LA PRUDENCE LEASING FINANCE CO. LTD

ANNUAL REPORT FOR THE YEAR ENDED

31 DECEMBER 2023

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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.

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
OOSMAN, Mushtaq (Chairperson)	03 March 2016
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
Sir William Newton Street
Port Louis

Absa Bank (Mauritius) Limited
Absa House, 68 Wall Street
Cybercity, 72201, Ebene

AfrAsia Bank Limited
10, Dr Ferriere Street
Port Louis

ABC Banking Corporation Limited
WEAL House
Duke of Edinburgh Avenue, Place D'Armes,
11328
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

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 2023.

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 private 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 **Rs57.7M** which is an improvement of **80.0%** from last year's results, with revenue increasing to **Rs245.5M**. In terms of asset quality, the non-performing ratio has remained stable at **2.4%** with an impairment coverage of **21.6%**. The capital adequacy of the Company remains comfortably above the regulatory requirement of 10% at **17.9**%.

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 31 to 86 in this annual report. The auditor's report can be found on pages 28 to 30.

Directors

The names of the directors who held office as directors of the Company as at 31 December 2023 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 17 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 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. 2,131,395** for the financial year ended 31 December 2023. (2022: Rs. 2,037,206).

The Managing Director has an ongoing employment contract with the Company.

Donations

The Company did not make any political donations during the financial year ended 31 December 2023 (2022: Nil). During the year under review the Company has contributed **Rs40,421** towards CSR initiatives (2022: Rs7,000).

External auditor

Deloitte has been re-appointed as external auditor of the Company for the year ended 31 December 2023, 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 October 2023

Details of the audit and non-audit fees are as follows:

	31 December 2023	31 December 2022
	Rs	Rs
Statutory audit	**1,500,000**	1,320,000
Audit related services:		
- Dividend certification	**-**	25,000

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.

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

Dividends

The Directors have not proposed to declare dividends for the year ended 31 December 2023 (2022: Rs15M).

Acknowledgements

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	**Clement Yue-Chi-Ming**
Chairperson of the Board	***Managing Director***

27 March 2024

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 by the Bank of Mauritius' Guideline on Corporate Governance (Revised October 2017), and to report accordingly.

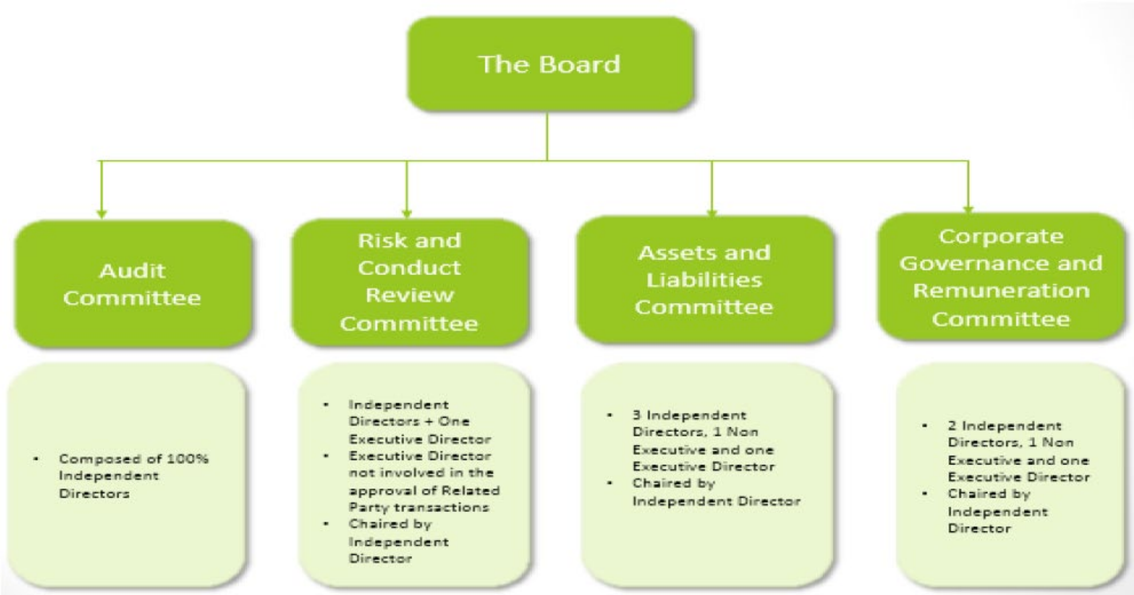
The Board of Directors ('Board') of Prudence Leasing is committed to uphold the highest standards of integrity, accountability and transparency in the governance of the Company and acknowledges its responsibility for applying and implementing the eight principles set out in the Code and for meeting all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

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/

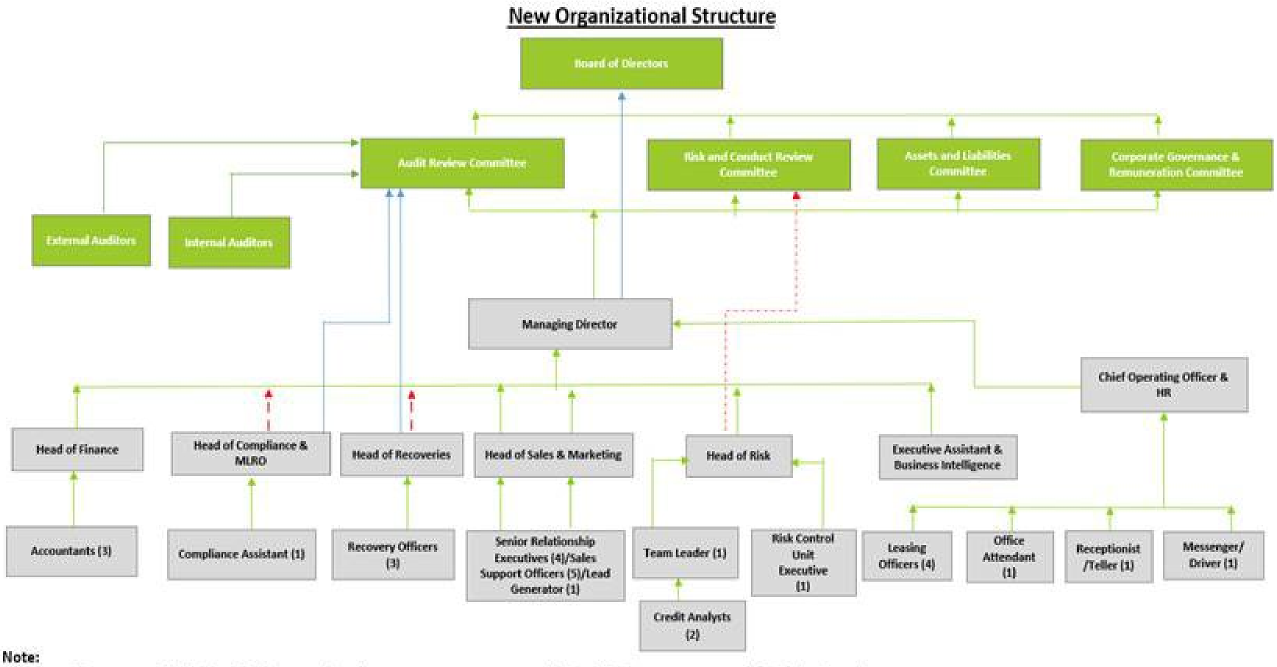
- Board Charter
- Position Statements of its senior governance positions. A description of the position statements of key governance positions is available in the Board Charter.
- Code of Ethics
- Organisational Chart and Statement of Accountabilities
- Constitution of the Company. There are no material 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.

1. GOVERNANCE STRUCTURE (CONTINUED)



Note:

- No. of Permanent Staff is 32. 4 Staff are employed on a temporary contractual 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 Finance to Head of Risk – Approval obtained from the Bank of Mauritius-9 Aug 2023

2. STRUCTURE OF BOARD AND COMMITTEES

The Board

The unitary Board comprises nine members as at 31 December 2023. 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 appoints 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.

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

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

On 26 September 2023, the Company has applied to the Bank of Mauritius for an extension of the directorships of Mr Mushtaq Oosman and Mr Jean Bruno Huet D'Arlon de Froberville whose appointments were to expire on 02 March 2024 and 23 January 2023 respectively. Approval was duly received from the Bank of Mauritius for extension of the term of office of Mr Mushtaq Oosman and Mr Jean Bruno Huet D'Arlon de Froberville as Independent Director and Non-Executive Director up to 02 March 2025 and 24 January 2026 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 12 to 14 of this report or www.prudenceleasing.com.

The Company Secretary

The Company Secretarial 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 and committee meetings are held at least four times a year. Additional meetings may be convened to deliberate urgent matters. Certain decisions are taken by way of written resolutions. The calendar of Board and committee meetings is set well in advance. It is noted that the attendance by the Directors at Board and committee meetings is commendable.

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Attendance at Board and Committee Meetings

Members	Board of Directors (out of 4 meetings)	Corporate Governance and Remuneration Committee (out of 4 meetings)	Audit Committee (out of 4 meetings)	Risk and Conduct Review Committee (out of 4 meetings)	Assets and Liabilities Committee (out of 4 meetings)
Oosman Mushtaq	4	4	-	-	4
Maurel Philippe Olivier	4	4	-	-	4
Yue-Chi-Ming Clement	4	4	-	4	4
Huet d'Arlon de Froberville Jean Bruno	4	-	-	-	-
Galea Dominique	3	-	-	-	-
Leung Lam Hing Jhonny Vee Fah	4	-	-	-	-
John Chuan Yeung Min	3	-	3	3	2
Linda Mamet	4	4	4	4	-
Vikramdass Punchoo	4	-	4	4	4

Board Committees

The Board has approved the composition and the terms of reference of the following committees in order to assist it in the execution of its policies and its decision-making process: Audit Committee, Risk and Conduct Review Committee, Corporate Governance 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, and such reports are duly minuted.

Each Committee is governed by a charter as approved by the Board and these are published on the Company's website: www.prudenceleasing.com. The composition of the four committees is found on page 9.

Mrs Brindha Tanee acted as secretary of the four committees as from 16 March 2020 until her resignation on 01 February 2023. Thereon, Ms Loubna Sooltan has been acting as secretary of the four committees as from 01 March 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:

- reviewing the audited annual financial statements and quarterly unaudited financial reports for adequacy before their approval by the Board;
- assessing whether the Company has implemented adequate internal controls 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 Company;
- 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.

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

- approval of internal and external audit 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 re-appointment of Deloitte as external auditor;
- perusal of audit reports from the internal and external auditors and monitoring of the remedial actions;
- examination and review of the audited financial statements;
- examination and review quarterly financial reports; and
- discussion on the adequacy of allowance for credit impairment on impaired leases.

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:

- recommending related party transactions for approval to the Board;
- reviewing and overseeing the Enterprise-Wide Risk Management framework and Risk Register; and
- formulating, reviewing and approving policies on monitoring and managing risk exposures.

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
- discussing the progress achieved through the implementation of the Code by participating in the NCCG Scorecard Assessment Exercise.

2. STRUCTURE OF BOARD AND COMMITTEES (CONTINUED)

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;
- 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 candidates 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.

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

Directors' Profile (continued)

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).

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.

3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

Directors' Profile (Continued)

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.

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 was previously a Non-Executive Director of MIoD. She is an Independent Director of the Higher Education Commission ("HEC"). Linda chairs the Finance Committee and sits on several other sub-committees of 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.

Directorship of listed companies: None.

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

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 26 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 (Up to 31 March 2023)

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 and served in this position until 31 March 2023.

Jhansy Pilly Mootanah Veerasamy
Head of Finance (From April 2023)

Jhansy Pilly Mootanah-Veerasamy is a member of the Association of Chartered Certified Accountants and Mauritius Institute of Professional Accountants. She also holds a Bachelor of Science in Applied Accounting from Oxford Brookes University. Her experience spanned over 5 years at Deloitte in audit of local and foreign companies including financial institutions and 12 years in accounting of offshore companies operating in real estate and factoring. She served as finance manager at VoIP Capital International for 5 years.

She was appointed Head of Finance at La Prudence Leasing Finance Co Ltd in April 2023.

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 joined La Prudence Leasing Finance Co Ltd as Head of Compliance and MLRO and also as Data Protection Officer on 16 March 2020. She resigned from the Company on 01 February 2023.

