average leases	3.10%	3.56%	1.98%	3.54%

Revenue Growth

Total revenue for the year ended 31 December 2022 increased by 6.59% compared to the fall of 6.33% experienced in 2021. This is mainly explained by the Company's strategy to grow back the books coupled with several increases in the key repo rates.

Expense Growth ratio

Total interest expense has decreased by 12.45% compared to 2021. This drop in expense growth ratio can be explained by:

- Most of the Company's high yield interest rate fixed deposits matured during the year and were replaced by shorter term with lower yields.

Productivity Ratio

The productivity ratio, higher than budgeted for 2022 is due to:

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

Overall Performance ratio

Return on equity is 9.43% at 31 December 2022 compared to a budget of 6.93% and against 6.08% last year with return on average assets at 1.64% compared to budgeted figures of 1.21% for 2022. There has been a reasonable increase in interest income in 2022 and profitability is at Rs32.05m (2021: Rs21.78M) before income tax. The Company has written off Rs 11M out of provisions for impairment allowances in 2022. Management further considers the adequacy of impairment provisions to be adequate, with an overall coverage ratio of 1.85% with ECL coverage on the impaired book at 32.4%. (2021: 36.6%). Management has nevertheless on a prudential approach, made an appropriation of retained earnings of Rs7.0M to the General Risk Reserve to comply with regulatory requirements.

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 **89%** (2021: 88% and 2020: 88%) of the total portfolio.

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Agricultural equipment	**30,745**	42,720	11,496
Boat equipment	**2,298**	3,431	5,794
Computer equipment	**3,223**	14,194	20,998
Other equipment	**130,812**	89,520	126,636
Vehicles	**1,337,039**	1,148,712	1,172,593
	1,504,117	1,298,577	1,337,517

1.2.2 REVENUE GROWTH

	2022	2021	2020
	%	%	%
Net Interest Margin (Net Interest income/Total average interest earnings assets)	**4.14%**	3.59%	3.30%
Net Interest Income/Total Average Assets	**3.61%**	3.09%	2.82%

	Income 2022 Rs	**Related assets 2022 Rs**	Income 2021 Rs	Related assets 2021 Rs	Income 2020 Rs	Related assets 2020 Rs
Finance lease income	**103,016,521**	**1,476,392,354**	98,465,364	1,257,689,656	105,212,403	1,291,171,297
Operating lease rental Income	**48,064,342**	**126,912,947**	51,261,719	146,583,595	52,908,489	168,385,253
Deposits with financial institutions and investments in debt securities	**4,213,487**	**172,535,045**	4,170,314	212,084,491	6,111,471	195,895,997
	155,294,350	**1,775,840,346**	153,897,397	1,616,357,742	164,232,363	1,655,452,547

	Interest expense 2022 Rs	**Related liabilities 2022 Rs**	Interest expense 2021 Rs	Related liabilities 2021 Rs	Interest expense 2020 Rs	Related liabilities 2020 Rs
Loans	**2,324,694**	**198,915,670**	1,544,739	88,555,005	444,789	55,146,943
Lease liabilities	**142,633**	**3,046,564**	119,031	977,004	355,089	2,797,381
Deposits from customers	**42,228,722**	**1,274,818,178**	49,390,760	1,247,641,732	60,026,748	1,334,330,922
	44,696,049	**1,476,780,412**	51,054,530	1,337,173,741	60,826,626	1,392,275,246

	2022	2021	2020
	Rs	Rs	Rs
Net interest income	**62,533,959**	51,581,148	50,497,249
Non-interest income:			
Operating lease rental income	**48,064,342**	51,261,719	52,908,489
Fee and commission income	**8,397,613**	6,108,653	5,347,639
Other income	**9,093,064**	1,366,950	2,266,261
Net foreign exchange gain	**144,469**	5,256	431,789
	65,699,488	58,742,578	60,954,178
Operating income	**128,233,447**	110,323,726	111,451,427
Non-interest income/Operating income	**51.23%**	53.25%	54.69%

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.3 COST CONTROL

	2022 Rs	2021 Rs	2020 Rs
Non – interest expense			
Personnel expenses	**38,458,077**	36,019,804	31,785,842
Depreciation of property, plant and equipment	**37,074,235**	43,680,611	43,389,764
Amortisation of intangible assets	**2,499,339**	813,979	405,554
Other expenses	**18,769,859**	10,780,576	11,547,623
Operating lease expense	**-**	-	357,990
Day 1 loss	**-**	-	1,297,989
Total non-interest expense	**96,801,510**	91,294,970	88,784,762
PRODUCTIVITY RATIO			
Non-interest expense/Total income	**75.49%**	82.11%	79.55%

Non-interest expenses have mostly increased because of the changes in personnel expenses and other expenses and depreciation. 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