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3. DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

Senior Management (Continued)

PROFILE OF SENIOR MANAGEMENT (CONTINUED)

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.

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 Risk (previously Head of Credit)

Nitish counts more than 10 years of experience in Financial Services. He has gained experience and expertise in credit administration, risk and control. During his career, he developed the skills required to shoulder the responsibility of Head of Risk.

Completing his MBA in Innovation & Leadership, he already has a BSc with Honors 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. On 09 August 2023, after Board and regulatory approval, Nitish was appointed as Head of Risk of the Company.

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 receive 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.

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 2022/2023, the Directors received trainings and followed informational sessions. The main topics covered were financial stress testing 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.

4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

Director's Induction, Professional development and Succession Planning (Continued)

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.

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.

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 2023

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

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

Directors	*Indirect Interest*
Mr Philippe Olivier Maurel	4.64%
Mr Jean Bruno Huet d'Arlon de Froberville	6.10%
Mr Dominique Galea	8.53%

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 31 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 10,738,962** as Directors fees including the Managing Directors' salary/bonus during the year (2022: Rs 9,134,659). 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.

4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE (CONTINUED)

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

Directors' remuneration for current directors	***Rs***
Oosman Mushtaq	707,000
Maurel Philippe Olivier	417,000
Yue-Chi-Ming Clement	8,079,962
Huet d'Arlon de Froberville Jean Bruno	57,000
Galea Dominique	45,000
Leung Lam Hing Johnny	57,000
John Chuan Yeung Min	452,000
Mamet Linda	462,000
Punchoo Vikramdass	462,000

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 2023 by ECS Secretaries Ltd, the Company Secretary, and the overall score achieved was 83.9%. The evaluation of the Board Members is conducted every two years and the next one will be held in 2025.

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 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 the 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 on the Risk Register and also recommend alignment of the controls and limits to the enterprise level risk appetite and regulatory requirements.

5. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

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.

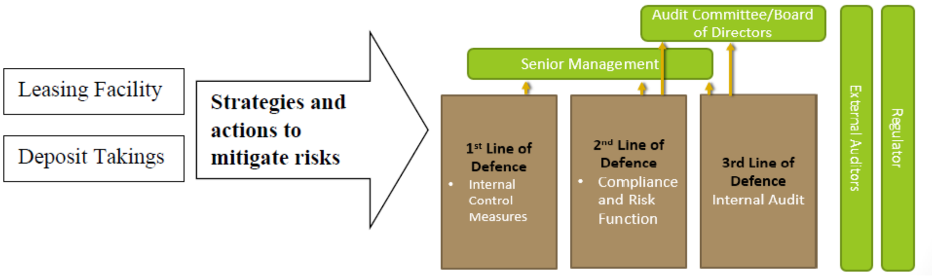
The Board, with the assistance of the Audit Committee, regularly receives and reviews reports from management and the internal auditor. The reports provide a balanced and independent assessment of the effectiveness of internal controls and also identify any significant weaknesses in the system to allow remedial action.

During the year there were no significant or material deficiencies in the Company's internal control systems that the management is 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 three lines of defence can be illustrated as follows:

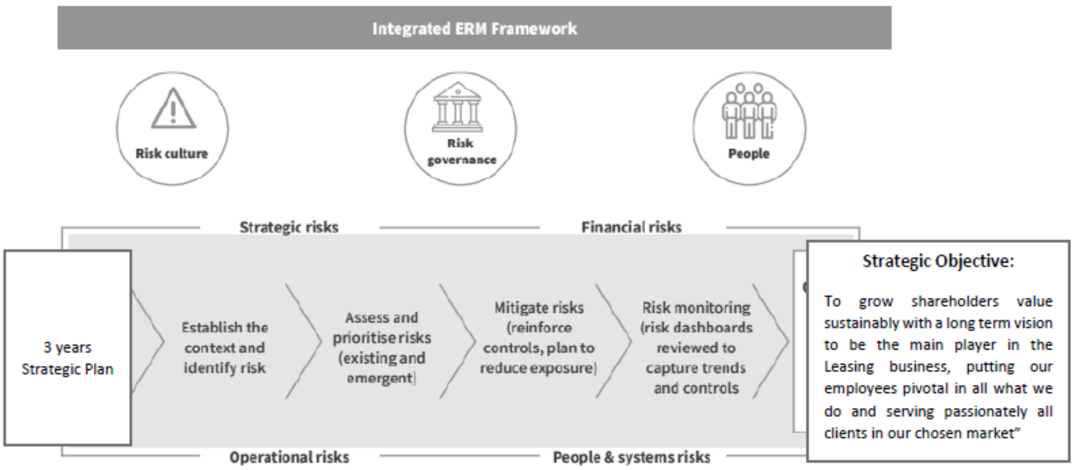


The Board maintains full control and direction over strategic, financial, operational, control and compliance issues and ensures that an effective organisational structure is in place in line with good governance practices.

The risk management approach of the Company rests on three 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
- Developing people's ability to weigh the opportunities and risks while making decisions.

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

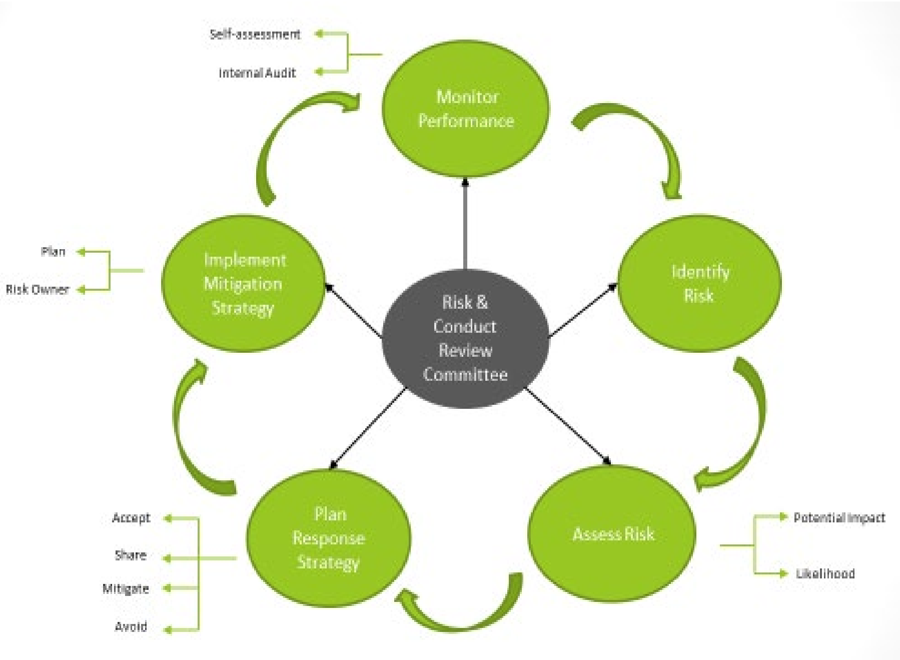


5. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

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 who is responsible for its mitigation. Information that is included in the detailed risk register is 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 improve mitigation controls including timeline, responsible person, and status.

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

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

5. RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Risk Register (Continued)

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.

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.

Organisational 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 clients 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.

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 main amount 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 ongoing conflicts in Europe and Middle East will 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. The current world economic situation is devaluating the Mauritian Rupee and the ripple effect on our business is mitigated by diversifying our business partners which also work with car companies from China, Japan and countries other than from the European Union.

6. REPORTING WITH INTEGRITY (CONTINUED)

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 24 of the financial statements for more details on the dividends.

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 Company is also aware of the 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 2023 (2022: Nil). During the year under review the Company has participated in the CSR initiative.

	CSR paid to:	**Amount (Rs) 2023**	**Amount (Rs) 2022**	**Amount (Rs) 2021**
1	Terrain for Interactive Pedagogy through Arts (“TIPA”)	**10,000**	-	7,000
2	Kifer Pa Mwa	**30,421**	-	-
	Total	**40,421**	-	7,000

7. AUDIT

Internal Audit

The Board recognises that risk management within the Company is key to carry out its objectives and long-term goals successfully. 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 2023 included the following:

- Management of related parties and effectiveness of the Compliance department;
- Debtors’ management review; and
- Deposits and liquidity management framework.

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.

7. AUDIT (CONTINUED)

Internal Audit (Continued)

Management is responsible for acting on the findings and implementing the recommendations of the internal audit reports. The Audit Committee reviews the effectiveness of the Internal Audit function on an ongoing basis, which is achieved in part, by reviewing and discussing on the internal audit reports.

The 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 approval for the re-appointment of Deloitte as external auditor of the Company for the financial year ended 31 December 2023 was obtained on 05 October 2023 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 external auditor 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.

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

The Board aims to understand the information needs properly 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 2023
Approval of Annual Report including Audited Financial Statements	27 March 2024
Annual Meeting	By 30 June 2024

Mushtaq Oosman
Chairperson of the Board

Linda Mamet
Chairperson of the Corporate Governance and Remuneration Committee

Clement Yue-Chi-Ming
Managing Director

27 March 2024

(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 2023**

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.

Mushtaq Oosman
Chairperson of the Board

Linda Mamet
Chairperson of the Corporate Governance and Remuneration Committee

Clement Yue-Chi-Ming
Managing Director

27 March 2024

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

27 March 2024

REPORT FROM THE COMPANY SECRETARY

We certify to the best of our knowledge and belief that for the year ended 31 December 2023, 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
Company Secretary

27 March 2024

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 31 to 86, which comprise the statement of financial position as at 31 December 2023, 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 the material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on the lease book	

The Company has computed the expected credit losses ("ECLs") on its lease receivables in line with the requirements set out in IFRS 9 *Financial Instruments.*
 	
For the performing lease book, management has adopted the roll rate methodology for the determination of the probability of default ("PD") rate, which is derived from an expectation of an exposure moving through various risk buckets up to 90+ days past due over a defined observation period and identified segments. The PD is then adjusted for forward looking economic information and multiplied to the loss given default ("LGD") for each segment and time bucket to arrive at the final loss rates.
 	
For the non-performing lease book, management has determined the lifetime ECLs based on individual assessments performed for each impaired exposure, by taking into account the underlying collateral value and any other cash flows.
 	
The ECL methodology requires the application of significant judgements and estimates including:
- Identifying the appropriate level of segmentation of the portfolio, time buckets and observation period;
- Deriving the roll-rate methodology to determine the probability of default;
- Determining the loss given default based on the Company's historical defaults and recoveries;
- Determining the forward-looking economic information to be incorporated into the model;
- Assessing the value of underlying collaterals for the non-performing lease book, as well as the time to realise.
 	
Due to the significance of the judgements applied in the determination of the ECLs, this item is considered as a key audit matter.
 	
Refer to Note 3(F) for more details.
	Our procedures included the following amongst others:
	
	• Involving a team of specialists to evaluate the appropriateness of the impairment methodology applied by the Company in line with the requirements of IFRS 9 and assess the appropriateness of:
	  - the level of segmentation used;
	  - the observation period for the roll-rate methodology;
	  - the time-buckets used;
	  - the forward-looking economic information incorporated within the model.
	  - the PD and LGD determined for each segment and time bucket.
	• Inspecting minutes of governance committees to ensure that there are governance controls in place in relation to the approval of the impairment methodology, and the assessment of the ECL assumptions, management judgement and final results.
	• Testing the completeness and accuracy of data elements in the model;
	• Assessing the independence and competence of appraisers used by management to value the underlying collaterals;
	• Performing substantive tests of details on non-performing lease receivables, including:
	  a) validating on a sample basis the valuation of collateral securities to support the individual impairment charge; and
	  b) testing the accuracy of ECLs through reperformance on a sample basis.
	• Reviewing the adequacy of the Company's disclosures on ECLs as per IFRS.

Deloitte.

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Cybercity
Ebène 72201
Mauritius

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

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.

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.

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19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

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

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 shareholder, 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 shareholder 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
27 March 2024

LLK Ah Hee, FCCA
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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022	2021
		Rs	Rs	Rs
ASSETS				
Cash and cash equivalents	7	**76,648,737**	26,254,312	63,148,504
Deposits with financial institutions	8	**127,985,122**	146,280,733	143,807,864
Investment in debt securities at amortised cost	9	**98,924,506**	-	5,128,123
Net investment in lease receivables	10	**2,117,630,859**	1,476,392,354	1,257,689,656
Advance on finance leases	17	**1,028,910**	3,639,745	-
Property and equipment	11	**132,434,084**	134,899,246	149,155,193
Right-of-use assets	12	**982,842**	2,964,908	830,140
Current tax assets	13	**-**	187,288	187,288
Deferred tax assets	14	**-**	-	1,873,950
Intangible assets	15	**11,902,981**	16,704,428	19,017,767
Assets held for sale	16	**3,230,500**	1,775,770	1,036,777
Other assets	18	**6,145,046**	8,738,886	9,277,331
Total assets		**2,576,913,587**	1,817,837,670	1,651,152,593
LIABILITIES				
Deposits from customers	19	**1,422,904,517**	1,274,818,178	1,247,641,732
Other borrowed funds	20	**402,054,691**	198,915,670	88,555,005
Debt securities	21	**367,780,617**	-	-
Lease liabilities	12	**1,066,492**	3,046,564	977,004
Dividend payable	24	**-**	10,000,000	-
Other liabilities	23	**38,618,953**	26,998,975	14,870,395
Current tax liability	13	**9,995,729**	-	-
Deferred tax liabilities	14	**1,920,622**	1,936,268	-
Retirement benefit obligations	22	**2,496,342**	602,292	1,903,434
Total liabilities		**2,246,837,963**	1,516,317,947	1,353,947,570
SHAREHOLDER'S EQUITY				
Share capital	25	**200,000,000**	200,000,000	200,000,000
Statutory reserve		**40,415,493**	33,497,356	29,233,484
General risk reserve		**24,878,590**	6,988,679	-
Retained earnings		**64,781,541**	61,033,688	67,971,539
Total equity		**330,075,624**	301,519,723	297,205,023
Total equity and liabilities		**2,576,913,587**	1,817,837,670	1,651,152,593

Authorised for issue by the Board of Directors on **27 March 2024** and signed on its behalf by:

....	....	....
Mr. Mushtaq Oosman	Mr. Clement Yue-Chi-Ming	Mrs Yeung Min (Christine) John Chuan
Chairperson of the Board of Directors	***Managing Director***	***Chairperson of the Audit Committee***

The notes set out on pages 35 to 86 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022	2021
		Rs	Rs	Rs
Interest income				
Interest income calculated using the effective interest rate method	26	**7,708,413**	4,213,487	4,170,314
Interest income on investment in finance lease receivables	26	**168,825,818**	103,016,521	97,859,806
Interest expense	26	**(80,735,976)**	(44,696,049)	(51,054,530)
Net interest income	26	**95,798,255**	62,533,959	50,975,590
Non-interest income				
Operating lease rental income		**45,832,414**	48,064,342	51,261,719
Fee and commission income		**15,252,725**	8,397,613	7,038,879
Other income	27	**7,811,861**	9,093,064	1,905,645
Net foreign exchange gains		**25,642**	144,469	5,256
Net non-interest income		**68,922,642**	65,699,488	60,211,499
Operating income		**164,720,897**	128,233,447	111,187,089
Net impairment gain on financial assets	28	**3,668,461**	2,239,722	1,906,929
(Loss)/gain on assets held for sale	16	**(1,183,493)**	237,459	(19,293)
Personnel expenses	29	**(42,577,155)**	(38,458,077)	(33,407,804)
Depreciation of property and equipment	11	**(35,134,330)**	(37,074,235)	(41,995,762)
Depreciation of right-of-use assets	12	**(1,982,066)**	(1,829,365)	(1,684,848)
Amortisation of intangible assets	15	**(5,734,841)**	(2,499,339)	(813,979)
Other expenses	30	**(24,069,731)**	(18,797,448)	(13,392,577)
		(107,013,155)	(96,181,283)	(89,407,334)
Profit before income tax		**57,707,742**	32,052,164	21,779,755
Income tax expense	13	**(11,586,832)**	(3,626,348)	(3,702,873)
Profit for the year		**46,120,910**	28,425,816	18,076,882
Other comprehensive income				
Other comprehensive income that will not be reclassified to profit or loss in subsequent period				
Remeasurement of net defined benefit liability	22	**(3,090,372)**	1,072,754	1,033,031
Income tax relating to items that will not be reclassified subsequently to profit or loss	14	**525,363**	(183,870)	(175,615)
Other comprehensive income for the year		**(2,565,009)**	888,884	857,416
Total comprehensive income for the year, net of tax		**43,555,901**	29,314,700	18,934,298

The notes set out on pages 35 to 86 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2023

	Note	Share capital	Statutory reserve	General risk reserve	Retained earnings	Total equity
		Rs	Rs	Rs	Rs	Rs
Balance at 1 January 2021		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	24	-	-	-	(25,000,000)	(25,000,000)
Appropriation of retained earnings to general risk reserve		-	-	6,988,679	(6,988,679)	-
Transfer to statutory reserve		-	4,263,872	-	(4,263,872)	-
Balance at 31 December 2022		200,000,000	33,497,356	6,988,679	61,033,688	301,519,723
Profit for the year, net of tax		**-**	**-**	**-**	**46,120,910**	**46,120,910**
Other comprehensive income, net of tax		**-**	**-**	**-**	**(2,565,009)**	**(2,565,009)**
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**43,555,901**	**43,555,901**
Transactions with owner						
Dividends	**24**	**-**	**-**	**-**	**(15,000,000)**	**(15,000,000)**
Appropriation of retained earnings to general risk reserve		**-**	**-**	**17,889,911**	**(17,889,911)**	**-**
Transfer to statutory reserve		**-**	**6,918,137**	**-**	**(6,918,137)**	**-**
Balance at 31 December 2023		**200,000,000**	**40,415,493**	**24,878,590**	**64,781,541**	**330,075,624**

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 years ended 31 December 2022 and 2023, 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 Classification, Provisioning and Write off of Credit Exposures on* 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.

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 Statutory Reserve Account is equal to the amount paid as stated capital.

The notes set out on pages 35 to 86 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022	2021
		Rs	Rs	Rs
Cash flows from operating activities				
Profit before income tax		**57,707,742**	32,052,164	21,779,755
Adjustments for items not involving movement of cash:				
Net impairment gain on financial assets	28	**(3,668,461)**	(2,239,772)	(1,906,929)
Depreciation of property and equipment	11	**35,134,330**	37,074,235	41,995,762
Amortisation of intangible assets	15	**5,734,841**	2,499,339	813,979
Depreciation of right-of-use assets	12	**1,982,066**	1,829,365	1,684,848
Loss/(gain) on disposal of assets held for sale	16	**1,183,493**	(237,459)	19,293
Interest income on investment in finance lease receivables	26	**(168,825,818)**	(103,016,521)	(97,859,806)
Interest income - other financial assets	26	**(7,708,413)**	(4,213,487)	(4,170,314)
Interest expense	26	**80,584,654**	44,553,416	50,935,499
Interest expense on lease liabilities	26	**151,323**	142,633	119,031
Net foreign exchange gain		**-**	(144,469)	(5,256)
Movement in retirement benefit obligation	22 (b)	**(1,196,322)**	533,834	251,544
Write-off		**398,040**	91,845	-
Profit on disposal of property and equipment (owned assets)		**-**	(296,604)	-
(Gain)/losses on disposal of early terminated leases		**(1,287,777)**	(1,693,890)	19,169
		189,697	6,934,630	13,676,575
Changes in operating assets and liabilities				
Purchase of assets acquired for leasing purposes (finance leases)		**(1,172,618,695)**	(707,903,039)	(474,620,191)
Repayments of finance leases		**538,117,784**	503,301,953	510,902,484
Acquisition of operating leases	11	**(46,375,683)**	(30,200,303)	(27,185,548)
Deposits from customers		**505,662,604**	437,308,659	203,680,000
Deposit refunded to customers		**(362,936,880)**	(397,952,155)	(273,645,959)
Other borrowed funds (IFCM) received	20	**-**	37,915,000	54,076,175
Other borrowed funds (IFCM) paid	20	**(31,200,236)**	(27,554,335)	(22,212,852)
Proceeds from disposal of inventories	18 (a)	**15,822,332**	11,997,528	9,372,487
New advance on leases		**(1,404,805)**	(7,121,776)	-
Decrease / (increase) in other assets		**2,487,352**	420,761	(1,273,776)
Increase / (decrease) in other liabilities		**11,619,979**	959,672	(4,317,566)
Interest income received on investment in finance leases		**166,963,920**	103,851,311	97,315,148
Interest paid		**(76,462,141)**	(54,782,345)	(66,233,022)
Net cash (used in)/generated from operations		**(450,134,773)**	(122,824,437)	19,533,955
Income tax (paid)/refund	13	**(894,098)**	-	643,145
Retirement benefit obligation paid	22 (e)	**-**	(762,222)	-
Net cash (used in)/generated from operating activities		**(451,028,871)**	(123,586,659)	20,177,100
Cash flows from investing activities				
Acquisition of intangible assets	15	**(933,394)**	(186,000)	(2,096,392)
Acquisition of property and equipment (owned assets)	11	**(833,238)**	(5,094,765)	(4,118,778)
Interest received - other financial assets		**7,626,017**	1,542,545	4,111,127
Additions to term deposits		**(150,000,000)**	-	(75,000,000)
Repayment of term deposits		**165,000,000**	-	25,000,000
Investment in debt securities		**(635,482,000)**	-	(25,000,000)
Maturity of debt securities		**539,541,000**	4,977,600	99,510,250
Proceeds from disposal of assets held for sale	16	**278,330**	1,474,552	275,000
Disposal proceeds from property and equipment		**-**	343,108	-
Net cash generated from investing activities		**(74,803,285)**	3,057,040	22,681,207
Cash flows from financing activities				
Other borrowed funds (Banks) received	20	**600,000,000**	250,000,000	-
Other borrowed funds (Banks) paid	20	**(365,793,346)**	(150,000,000)	-
Cash from debt securities issued		**369,000,000**	-	-
Repayment lease liabilities	12 (b)	**(1,980,072)**	(1,894,573)	(1,820,377)
Dividend paid**		**(25,000,000)**	(14,470,000)	-
Net cash generated from/(used in) financing activities		**576,226,582**	83,635,427	(1,820,377)
Net change in cash and cash equivalents		**50,394,425**	(36,894,192)	41,037,930
Cash and cash equivalents at beginning of year		**26,254,312**	63,148,504	22,105,318
Effect of exchange rate changes on cash and cash equivalents		**-**	-	5,256
Cash and cash equivalents at end of year	7	**76,648,737**	26,254,312	63,148,504

** In 2022 dividend was paid net of Rs530,000 which related to loan receivable from the shareholder.

The notes set out on pages 35 to 86 are an integral part of these financial statements.

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.

The financial statements for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 27 March 2024.

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 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

The Company has adopted the amendments to IAS 1 for the first time in the current year. 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 have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments had no impact on the Company's financial statements.

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

The Company has adopted the amendments to IAS 8 for the first time in the current year. 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.

These amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

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 Non-current Liabilities with Covenants
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

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—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants (continued)

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

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.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

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. 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

D Financial instruments (Continued)

(i) Financial assets (continued)

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).

(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 reassesses 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

D Financial instruments (Continued)

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

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 in debt securities, net investment in finance leases, advance on 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.

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
Investment in net lease receivables	Yes	Hold to collect	At amortised cost
Deposits with financial institutions	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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

D Financial instruments (Continued)

(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 periods 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.

(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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

D Financial instruments (Continued)

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

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.

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;

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

E Leases (Continued)

(i) The Company is the lessee (continued)

- 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
- 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.

<u>Finance leases – Company is a lessor</u>

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.

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 receivables.

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 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

E Leases (Continued)

(ii) The Company is the lessor (continued)

Finance leases – Company is a lessor (continued)

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 net lease receivables

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 results 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 include 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') were recognised.
- Stage 2 include financial instruments that have 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 include 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 was, 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 cure and are no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

The above approach is quantitatively modelled using following formula:

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

F Impairment of financial assets (Continued)

(i) Investment in net lease receivables (continued)

Impairment methodology (continued)

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.

For the periods ended 31 December 2022 and 2021, 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 lifetime 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 were accounted for as an adjustment of the financial asset's gross carrying value.

Significant increase in credit risk ("SICR")

The Company monitors all financial assets, issued lease commitments and unused credit lines that were 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 measures 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

F Impairment of financial assets (Continued)

(i) Investment in net lease receivables (continued)

Impairment methodology (continued)

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 led to a different probability of default. It is the weighting of these different scenarios that formed the basis of a weighted average probability of default that was used to determine whether credit risk had significantly increased.