	2022 Rs'000	2022 %	2021 Rs'000	2021 %	2020 Rs'000	2020 %
Lendings						
Agriculture and Fishing	**34,046**	**2.25%**	73,453	5.66%	61,919	4.63%
Manufacturing and Textile	**148,464**	**9.80%**	79,104	6.09%	96,778	7.24%
Tourism	**99,958**	**6.60%**	52,735	4.06%	60,151	4.50%
Transport	**187,304**	**12.37%**	96,813	7.46%	111,778	8.36%
Construction and Civil Engineering	**148,759**	**9.82%**	165,782	12.77%	163,732	12.24%
Financial and Business Services	**81,929**	**5.41%**	119,010	9.16%	163,624	12.23%
Traders and Commerce	**305,504**	**20.17%**	291,126	22.42%	265,792	19.87%
ICT Services	**51,865**	**3.42%**	33,077	2.55%	34,278	2.56%
Personal	**35,425**	**2.34%**	7,293	0.56%	5,173	0.39%
Professional	**44,646**	**2.95%**	47,406	3.65%	53,930	4.03%
Media, Entertainment and Recreational Activities	**49,076**	**3.24%**	34,298	2.64%	38,153	2.85%
Freeport Enterprise Certificate Holders	**344**	**0.02%**	1,112	0.09%	2,325	0.17%
Services Sector	**181,201**	**11.96%**	154,267	11.88%	157,007	11.74%
Education	**56,630**	**3.74%**	30,401	2.34%	30,472	2.28%
Infrrastructure	**9,034**	**0.60%**	28,011	2.16%	38,840	2.90%
Modernisation and Expansion	**495**	**0.03%**	2,887	0.22%	5,556	0.42%
Health Development	**69,848**	**4.61%**	45,982	3.54%	46,115	3.45%
Regional Development Certificate Holders	**10,017**	**0.66%**	35,821	2.76%	1,894	0.14%
	1,514,545	**100%**	1,298,577	100%	1,337,517	100%

Sectors with the highest credit concentration of the Company during the year were the Traders and Transport which represents 20.17% (2021- 22.42% and 2020 - 19.87%) and 12.37% (2021- 7.46% and 2020- 8.36%) respectively of the total investment as shown in the above table.

The Company has in respect of non-performing leases a provisioning policy which is in compliance with the principles of IFRS 9, the Company's internal requirements and its internal policies. . 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.

Refer to Notes 3F, 5.1, 10(d) and 27 for more credit risk related disclosures.

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 maintains at all times a minimum Risk Weighted Capital Adequacy Ratio of at least 10% as required by the Bank of Mauritius.

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

- Tier 1 capital consist of stated capital, statutory reserve, retained earnings and reserves created by appropriations from post-tax retained earnings. Deferred income tax assets 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 1.25% of risk weighted assets.

At the end of 2022, the Company's capital adequacy ratio was **22.66%** (2021 – 25.34%; 2020 – 23.22%)

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

CAPITAL BASE	**2022**	2021	2020
	Rs'000	Rs'000	Rs'000
A.Tier 1 Core Capital			
- Paid up capital	**200,000**	200,000	200,000
- Statutory reserve	**33,497**	29,233	26,522
- Retained earnings	**61,035**	67,971	51,749
	294,532	297,204	278,271
Less			
- Deferred income tax asset	**-**	(1,874)	(5,752)
- Intangible assets	**(16,704)**	(19,018)	(478)
Tier 1 capital	**277,828**	276,312	272,041
B. Tier 2 Supplementary Capital			
General provisions/ Portfolio provisions/ general loan loss reserves against unidentified losses	**13,943**	14,339	15,477
General risk reserve	**6,989**	-	-
Tier 2 capital (capped at 1.25% of RWAs)	**16,478**	14,339	15,477
C. Total Capital			
Tier 1 : Core Capital	**277,828**	276,312	272,041
Tier 2 : Supplementary capital	**16,478**	14,339	15,477
This Total gross capital	**294,306**	290,651	287,518
Total net capital	**294,306**	290,651	287,518
Weighted amount of on-balance sheet assets ("RWAs")	**1,318,229**	1,147,127	1,238,192
Capital Adequacy Ratio	**22.33%**	25.34%	23.22%

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 Company is also required to maintain liquid assets equivalent to not less than 10 per cent of its deposit liabilities . At 31 December 2022, 2021 and 2020, this condition was met.

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Total deposit liabilities	**1,274,818,178**	1,247,641,732	1,334,330,922
Total liquid assets	**172,535,045**	212,084,491	195,895,997
Liquidity ratio	**14%**	17%	15%

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. Refer to note 5.1 for more details.

3.2 INTEREST RATE RISK

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

3.3 FOREIGN EXCHANGE RATE RISK

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

3.4 LIQUIDITY AND SOLVENCY RISK

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

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

3.5 OPERATIONAL RISK

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

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

3.6 COMPLIANCE RISK

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

4 RELATED PARTY TRANSACTIONS

The Company has a Risk and Conduct Review Committee whose aim, amongst others, is to ensure that Management establishes procedures to comply with the requirements set out in the Guideline on Related Party Transactions issued by the Bank of Mauritius. . 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 2022, the Company's total exposure with related parties was **Rs 38,859,113** (2021 – Rs 55,434,263; 2020 – Rs 81,564,890). This represented **13.55%** (2021 – 20.06%; 2020 – 26.13%) 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 six related parties at 31 December 2022:

	Outstanding balance	As a % of Tier 1 capital
	Rs	
Client 1	3,767,524	1.36%
Client 2	1,663,732	0.60%
Client 3	1,435,579	0.52%
Client 4	1,022,425	0.37%
Client 5	978,339	0.35%
Client 6	940,773	0.34%
	9,808,372	3.53%

During the year, no exposure to related parties was individually impaired (2021 and 2020 - Nil). Details of Related Party transactions are provided in Note 30 of these financial statements.

5 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Refer to the corporate governance report within this report.

Mr. Clement Yue-Chi-Ming
MANAGING DIRECTOR

Mr. Mushtaq Oosman
CHAIRPERSON
OF THE BOARD OF DIRECTORS

Mrs Yeung Min John Chuan
CHAIRPERSON OF THE
AUDIT COMMITTEE

Date: 21 / 03 / 2023