For corporate lending, forward-looking information include 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 included the same economic forecasts as corporate lending with additional forecasts of local economic indicators.

The quantitative information was 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 used the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk were 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 was a relative measure, a given change, in absolute terms, in the PD was 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 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

F Impairment of financial assets (Continued)

(i) Investment in net lease receivables (continued)

Impairment methodology (continued)

The roll rate methodology

In the course of the financial year ended 31 December 2023, management has recalibrated the existing ECL model, in particular for the computation of the PD and has adopted the roll rate methodology. Under the roll rate methodology, the probability of default ("PD") rate is derived from an expectation of an exposure moving through risk buckets up to 90+ days past due. 90+ days is considered as the cut-off as IFRS 9 incorporates a rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3 (i.e., default status). The PDs have been segmented by business line (i.e., individual (retail) leases and corporate leases) and days past due ("DPD") time buckets, which are as follows:

- Current: Up-to-date accounts
- 1-30: accounts with instalment in arrears for 1-30 days
- 31-60: accounts with instalment in arrears for 31-60 days
- 61-90: accounts with instalment in arrears for 61-90 days
- 90+: accounts with instalment in arrears exceeding 90 days.

Data from September 2015 onwards has been considered in the PD calculations to reflect the risk observed from the historical behaviour of the Company's portfolio.

The monthly roll rate for each observation month and DPD bucket is calculated. The monthly roll rate represents the percentage of the balance which moves from one DPD bucket to the next within a 1-month observation window. The roll-to-default rates by observation month and DPD buckets are then calculated by multiplying the monthly roll rates from origination to the default point. After obtaining those roll-to-default rates for each observation month and DPD buckets, the final PDs are then calculated as the average of the roll rates, adjusted for forward looking information ("FLI").

For instance, if forecast economic conditions are expected over the next year, which can lead to increased number of default, the historical observed default rates would be updated and changed in the forward looking estimates analysed, and the assessment of the correlation between historical observed default rates and forecast economic conditions factored. The Company's historical loss experience and forecast economic conditions may not also be representative of the customer's actual default in the future – and this has been factored in the ECL model.

The final PDs post factoring the FLI are then adjusted with the LGD whose methodology has remained largely unchanged from the previous approach. The LGD is determined as follows:

LGD = (1-Recovery Rate) where

$$Recovery\ rate = \frac{PV\ of\ recovered\ amount\ or\ expected\ recovery}{Net\ out\ standing\ at\ the\ time\ of\ default}$$

Computing the ECLs

ECLs are computed as the product of the LGD and the PD as detailed above, and the exposure at default ("EAD") which is the lease receivable inclusive of accrued interest at period end.

For the performing book (i.e. leases which are not more than 90 days overdue), the bucket wise PDs is applied to the lease receivable and the corresponding LGD at period end.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

F Impairment of financial assets (Continued)

(i) Investment in net lease receivables (continued)

Computing the ECLs (both prior to 01 January 2023 and as from 01 January 2023)

For the non-performing book, i.e. leases which are more than 90 days overdue which management considers as being in default, the Company performs an individual assessment of the lease by considering the value of the underlying collateral, sustainability of any business plans, availability of any other financial support, subsequent receipts, and the timing of any future cash flows. The impairment loss is computed by comparing the expected cash flows (recoverable amount) against the outstanding lease receivable amount at the end of each reporting period. The PD of the impaired asset is assumed to be at 100%.

Definition of default and curing

The Company considers a financial instrument or lease defaulted/ credit impaired and previously under 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 individually assessed for ECL calculations. 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 credit-impaired status when none of the default criteria have been present. The Company is also guided by the Bank of Mauritius' requirement that an account is upgraded 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.

Write offs

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 profit or loss.

(ii) Other financial assets

For other financial assets, the ECLs are computed as follows:

Cash and cash equivalents Deposits with financial institutions	Credit risk from balances with banks and financial institutions is considered to be negligible since the counterparties are reputed financial institutions with high quality external credit ratings. Based on management's assessment, the ECLs have been computed using a 12-month PD under Stage 1 and LGD under the Basel III recommendations.
Investment in debt securities at amortised cost	Investment securities at amortised cost represent investments made in bonds issued by the Government of Mauritius. The sovereign risk is considered to be negligible. Based on management's assessment, the ECLs have been computed using a 12-month PD under Stage 1 and LGD under the Basel III recommendations.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

F Impairment of financial assets (Continued)

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

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 in debt securities

Investment in debt 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".

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. These generally relate to repossessed assets. 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

J Intangible assets (Continued)

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. In the course of the year ended 31 December 2023, management has re-assessed the useful life of its SAP Hana software from 8 to 5 years and recognised the amortisation charge accordingly.

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.

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, debt securities 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

M Financial liabilities – Other liabilities measured at amortised cost (continued)

(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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

O Current and deferred income tax (continued)

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.

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 statement of financial position.

(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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

P Employee benefits (Continued)

(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.

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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

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 22.

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

Key sources of estimation uncertainty (continued)

Allowance for ECL on leases under IFRS 9

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

- The 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.

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 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 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.3 *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.

Credit impaired leases	Gross exposure Rs	ECL allowance Rs	Carrying amount Rs	Fair value of collaterals held Rs
31 December 2023	**50,967,365**	**10,984,310**	**39,983,055**	**49,340,000**
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

5.1.4 *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.

During the year there was no amount written off out of provision (2022: Rs.11M, 2021: Rs3.4M). The Company is complying with its internal policies on write off.

Amounts written off are still subject to enforcement activties.

5.1.5 *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 28.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

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

The following table presents the maximum exposure as at 31 December 2023, 2022 and 2021 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.

	2023	2022	2021
	Rs	Rs	Rs
Cash and cash equivalents	**76,648,737**	26,254,312	63,148,504
Deposits with financial institutions	**127,985,122**	146,280,733	143,807,864
Investment in debt securities at amoritsed cost	**98,924,506**	-	5,128,123
Net investment in lease receivables	**2,117,630,859**	1,476,392,354	1,257,689,656
Advance on finance leases	**1,028,910**	3,639,745	-
Other assets	**891,334**	2,098,086	4,565,358
	2,423,109,468	1,654,665,230	1,474,339,505
Off balance sheet commitments	**95,070,735**	116,587,627	30,405,032

For financial assets recognised 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 inventories amounting to **Rs 5,253,712** (2022: Rs 6,640,800 2021: Rs 4,711,973).

5.1.7 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.

	2023	2022	2021
	Rs’000	Rs’000	Rs’000
Vehicles	**3,231**	1,776	1,037

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 (continued)

5.2.2 Currency risk (continued)

At 31 December 2023

		Denominated in			
		EURO	**USD**	**MUR**	**Total**
Assets	**Rs**	**370,966**	**48,410**	**2,422,690,092**	**2,423,109,468**
Liabilities	**Rs**	**-**	**-**	**2,232,425,270**	**2,232,425,270**
Net position	**Rs**	**370,966**	**48,410**	**190,264,822**	**190,684,198**
At 31 December 2022					
Assets	Rs	1,235,269	49,987	1,653,379,974	1,654,665,230
Liabilities	Rs	-	-	1,503,779,387	1,503,779,387
Net position	Rs	1,235,269	49,987	149,600,587	150,885,843
At 31 December 2021					
Assets	Rs	72,292	51,521	1,474,215,692	1,474,339,505
Liabilities	Rs	-	-	1,352,044,136	1,352,044,136
Net position	Rs	72,292	51,521	122,171,556	122,295,369

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

As at 31 December 2023, if the Mauritian Rupee had weakened/strengthened by 10% against the EURO and USD, the Company's profit before tax would have been **Rs 37,097** (2022: Rs. 123,527; 2021: Rs 7,229) higher/lower and **Rs 4,841** (2022: Rs. 4,999; 2021: Rs 5,152) higher/lower respectively.

5.2.3 Interest rate risk

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. During they year, the Company has diversified its sources of funding which include corporate bonds, term loans and fixed deposits from customers which mainly bears fixed interest rate.

On the other hand, the majority of leases granted by the Company are at floating rates and secured by floor rates in the event of a drop in interest rates. Moreover, any adverse fluctuation in the market interest rate will have an impact on the interest rate on future fixed deposits and leases.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

The table below summarises the interest rates for monetary financial instruments:

	2023 % Min	**2023 % Max**	2022 % Min	2022 % Max	2021 % Min	2021 % Max
Assets						
Cash and cash equivalents	**0.15**	**2.30**	0.15	1.30	0.11	0.14
Deposits with financial institutions	**3.30**	**4.60**	2.09	4.02	2.09	4.12
Investment in debt securities at amortised cost	**4.40**	**4.40**	-	-	3.40	3.40
Net investment in lease receivables	**2.90**	**13.00**	2.90	13.00	2.50	13.00
Loan to staff	**4.50**	**4.50**	4.50	4.50	4.50	4.50
Advance on finance leases	**7.00**	**11.25**	7.00	9.00	-	-
Liabilities						
Other borrowed funds	**0.50**	**5.75**	0.50	1.50	0.50	1.50
Lease liabilities	**0.58**	**0.58**	0.58	0.58	0.01	0.01
Debt securities	**5.35**	**6.65**	-	-	-	-
Deposits from customers	**1.55**	**6.25**	1.30	6.15	1.00	6.50

The Company is exposed to interest rate risk arising from financial assets and financial liabilities. As at 31 December 2023, if the interest rate had increased/decreased by 0.50%, the Company's profit before tax would have been **Rs 1,115,790** (2022: Rs 875,968; 2021: Rs 667,887) 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. In this respect, the Company has secured additional funding facilites through corporate bonds and term loans.

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 for both current and prior years.

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
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2023							
Liabilities							
Deposits from customers	67,760,058	46,636,347	208,031,891	336,549,727	902,487,954	-	1,561,465,977
Other borrowed funds	9,399,356	18,769,843	28,140,223	55,980,709	338,806,440	-	451,096,571
Debt securities	-	-	79,938,107	9,565,479	338,925,000	-	428,428,586
Lease liabilities	181,385	362,791	544,186	-	-	-	1,088,362
Other liabilities	38,618,953	-	-	-	-	-	38,618,953
Total liabilities	115,959,752	65,768,981	316,654,407	402,095,915	1,580,219,394	-	2,480,698,449
Undrawn commitments	75,913,935	19,156,800	-	-	-	-	95,070,735
Assets							
Cash and cash equivalents	76,648,737	-	-	-	-	-	76,648,737
Deposits with financial institutions	-	26,112,500	25,875,000	52,287,500	29,125,000	-	133,400,000
Investment in debt securities at amortised cost	-	100,000,000	-	-	-	-	100,000,000
Gross Investment in lease receivables	56,877,479	105,822,074	155,070,615	297,943,713	1,678,710,970	421,887,055	2,716,311,906
Other assets	891,334	-	-	-	-	-	891,334
Total assets	134,417,550	231,934,574	180,945,615	350,231,213	1,707,835,970	421,887,055	3,027,251,977
Net liquidity gap	(57,456,137)	147,008,793	(135,708,792)	(51,864,702)	127,616,576	421,887,055	451,482,793

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
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2022							
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	119,310,933	181,743,327	475,924,068	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	71,133,860	114,346,097	123,735,138	231,805,935	1,245,110,955	214,827,317	2,000,959,302
Net liquidity gap	(16,093,606)	(92,851,184)	(58,008,189)	(244,118,133)	490,158,605	211,921,588	291,009,083

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
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 31 December 2021							
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	4,565,358	-	-	-	-	-	4,565,358
Total assets	107,522,363	79,278,765	114,986,409	218,368,824	1,065,390,645	92,062,254	1,677,609,260
Net liquidity gap	43,198,765	5,415,322	(124,593,796)	(60,672,027)	323,087,969	90,389,008	276,825,241

The tables below present a maturity analysis of the Company's financial assets and liabilities. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the assets/liabilities as disclosed in the statement of financial position. This is because the maturity analysis incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments. The amount for issued lease commitments is the maximum amount that may be drawn down under the lease commitment, included in the earliest possible period that these could be paid.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value of financial assets and financial liabilities

The carrying amounts of all the financial assets and financial liabilities except for deposit from customers approximate their fair values and would have been shown under Level 2 of the fair value hierarchy under IFRS13.

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:

	2023 Carrying value	**2023 Fair value**	2022 Carrying value	2022 Fair value	2021 Carrying Value	2021 Fair value
	Rs'000	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000
Financial liabilities						
Deposit from customers	**1,422,905**	**1,426,625**	1,274,818	1,277,927	1,247,642	1,248,657

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.

5.5 Categories of financial assets and financial liabilities

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

	2023	**2022**	**2021**
	Rs	**Rs**	**Rs**
Assets			
Cash and cash equivalents	**76,648,737**	26,254,312	63,148,504
Deposits with financial institutions	**127,985,122**	146,280,733	143,807,864
Investment in debt securities at amortised cost	**98,924,506**	-	5,128,123
Net investment on finance lease	**2,117,630,859**	1,476,392,354	1,257,689,656
Advances on finance leases	**1,028,910**	3,639,745	-
Other assets *	**891,334**	2,098,086	4,565,358
	2,423,109,468	1,654,665,230	1,474,339,505
Liabilities			
Deposits from customers	**1,422,904,517**	1,274,818,178	1,247,641,732
Lease liabilities	**1,066,492**	3,046,564	977,004
Other borrowed funds	**402,054,691**	198,915,670	88,555,005
Debt securities	**367,780,617**	-	-
Other liabilities	**38,618,953**	26,998,975	14,870,395
	2,232,425,270	1,503,779,387	1,352,044,136

* Other assets exclude prepayments, VAT receivable and inventories.

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 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Capital adequacy ratio	**17.91%**	22.33%	25.34%

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:

	2023	2022	2021
	Rs	Rs	Rs
Current			
Balances and deposits with banks in Mauritius	**76,862,077**	26,359,316	63,144,008
Cash in hand	**20,000**	8,000	4,496
Less provisions for expected credit losses (Stage 1)	**(233,340)**	(113,004)	-
	76,648,737	26,254,312	63,148,504

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 Rs175M with banks and has provided a collateral of Rs75M. At year end, the Company has not utilised any money market line as disclosed in note 20.

All balances are classified under Stage 1 and there were no movements between the stages during the years 2023, 2022 and 2021.

8 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2023	2022	2021
	Rs	Rs	Rs
Fixed deposits held with banks	**125,000,000**	140,000,000	140,000,000
Accrued interest receivable	**3,229,499**	6,666,293	4,208,853
Less provisions for expected credit losses (Stage 1)	**(244,377)**	(385,560)	(400,989)
	127,985,122	146,280,733	143,807,864
Current	**101,004,747**	29,865,721	-
Non-current	**26,980,375**	116,415,012	143,807,864
	127,985,122	146,280,733	143,807,864

Deposits with financial institutions have been contracted with Absa Bank (Mauritius) Ltd, AfrAsia Bank Limited and ABC Banking Ltd and carry an interest rate ranging from 3.30% to 4.6% with maturity until July 2026 and an average tenor of 5 years.

All balances are classified under Stage 1 and there were no movements between the stages during the years 2023, 2022 and 2021.

9 INVESTMENT IN DEBT SECURITIES AT AMORTISED COST

	2023	2022	2021
	Rs	Rs	Rs
Current			
Investment in debt securities at amortised cost	**95,941,000**	-	4,977,600
Accrued interest receivable	**3,382,500**	-	150,523
Less provisions for expected credit losses (Stage 1)	**(398,994)**	-	-
	98,924,506	-	5,128,123

At 31 December 2023, the Company holds 1 year treasury bonds at Absa Bank (Mauritius) Ltd which carry an interest of 4.4% p.a and which mature in February 2024.

All balances are classified under Stage 1 and there were no movements between the stages during the years 2023, 2022 and 2021.

10 NET INVESTMENT IN LEASE RECEIVABLES

		2023	2022	2021
		Rs	Rs	Rs
(a)	**Gross investment in lease receivables:**			
	Within 1 year	**615,713,880**	481,285,132	445,281,072
	Over year 1 up to year 2	**546,238,566**	397,972,673	357,881,730
	Over year 2 up to year 3	**458,405,979**	322,966,834	267,004,816
	Over year 3 up to year 4	**379,754,660**	231,138,742	184,537,535
	Over year 4 up to year 5	**294,311,765**	163,722,391	100,277,599
	Over 5 years	**421,887,056**	214,827,317	92,062,254
		2,716,311,906	1,811,913,089	1,447,045,006
	Unearned future finance income on finance leases	**(625,338,013)**	(345,948,974)	(202,220,680)
		2,090,973,893	1,465,964,115	1,244,824,326
	Rental receivables for finance and operating leases	**50,545,841**	38,153,203	53,752,484
	Provisions for expected credit losses	**(23,888,875)**	(27,724,964)	(40,887,154)
	Net investment in lease receivables	**2,117,630,859**	1,476,392,354	1,257,689,656
	Current	**43,152,764**	65,351,820	366,450,902
	Non-current	**2,074,478,095**	1,411,040,534	891,238,754
		2,117,630,859	1,476,392,354	1,257,689,656
	Net investment in lease receivables			
	Individual	**1,377,908,311**	882,409,746	705,858,220
	Corporate	**739,722,548**	593,982,608	551,831,436
		2,117,630,859	1,476,392,354	1,257,689,656

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) **Risk profile**

Interest rate risk

The interest rate inherent in the finance lease is variable at the contract date for the entire lease term. The average effective interest rate contracted is 9.66% (2022: 8.65% and 2021: 7.49%) per annum with interest rate ranging from 2.9% to 13%.

Credit concentration of risk by industry sectors	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Agriculture and fishing	**48,942**	33,793	71,835
Manufacturing and textile	**196,410**	146,301	76,147
Tourism	**206,245**	99,192	51,658
Transport	**314,598**	179,710	94,063
Construction and civil engineering	**171,141**	145,347	161,040
Financial and Business Services	**94,062**	81,108	111,274
Traders & Commerce	**381,163**	290,848	277,671
Personal	**39,179**	35,106	7,179
Professional	**64,681**	44,060	45,699
Media Entertainment and recreational activities	**49,288**	47,415	33,662
Freeport Enterprise	**124**	344	1,107
Other	**29,382**	9,724	35,435
Infrastructure	**6,172**	8,937	27,370
Education	**64,318**	56,231	30,227
Modernisation and Expansion	**221**	452	2,867
ICT Services	**89,127**	51,358	32,519
Services Sector	**281,435**	177,406	152,875
Health Development	**81,143**	69,060	45,062
	2,117,631	1,476,392	1,257,690

10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(b) (ii) **Allowance for expected credit loss**

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, i.e. leases under stages 1 and 2.

	ECL on non performing leases	ECL on performing leases	Total
	Rs	Rs	Rs
At 01 January 2021	25,250,757	21,093,548	46,344,305
Provision charged/(released) for the year	4,382,640	(9,839,791)	(5,457,151)
At 31 December 2021	29,633,397	11,253,757	40,887,154
Provision (released)/charged for the year	(14,893,794)	1,731,604	(13,162,190)
At 31 December 2022	14,739,603	12,985,361	27,724,964
Provision released for the year	**(3,755,293)**	**(80,796)**	**(3,836,089)**
At 31 December 2023	**10,984,310**	**12,904,565**	**23,888,875**

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10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(c) **Credit quality**

Set out below is the information about the credit risk exposure on the Company's lease receivables.

Net investment in lease receivables

	Performing				**Non-Performing**	
	Stage 1		**Stage 2**		**Stage 3**	**Total**
	Current	**1 to 30 days**	**31 to 60 days**	**61 - 90 days**	**> 90 days**	
31 December 2023	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Expected credit loss rate	**0.24%**	**0.94%**	**3.17%**	**8.45%**	**21.55%**	**1.12%**
Estimated total gross carrying amount at default	**1,617,806,047**	**333,582,158**	**109,981,268**	**29,182,896**	**50,967,365**	**2,141,519,734**
Expected credit losses (Rs)	**(3,811,153)**	**(3,137,677)**	**(3,490,175)**	**(2,465,560)**	**(10,984,310)**	**(23,888,875)**
Net	**1,613,994,894**	**330,444,481**	**106,491,093**	**26,717,336**	**39,983,055**	**2,117,630,859**

	2022 Stage 1	2022 Stage 2	2022 Stage 3	2022 Total
31 December 2022	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
31 December 2021	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

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

	Estimated total gross carrying amount at default		**Expected credit losses**		
	Performing	**Non performing**	**Performing**	**Non performing**	**Net**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**
Balance as at 01 January 2023	**1,458,574,560**	**45,542,758**	**12,985,361**	**14,739,603**	**1,476,392,354**
Changes due to new lease receivables originated net of those derecognised due to settlement as well as changes in days past due	**638,186,476**	**(784,060)**	**1,259,626**	**(5,095,715)**	**641,238,505**
Balance as at 31 December 2023	**2,096,761,036**	**44,758,698**	**14,244,987**	**9,643,888**	**2,117,630,859**

10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(d) **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
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

	2022 Stage 1	2022 Stage 2	2022 Stage 3	2022 Total
	Rs	Rs	Rs	Rs
ECL allowance as at 01 January 2022 under IFRS 9	6,203,777	5,049,980	29,633,397	40,887,154
New assets purchased	6,669,737	-	-	6,669,737
Assets 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 assets purchased	474,669,136	-	-	474,669,136
Transfer from asset held for sale	734,012	-	-	734,012
Assets derecognised or repaid	(452,354,573)	(28,627,278)	(29,920,633)	(510,902,484)
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

10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

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

	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total
	Rs	Rs	Rs	Rs
ECL allowance as at 01 January 2021 under IFRS 9	10,334,317	10,759,231	25,250,757	46,344,305
New assets purchased	2,558,248	-	-	2,558,248
Transfer from asset held for sale	4,587	-	-	4,587
Assets derecognised or repaid	(6,206,206)	(1,982,820)	(2,197,948)	(10,386,974)
Write off	-	-	(3,439,472)	(3,439,472)
Transfers to stage 1	263,956	(207,428)	(56,528)	-
Transfer 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)

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10 NET INVESTMENT IN LEASE RECEIVABLES (CONTINUED)

(d) **Allowances for expected credit losses (continued)**

Analysis by industry sector

	2023					2022	2021
	Gross Leases	**In default leases**	**ECL on performing leases**	**ECL on non-performing leases**	**Total Allowance for expected credit losses**	Total Allowance for expected credit losses	Total Allowance for expected credit losses
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.
Agriculture and fishing	**49,404,027**	**413,774**	**363,499**	**98,898**	**462,397**	246,945	872,010
Manufacturing and textile	**198,349,682**	**4,970,906**	**991,734**	**948,203**	**1,939,937**	1,285,598	3,068,430
Tourism	**207,928,684**	**2,324,114**	**1,128,130**	**555,494**	**1,683,624**	787,145	656,445
Transport	**318,981,709**	**12,335,829**	**2,007,710**	**2,375,505**	**4,383,215**	3,589,644	4,457,322
Construction and civil engineering	**172,771,409**	**1,851,128**	**1,267,738**	**362,422**	**1,630,160**	2,365,705	4,356,297
Financial and Business Services	**95,214,601**	**2,474,511**	**561,607**	**591,468**	**1,153,075**	806,861	1,049,703
Traders & Commerce	**387,518,379**	**18,786,800**	**2,109,085**	**4,246,505**	**6,355,590**	13,249,730	13,411,148
Personal	**39,679,315**	**162,606**	**461,271**	**38,865**	**500,136**	487,354	107,398
Professional	**65,199,332**	**868,128**	**310,562**	**207,494**	**518,056**	226,630	304,032
Media entertainment and recreational activities	**49,545,728**	**109,375**	**242,195**	**15,625**	**257,820**	715,431	1,153,472
Freeport Enterprise	**124,810**	**-**	**348**	**-**	**348**	1,449	1,932
Other	**29,561,623**	**143,812**	**145,264**	**35,951**	**181,215**	100,428	388,407
Infrastructure	**6,204,954**	**-**	**32,607**	**-**	**32,607**	48,084	234,256
Education	**65,011,742**	**-**	**693,369**	**-**	**693,369**	444,390	198,317
Modernisation and Expansion	**221,634**	**-**	**617**	**-**	**617**	1,530	1,813
ICT Services	**89,663,207**	**392,018**	**442,891**	**93,697**	**536,588**	392,031	606,435
Services Sector	**284,131,546**	**4,887,040**	**1,585,422**	**1,110,765**	**2,696,187**	2,162,559	8,954,826
Health Development	**82,007,352**	**1,247,322**	**560,516**	**303,418**	**863,934**	813,450	1,064,911
	2,141,519,734	**50,967,363**	**12,904,565**	**10,984,310**	**23,888,875**	27,724,964	40,887,154

11 PROPERTY AND EQUIPMENT

	Note	Fixtures and Fittings	Computer Equipment	Motor Vehicle	Assets under operating leases: Motor vehicles	Assets under operating leases: Equipment	Capital work in progress	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost:								
At 1 January 2021		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 from inventories	18 (a)	-	-	-	2,272,990	-	-	2,272,990
Transfer to inventories	18 (a)	-	-	-	(38,260,663)	(6,420,476)	-	(44,681,139)
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
Additions		**-**	**833,238**	**-**	**46,099,694**	**275,989**	**-**	**47,208,921**
Transfer from inventories	**18 (a)**	**-**	**-**	**-**	**1,850,072**	**-**	**-**	**1,850,072**
Transfer to inventories	**18 (a)**	**-**	**-**	**-**	**(65,960,252)**	**(1,271,313)**	**-**	**(67,231,565)**
At 31 December 2023		**4,145,074**	**6,017,035**	**5,185,153**	**220,341,312**	**2,155,989**	**-**	**237,844,563**

11 PROPERTY AND EQUIPMENT

	Note	Fixtures and Fittings	Computer Equipment	Motor Vehicle	Assets under operating leases: Motor vehicles	Assets under operating leases: Equipment	Capital work in progress	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Accumulated depreciation:								
At 1 January 2021		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	102,158,901	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	18 (a)	-	-	-	(25,206,172)	(4,771,701)	-	(29,977,873)
Disposals		-	-	(2,185,696)	-	-		(2,185,696)
		3,003,078	4,315,223	1,352,542	111,438,851	1,008,195	-	121,117,889
At 31 December 2022								
Charge for the year		**261,618**	**415,124**	**1,244,120**	**33,213,468**	**-**	**-**	**35,134,330**
Transfer to inventories	18 (a)	**-**	**-**	**-**	**(49,971,075)**	**(870,665)**	**-**	**(50,841,740)**
At 31 December 2023		**3,264,696**	**4,730,347**	**2,596,662**	**94,681,244**	**137,530**	**-**	**105,410,479**
Net book amount:								
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
At 31 December 2023		**880,378**	**1,286,688**	**2,588,491**	**125,660,068**	**2,018,459**	**-**	**132,434,084**

Management has reviewed the carrying value of the property and equipment and is of the opinion that at 31 December 2023, the property and equipment has not suffered any impairment. (2022: Nil, 2021: 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 and movements during the year.

	2023	2022	2021
Cost:	**Rs**	Rs	Rs
At 01 January	**3,964,133**	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**	3,964,133	5,868,304
Accumulated depreciation:			
At 01 January	**999,225**	5,038,164	3,353,316
Charge for the year	**1,982,066**	1,829,365	1,684,848
Retirement of right-of-use assets	**-**	(5,868,304)	-
At 31 December	**2,981,291**	999,225	5,038,164
Net book value:	**982,842**	2,964,908	830,140

(b) **Lease liabilities**

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

	2023	2022	2021
	Rs	Rs	Rs
At 01 January	**3,046,564**	977,004	2,797,381
Addition	**-**	3,964,133	-
Interest expense	**151,323**	142,633	119,031
Payment	**(2,131,395)**	(2,037,206)	(1,939,408)
At 31 December	**1,066,492**	3,046,564	977,004
Analysed as:			
Current	**1,066,492**	1,980,072	977,004
Non-Current	**-**	1,066,492	-
	1,066,492	3,046,564	977,004
Maturity Analysis			
Year 1	**1,066,492**	1,980,072	977,004
Year 2	**-**	1,066,492	-
	1,066,492	3,046,564	977,004

Amounts recognised in the statement of profit or loss and other comprehensive income	**2023**	2022	2021
	Rs	Rs	Rs
The following are amounts recognised in profit or loss:			
Depreciation expense of right-of-use assets	**1,982,066**	1,829,365	1,684,848
Interest expense on lease liabilities	**151,323**	142,633	119,031
Expenses on short term and low value leases	**430,360**	236,905	229,200
Repayment of lease liabilities as per statement of cash flows	**(1,980,072)**	(1,894,573)	(1,820,377)

13 INCOME TAX

Income tax charge/(credit) :

	Note	**2023**	2022	2021
		Rs	Rs	Rs
Tax on the profit for the year, as adjusted for tax purposes at applicable rate (2022: 17% and 2021: 17%)		**9,284,007**	-	-
CSR for the year		**1,237,867**	-	-
Under provision of current tax		**555,241**	-	-
Over provision of deferred tax assets		**-**	-	(29,927)
Deferred tax movement		**509,717**	3,626,348	3,732,800
		11,586,832	3,626,348	3,702,873
(Asset)/Liability:				
At 01 January		**(187,288)**	(187,288)	(830,433)
Underprovsion of current tax in prior year		**555,241**		-
Income tax charge for the year		**9,284,007**	-	-
CSR for the year		**1,237,867**	-	-
(Payment)/refund during the year		**(894,098)**	-	643,145
At 31 December		**9,995,729**	(187,288)	(187,288)
Current		**9,995,729**	(187,288)	(187,288)

The reconciliation between the effective tax rate for the year of **20.1%** (2022 – 11.4% and 2021 – 18%) and the applicable income tax rate of 17**%** (2022 and 2021 – 17%) is as follows:

	2023	2022	2021
(As a percentage of profit before tax)	**%**	%	%
Applicable income tax rate	**17.0**	17.0	17.0
Impact of:			
Under provision of current tax	**1.0**	-	-
Under/(over) provision of deferred tax assets	**3.1**	(1.5)	0.1
Other tax adjustments	**(1.0)**	(4.5)	-
Non allowable expenses	**-**	0.4	0.8
Actual income tax rate	**20.1**	11.4	18.0

As at 31 December 2023, the Company had fully utilised all accumulated tax losses (2022: Rs9,452,719).

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%** (2022 and 2021- 17%).

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

	2023	2022	2021
	Rs	Rs	Rs
At 01 January	**(1,936,268)**	1,873,950	5,752,438
Charge to profit or loss	**(509,717)**	(3,626,348)	(3,732,800)
Credit/(charge) to other comprehensive income	**525,363**	(183,870)	(175,615)
Over provision of deferred tax asset	**-**	-	29,927
At 31 December	**(1,920,622)**	(1,936,268)	1,873,950

14 DEFERRED INCOME TAX (CONTINUED)

	2023	2022	2021
	Rs	Rs	Rs
The balance is attributable to the following:			
Accelerated capital allowances	**(6,592,759)**	(9,017,446)	(9,936,244)
Provision for credit impairment	**4,247,759**	5,371,826	6,969,644
Accumulated tax losses	**-**	1,606,962	4,707,697
Retirement benefits obligation	**424,378**	102,390	132,853
	(1,920,622)	(1,936,268)	1,873,950

Deferred tax liabilities and assets are attributable to the following:

	Accelerated capital allowances	**Provisions for credit impairment**	**Retirement benefits obligation**	**Accumulated tax losses**	**Total**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**
Deferred tax (liabilities)/assets					
At 01 January 2021	(8,731,078)	7,813,840	140,815	6,528,861	5,752,438
Charge to profit or loss	(1,205,166)	(844,196)	-	(1,821,164)	(3,870,526)
Charge to other comprehensive income	-	-	(7,962)	-	(7,962)
At 01 January 2022	(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)
Credit/(charge) to profit or loss	**2,424,687**	**(1,124,067)**	**(203,375)**	**(1,606,962)**	**(509,717)**
Credit to other comprehensive income	**-**	**-**	**525,363**	**-**	**525,363**
At 31 December 2023	**(6,592,759)**	**4,247,759**	**424,378**	**-**	**(1,920,622)**

15 INTANGIBLE ASSETS

	Note	**2023**	2022	2021
		Rs	Rs	Rs
Computer software:				
Cost:				
At 01 January		**23,255,000**	23,069,000	3,714,986
Additions		**933,394**	186,000	2,096,392
Transfer from work in progress	11	**-**	-	17,257,622
At 31 December		**24,188,394**	23,255,000	23,069,000
Accumulated amortisation:				
At 01 January		**6,550,572**	4,051,233	3,237,254
Charge for the year		**5,734,841**	2,499,339	813,979
At 31 December		**12,285,413**	6,550,572	4,051,233
Net book amount:				
At 31 December		**11,902,981**	16,704,428	19,017,767

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:

	2023	2022	2021
	Rs	Rs	Rs Restated
At 01 January	**1,775,770**	1,036,777	1,665,000
Transfer from finance lease	**2,916,553**	1,976,086	1,006,070
Transfer to finance lease	**-**	-	(1,255,000)
Disposal made during the year	**(278,330)**	(1,474,552)	(360,000)
(Loss)/gain recognised in profit and loss	**(1,183,493)**	237,459	(19,293)
At 31 December	**3,230,500**	1,775,770	1,036,777

As management had the intention of disposing of all the unsold repossessed assets at 31 December 2023 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

	2023	2022
	Rs	Rs
Current		
At 01 January	**3,639,745**	-
New advances during the year	**1,404,805**	7,121,776
Accrued interest	**128,040**	212,666
Transfer to finance leases	**(4,143,680)**	(3,694,697)
At 31 December	**1,028,910**	3,639,745

Advances on finance leases relate advance payments to lessees for purchase of equipment from suppliers. Until lease contracts are established, advance on finance leases bear interest rates ranging from 7%-11.25%. 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 for both current and prior periods.

18 OTHER ASSETS

	Note	**2023**	2022	2021
		Rs	**Rs**	Rs
Prepayments		**1,482,096**	1,680,671	1,787,055
Inventories	(a)	**3,362,863**	3,357,665	2,924,918
VAT receivable		**408,753**	1,602,464	-
Loan to staff		**401,924**	143,759	193,217
Other receivables	(b)	**489,410**	1,954,327	4,372,141
		6,145,046	8,738,886	9,277,331

(a) *Inventories*

	Note	**2023**	2022	2021
		Rs	Rs	Rs
At 01 January		**3,357,665**	2,924,918	3,956,511
Transfer from property and equipment	11	**16,389,825**	14,703,266	10,580,014
Disposal		**(14,534,555)**	(11,997,529)	(9,372,487)
Transfer to property and equipment	11	**(1,850,072)**	(2,272,990)	(2,239,120)
At 31 December		**3,362,863**	3,357,665	2,924,918

18 OTHER ASSETS (CONTINUED)

(b) Other receivables are not backed by collaterals and not impaired at 31 December 2023, 2022 and 2021. Management has assessed the impact of ECLs on other receivables as not material.

(c) Staff loan is over a tenor of 5 years, unsecured and bears interest at 4.5% per annum.

19 DEPOSITS FROM CUSTOMERS

	2023	2022	2021
	Rs	Rs	Rs
Term deposits with remaining term to maturity:			
Individual customers			
Within 3 months	**63,923,337**	19,013,620	32,540,797
Over 3 months up to 6 months	**106,520,324**	60,493,595	52,122,690
Over 6 months up to 12 months	**149,432,359**	197,320,488	93,696,984
Over 1 year up to 5 years	**606,155,836**	455,694,429	308,340,745
Corporate customers			
Within 3 months	**48,314,834**	66,859,138	108,440,847
Over 3 months up to 6 months	**97,212,415**	58,467,584	174,823,061
Over 6 months up to 12 months	**157,200,394**	239,010,980	154,188,617
Over 1 year up to 5 years	**194,145,018**	177,958,344	323,487,991
	1,422,904,517	1,274,818,178	1,247,641,732
Current	**622,603,663**	641,165,405	615,812,996
Non-current	**800,300,854**	633,652,773	631,828,736
Total deposits	**1,422,904,517**	1,274,818,178	1,247,641,732

Term deposits represent deposits from individuals and corporates. The maturity varies between 3 months to 5 years. Interest rate on these time deposits vary between 1.55% and 6.25%.

20 OTHER BORROWED FUNDS

	2023	2022	2021
	Rs	Rs	Rs
Loan from Industrial Finance Corporation of Mauritius (IFCM)	**67,715,434**	98,915,670	88,555,005
Loan from banks	**334,339,257**	100,000,000	-
	402,054,691	198,915,670	88,555,005
Current	**94,026,404**	130,597,935	22,778,737
Non-current	**308,028,287**	68,317,735	65,776,268
Total other borrowed funds	**402,054,691**	198,915,670	88,555,005

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. The Company has a pledge of Rs50M for facilities given against deposits held at Afrasia Bank Ltd.

21 DEBT SECURITIES

	2023
	Rs
Debt securities at amortised cost	**367,780,617**
	367,780,617
Current	**68,722,573**
Non-current	**299,058,044**
Total debt securities	**367,780,617**

The Company has issued notes by a Note Programme amounting to Rs 369M through a private placement for sophisticated investors. The issuance has been credited Care MAU A- by Care Ratings (Africa) Private Limited and was closed on 27 February 2023. The tenors of the debt securities vary from 15 months - 5 years and carry fixed interest rates between 5.35% - 6.65%.

22 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 insufficiently covered under the pension plan and those who are not covered under any scheme.

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 2023. (2022: Rs8,838)

A past service gain of **Rs1.53M** was recognised in the accounts of La Prudence Leasing Finance Co Ltd. This is to reflect the change in the retirement gratuity factor back from 15/22 to 15/26 for employees who work 5 days a week as per the amendments in the Workers' Rights Act 2019, presented in the Finance Act 2023.

An actuarial loss on obligations of **Rs3.09M** corresponds to the combined effect of the changes in financial assumptions and the higher than expected increase in emoluments during 2023.

The most recent actuarial valuations for determining the present value of defined benefit obligations were carried out on 18 March 2024 by MUA Pension Ltd. The present value of the defined benefit obligations, and the related current and past service cost, were measured using the Projected Unit Credit Method.

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

	2023	2022	2021
	Rs	Rs	Rs
Present value of obligations	**2,505,180**	611,130	1,903,434
Fair value of plan assets	**(8,838)**	(8,838)	-
	2,496,342	602,292	1,903,434

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

	2023	2022	2021
Net liability at start of period	**602,292**	1,903,434	2,684,921
Net (gain)/expense recognised in profit or loss	**(1,196,322)**	533,834	251,544
Net actuarial (gains)/losses recognised in OCI	**3,090,372**	(1,072,754)	(1,033,031)
Benefits paid	**-**	(762,222)	-
	2,496,342	602,292	1,903,434

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

	2023	2022	2021
Interest cost	**37,998**	64,567	66,332
Current service cost	**297,616**	73,975	346,585
Past service cost	**(1,531,936)**	395,292	-
Curtailment/settlement gain on obligation	**-**	-	(161,373)
Net expense recognised in profit or loss	**(1,196,322)**	533,834	251,544

22 RETIREMENT BENEFITS OBLIGATION (CONTINUED)

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

	2023	2022	2021
	Rs	Rs	Rs
Actuarial (losses)/gains recognised in OCI	**(3,090,372)**	1,072,754	1,033,031

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

	2023	2022	2021
Present value of obligation at start	**611,130**	1,903,434	2,684,921
Interest cost	**37,998**	64,567	66,332
Current service cost	**297,616**	73,975	346,585
Past service cost	**(1,531,936)**	395,292	-
Benefits paid	**-**	(753,384)	-
Curtailment/settlement gain on obligation	**-**	-	(161,373)
Expected obligation at end of year	**(585,192)**	1,683,884	2,936,465
Present value of obligation at end of year	**2,505,180**	611,130	1,903,434
Re-measurement recognised in OCI at end of year	**(3,090,372)**	1,072,754	1,033,031

(f) Actuarial assumptions

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:

	2023	2022	2021
Normal Retirement Age	**65**	65	65
Weighted average discount rate	**5.10%**	6.22%	4.00%
Future salary increases	**5.00%**	5.00%	5.00%
Annual proportion of employees leaving service	5% up to age 40, decreasing to 0% at 45 and Nil thereafter.		
Actual table for employee mortality	PMA92_PFA92		

The weighted average duration of the liabilities at 31 December 2023 is **17 years**.

Employer's contribution to be paid in the next reporting period is estimated at **Rs2,569,152.**

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

Effect on present value of obligations	**2023**	2022	2021
	Rs	Rs	Rs
1% Increase in discount rate	**1,310,809**	217,672	1,317,681
1% Decrease in discount rate	**3,977,950**	1,353,783	2,792,822
1% Increase in salary increase assumption	**3,472,590**	1,084,371	2,454,237
1% Decrease in salary increase assumption	**1,720,012**	315,711	1,479,794
Effect of changing longevity – rate up	**2,329,272**	540,103	1,820,397
Effect of changing longevity – rate down	**2,670,479**	678,253	1,981,492

22 RETIREMENT BENEFITS OBLIGATION (CONTINUED)

The Company is exposed to the following actuarial risks:

- 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.

23 OTHER LIABILITIES

	2023	2022	2021
	Rs	Rs	Rs
Lease creditors	**-**	-	1,236,837
Other payables (a)	**28,254,955**	19,623,716	11,836,889
Accruals	**5,244,290**	3,494,493	1,543,288
Debt service reserve account (b)	**4,898,474**	3,449,014	-
Provision for Stage 1 ECL on off-balance sheet items	**221,233**	431,752	253,381
	38,618,953	26,998,975	14,870,395

(a) 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.

(b) Debt service reserve account relates to advance payments held for particular clients as a collateral for their lease facilities.

24 DIVIDEND PAYABLE

	2023	2022
	Rs	Rs
<u>Current</u>		
At 01 January	**10,000,000**	-
Dividend proposed	**15,000,000**	25,000,000
Dividend paid	**(25,000,000)**	(15,000,000)
At 31 December	**-**	10,000,000

On 15 May 2023, the Company declared dividends of Rs15M the financial year 2022 for which approval was obtained from the Bank of Mauritius on 05 July 2023. The Company has complied at all times with the regulatory requirements in respect of dividend payout. The Company did not declare any dividends for the financial year 2023.

25 SHARE CAPITAL

	As at 31 December 2023, 2022 and 2021
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.

26 NET INTEREST INCOME

	2023	2022	2021
	Rs	Rs	Rs
Interest income on financial assets at amortised cost			
Cash and cash equivalents	**805,161**	81,634	42,347
Deposits with financial institutions	**2,874,466**	3,817,085	2,817,450
Staff loan	**8,649**	7,157	10,908
Investment in debt securities at amortised cost	**3,841,500**	97,586	1,296,969
Advances on finance leases	**178,637**	210,025	2,640
Total interest income calculated using the EIR method	**7,708,413**	4,213,487	4,170,314
Others			
Investment in finance lease receivables	**168,825,818**	103,016,521	97,859,806
Total interest income	**176,534,231**	107,230,008	102,030,120
Deposits from customers	**51,355,322**	42,228,722	49,390,760
Debt securities	**19,508,617**	-	-
Lease liabilities	**151,323**	142,633	119,031
Interest on other borrowed funds	**9,720,714**	2,324,694	1,544,739
Total interest expense	**80,735,977**	44,696,049	51,054,530
Net interest income	**95,798,255**	62,533,959	50,975,590

27 OTHER INCOME

	2023	2022	2021
	Rs	Rs	Rs
Profit on disposal of owned assets	**-**	296,604	-
Profit on disposal of early terminated leases	**1,287,777**	1,693,890	863,363
Penalties	**5,928,095**	6,974,378	967,944
Recoveries made from previously written off accounts	**408,084**	-	-
Miscellaneous income including revenue from Bancassurance	**187,905**	128,192	74,338
	7,811,861	9,093,064	1,905,645

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28 NET IMPAIRMENT GAIN ON FINANCIAL ASSETS

	ECL on performing lease receivables Rs	ECL on non-performing lease receivables Rs	Stage 1 ECL on cash and cash equivalents Rs	Stage 1 ECL on investment in debt securities Rs	Stage 1 ECL on deposits with financial institutions Rs	Stage 1 ECL on undrawn commitments Rs	Total Rs
Opening impairment provisions at 01 January 2021	21,093,548	25,250,757	-	-	-	554,359	46,898,664
Bad debts written off against provisions	-	(3,439,472)	-	-	-	-	(3,439,472)
Impairment (release)/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/(release) to profit or loss for the year	1,731,604	(4,247,272)	113,004	-	(15,429)	178,371	(2,239,722)
Closing impairment provisions at 31 December 2022	12,985,361	14,739,603	113,004	-	385,560	431,752	28,655,280
Impairment charge/(release) to profit or loss for the year	(80,796)	(3,755,293)	120,336	398,994	(141,183)	(210,519)	(3,668,461)
Closing impairment provisions at 31 December 2023	**12,904,565**	**10,984,310**	**233,340**	**398,994**	**244,377**	**221,233**	**24,986,819**

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29 PERSONNEL EXPENSES

	Note	**2023**	2022	2021
		Rs	Rs	Rs
Wages and salaries		**38,295,447**	32,681,385	29,394,423
Social security obligations		**1,519,248**	1,411,984	1,331,582
Contributions to defined contribution scheme		**2,816,789**	2,605,149	2,126,786
Retirement benefits obligation expense	22 (c)	**(1,196,322)**	533,834	251,544
Other personnel expenses		**1,141,993**	1,225,725	303,469
		42,577,155	38,458,077	33,407,804

Other personnel expenses comprise training expenses and staff welfare.

30 OTHER EXPENSES

	2023	2022	2021
	Rs	Rs	Rs
Software maintenance	**634,547**	1,594,204	1,513,058
Advertising	**2,162,503**	1,041,868	288,279
Licenses	**2,165,125**	2,162,625	2,163,308
Audit and audit related fees payable to statutory auditor	**1,500,000**	1,345,000	1,299,587
Professional fees	**5,023,500**	4,919,663	2,569,297
Write-offs	**398,040**	27,589	-
Director fees	**2,659,000**	2,550,000	2,612,000
Others	**9,527,016**	5,156,499	2,947,048
	24,069,731	18,797,448	13,392,577

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

31 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:

	2023	2022	2021
	Rs	Rs	Rs
i) Finance lease receivables			
Leases due from key management personnel			
At 01 January	**2,904,998**	-	-
Leases granted during the year	**1,750,000**	3,317,322	-
Repayments during the year	**(1,278,324)**	(412,324)	-
At 31 December	**3,376,674**	2,904,998	-
Interest income	**153,357**	117,040	-

31 RELATED PARTY DISCLOSURES (CONTINUED)

i) Finance lease receivable (continued)

	2023	2022	2021
	Rs	Rs	Rs
Leases due from entities with common directors and shareholders			
At 01 January	**38,859,115**	55,434,263	81,564,890
Leases granted during the year	**9,769,321**	15,277,569	26,327,828
Repayments during the year	**(15,140,369)**	(31,852,718)	(52,458,455)
At 31 December	**33,488,067**	38,859,115	55,434,263
Interest income	**2,639,838**	2,900,899	4,021,269

Finance leases to related parties vary from 2 to 7 years with interest rates from 3.90% to 11%.

ii) Deposits

	2023	2022	2021
	Rs	Rs	Rs
At 01 January	**201,400,000**	87,245,665	142,342,550
Received during the year	**148,632,465**	141,799,438	5,168,720
Encashed during the year	**(197,300,000)**	(27,645,103)	(60,265,605)
At 31 December	**152,732,465**	201,400,000	87,245,665
Interest expense	**4,184,848**	1,673,655	3,774,640

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%.

iii) Amount due from holding company

	2023	2022	2021
	Rs	Rs	Rs
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

v) Compensation to key management personnel

	2023	2022	2021
Short-term employee benefits	**15,667,898**	13,716,909	11,617,549
Post-employment benefits	**2,760,082**	2,491,637	1,991,213
Total	**18,427,980**	16,208,546	13,608,762

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 Board of Directors. There has been no material impairment charge on those leases and amount receivable from related parties.

32 COMMITMENTS

Finance leases

The Company had commitments in respect of lease contracts which had been signed at 31 December 2023 of **Rs 67,398,450** (2022 – Rs. 116,587,627; 2021 - Rs. 30,405,032) but for which no monies had been disbursed.

As at 31 December 2023, the Company has **Rs 27,672,285** as unused credit lines.

33 OPERATING LEASE RECEIVABLES

Operating leases where the Company is the lessor

Maturity analysis of undiscounted lease payments:

	2023	2022	2021
	Rs	Rs	Rs
Within 1 year	**57,343,394**	60,224,501	64,593,558
Between 1 year and 2 years	**37,336,105**	52,352,124	54,021,830
Between 2 years and 3 years	**29,223,755**	29,085,341	46,157,728
Between 3 years and 4 years	**19,113,588**	19,311,225	22,825,013
Between 4 years and 5 years	**12,595,813**	9,820,397	12,915,639
Between 5 years and 7 years	**24,884,016**	4,593,398	2,924,309
	180,496,671	175,386,986	203,438,077

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

	2023	2022	2021
	Rs	Rs	Rs
Within 1 year	**57,343,394**	60,224,501	64,593,558
Over 1 year up to 7 years	**123,153,277**	115,162,485	138,844,519
	180,496,671	175,386,986	203,438,077

Operating lease rental income recognised in profit or loss is **Rs 45,832,414** (2022 – Rs. 48,064,342; 2021 - Rs. 51,261,719).

The Company leases vehicles under various agreements which terminate between 2023 and 2030. The agreements do not include an extension option. The leases are at an interest rate of 6.00% - 12%.

34 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.

35 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**	**Other changes**	**At end of reporting period**
2023	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Borrowings from banks	**100,000,000**	**-**	**234,206,654**	**132,603**	**334,339,257**
Debt securities	**-**	**-**	**369,000,000**	**(1,219,383)**	**367,780,617**
Lease liabilities	**3,046,564**	**-**	**(1,980,072)**	**-**	**1,066,492**
Dividend payable	**10,000,000**	**15,000,000**	**(25,000,000)**	**-**	**-**
Total liabilities from financing activities	**113,046,564**	**15,000,000**	**576,226,582**	**(1,086,780)**	**703,186,366**

35 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2022	At start of reporting period	Dividend declared	Financing cash flows	New leases	Other changes	At end of reporting period
	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

2021	At start of reporting period	Financing cash flows	New leases	Other changes	At end of reporting period
	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

36 SUBSEQUENT EVENTS

There have been no material events after reporting date which require adjustments to disclosures in the financial statements.

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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 2022	Budget 2023	Actual 2023	Budget 2024
	%	%	%	%
AREAS OF PERFORMANCE				
REVENUE GROWTH RATIO				
Revenue growth	6.59%	8.30%	**41.94%**	**26.39%**
Interest expense	(12.45%)	(10.00%)	**80.63%**	**62.40%**
PRODUCTIVITY RATIO				
Non-interest expense/(Net interest income + other income)	75.49%	57.79%	**66.47%**	**28.05%**
OVERALL PERFORMANCE RATIO				
Return on equity	9.43%	6.93%	**13.97%**	**14.92%**
Return on average assets	1.64%	1.21%	**2.10%**	**1.95%**
Portfolio quality				
- ECL coverage ratio	1.98%	3.54%	**1.12%**	**1.13%**

Revenue Growth

Total revenue for the year ended 31 December 2023 increased by **41.94%** compared to 6.59% in 2022. 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 drastically increased mainly due to:

- More diversified sources of funding which range from bonds and term loans to support the growth of the Company.
- Growth of the Company's deposit book with higher interest rates, thus increasing the overall cost of fund.

Productivity Ratio

The productivity ratio, higher than budgeted for 2023 is due to:

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

Overall Performance ratio

Return on equity is **13.97%** at 31 December 2023 compared to a budget of 6.93% and return on average assets at **2.10%** compared to budgeted figures of 1.21% for 2023. There has been increase in interest income in 2023 and profitability is at **Rs57.71M** (2022: Rs32.05M) before income tax.

During the year there has been no amount written off out of provisions for impairment allowances. Management further considers the adequacy of impairment provisions to be adequate, with an overall coverage ratio of **1.12%** with ECL coverage on the impaired book at **21.6%.** (2021: 32.4%). Though there has been a release of **Rs3.8M** during the current year on account of a more rigorous credit management for accounts in arrears, Management has nevertheless on a prudential approach, made an appropriation of retained earnings of **Rs17.9M** to the General Risk Reserve to comply with regulatory requirements.

The Company has decided to revise the useful life of its accounting software from 8 to 5 years with an impact of **Rs3.1M** in the current year.

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 **93%** (2022: 89% and 2021: 88%) of the total portfolio.

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Agricultural equipment	**23,536**	30,745	42,720
Boat equipment	**624**	2,298	3,431
Computer equipment	**1,840**	3,223	14,194
Other equipment	**118,400**	130,812	89,520
Vehicles	**1,997,120**	1,337,039	1,148,712
	2,141,520	1,504,117	1,298,577

1.2.2 REVENUE GROWTH

	2023	2022	2021
	%	%	%
Net Interest Margin (Net Interest income/Total average interest earnings assets)	**4.51%**	3.68%	3.00%
Net Interest Income/Total Average Assets	**4.36%**	3.61%	3.09%

	Income	**Related assets**	Income	Related assets	Income	Related assets
	2023	**2023**	2022	2022	2021	2021
	Rs	**Rs**	Rs	Rs	Rs	Rs
Finance lease income	**168,825,818**	**2,117,630,859**	103,016,521	1,476,392,354	98,465,364	1,257,689,656
Operating lease rental Income	**45,832,414**	**127,678,527**	48,064,342	129,056,065	51,261,719	146,583,595
Deposits with financial institutions and investments in debt securities	**7,708,413**	**226,909,628**	4,213,487	172,535,045	4,170,314	212,084,491
	222,366,645	**2,472,219,014**	155,294,350	1,777,983,464	153,897,397	1,616,357,742

	Interest expense	**Related liabilities**	Interest expense	Related liabilities	Interest expense	Related liabilities
	2023	**2023**	2022	2022	2021	2021
	Rs	**Rs**	Rs	Rs	Rs	Rs
Other borrowed funds	**9,720,714**	**402,054,691**	2,324,694	198,915,670	1,544,739	88,555,005
Debt securities	**19,508,617**	**367,780,617**	-	-	-	-
Lease liabilities	**151,323**	**1,066,492**	142,633	3,046,564	119,031	977,004
Deposits from customers	**51,355,322**	**1,422,904,517**	42,228,722	1,274,818,178	49,390,760	1,247,641,732
	80,735,977	**2,193,806,317**	44,696,049	1,476,780,412	51,054,530	1,337,173,741

	2023	2022	2021
	Rs	Rs	Rs
Net interest income	**95,798,255**	62,533,959	51,581,148
Non-interest income:			
Operating lease rental income	**45,832,414**	48,064,342	51,261,719
Fee and commission income	**15,252,725**	8,397,613	7,038,879
Other income	**7,811,861**	9,093,064	1,905,645
Net foreign exchange gain	**25,642**	144,469	5,256
	68,922,642	65,699,488	60,211,499
Operating income	**164,720,897**	128,233,447	111,187,089
Non-interest income/Operating income	**41.84%**	51.23%	54.15%

1.2 REVIEW BY FINANCIAL PRIORITY AREAS (CONTINUED)

1.2.3 COST CONTROL

	2023	2022	2021
	Rs	Rs	Rs
Non – interest expense			
Personnel expenses	**42,577,155**	38,458,077	33,407,804
Depreciation of property, plant and equipment	**35,134,330**	37,074,235	41,995,762
Depreciation of right-of-use assets	**1,982,066**	1,829,365	1,684,848
Amortisation of intangible assets	**5,734,841**	2,499,339	813,979
Other expenses	**24,069,731**	18,797,448	13,392,577
Total non-interest expense	**109,498,123**	98,658,464	91,294,970
PRODUCTIVITY RATIO			
Non-interest expense/Total income	**66.47%**	76.94%	81.80%

Non-interest expenses have mostly increased because of the changes in personnel expenses and other expenses. In 2023, the Company has recruited additional personnel to support the growth strategy. Moreover, the increase in other expenses is mainly due to more professional fees and marketing expenses incurred during the year.

1.2.4 CREDIT EXPOSURE AND CONCENTRATION BY SECTOR

	2023	**2023**
	Rs'000	**%**
Lendings		
Agriculture and Fishing	**49,404,027**	**2%**
Manufacturing and Textile	**198,349,682**	**9%**
Tourism	**207,928,684**	**10%**
Transport	**318,981,709**	**15%**
Construction and Civil Engineering	**172,771,409**	**8%**
Financial and Business Services	**95,214,601**	**4%**
Traders & Commerce	**387,518,379**	**18%**
Personal	**39,679,315**	**2%**
Professional	**65,199,332**	**3%**
Media entertainment and recreational Activities	**49,545,728**	**2%**
Freeport Enterprise	**124,810**	**0%**
Other	**29,561,623**	**1%**
Infrastructure	**6,204,954**	**0%**
Education	**65,011,742**	**3%**
Modernisation and Expansion	**221,634**	**0%**
ICT Services	**89,663,207**	**4%**
Services Sector	**284,131,546**	**13%**
Health Development	**82,007,352**	**4%**
	2,141,519,734	**100%**

Sectors with the highest credit concentration of the Company during the year were the Traders and Transport which represents **18%** (2022- 22.42% and 2021 - 22.42%) and **15%** (2022- 12.37% and 2021- 7.46%) 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.

Refer to Notes 3F, 5.1, 10(d) and 28 for more credit risk related disclosures.

1.2.4 CREDIT EXPOSURE AND CONCENTRATION BY SECTOR (CONTINUED)

The 6 most significant exposures as at 31 December 2023 are as follows:

Customer	Category	Net exposure Rs	% of Tier 1 capita %	Regulatory limit %
1	Single entity	21,482,193	7%	40%
2	Single entity	19,501,329	7%	40%
3	Single entity	15,183,738	5%	40%
4	Single entity	14,676,650	5%	40%
5	Single entity	14,201,116	5%	40%
6	Single entity	12,524,313	4%	40%

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 2023, the Company's capital adequacy ratio was **17.91%** (2022 – 22.33%; 2021 – 25.34%)

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

CAPITAL BASE	2023 Rs'000	2022 Rs'000	2021 Rs'000
A.Tier 1 Core Capital			
- Paid up capital	**200,000**	200,000	200,000
- Statutory reserve	**40,415**	33,497	29,233
- Retained earnings	**64,782**	61,035	67,971
	305,197	294,532	297,204
Less			
- Deferred income tax asset	**-**	-	(1,874)
- Intangible assets	**(11,903)**	(16,704)	(19,018)
Tier 1 capital	**293,294**	277,828	276,312
B. Tier 2 Supplementary Capital			
General provisions/ Portfolio provisions/ general loan loss reserves against unidentified losses	**14,245**	13,943	14,339
General risk reserve	**24,879**	6,989	-
Tier 2 capital (capped at 1.25% of RWAs)	**22,009**	16,478	14,339
C. Total Capital			
Tier 1 : Core Capital	**293,294**	277,828	276,312
Tier 2 : Supplementary capital	**22,009**	16,478	14,339
This Total gross capital	**315,303**	294,306	290,651
Total net capital	**315,303**	294,306	290,651
Weighted amount of on-balance sheet assets ("RWAs")	**1,760,753**	1,318,229	1,147,127
Capital Adequacy Ratio	**17.91%**	22.33%	25.34%

2 CAPITAL STRUCTURE (CONTINUED)

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 2023, 2022 and 2021, this condition was met.

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Total deposit liabilities	**1,422,904,517**	1,274,818,178	1,247,641,732
Total liquid assets	**303,558,365**	172,535,045	212,084,491
Liquidity ratio	**21%**	14%	17%

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 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. During they year, the Company has diversified its sources of funding which include corporate bonds, term loans and fixed deposits from customers which mainly bears fixed interest rate.

On the other hand, the majority of leases granted by the Company are at floating rates and secured by floor rates in the event of a drop in interest rates. Moreover, any adverse fluctuation in the market interest rate will have an impact on the interest rate on future fixed 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 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.

3 RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

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 2023, the Company's total exposure with related parties was **Rs33,488,067** (2022 – Rs 38,859,115; 2021 – Rs 55,434,263). This represented **11.01%** (2022 – 13.99%; 2021 – 20.06%) 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.

At the end of 2023, the Company's capital adequacy ratio was **17.91%** (2022 – 22.33%; 2021 – 25.34%).

	Outstanding balance Rs	As a % of Tier 1 capital
Client 1	**5,361,067**	**1.83%**
Client 2	**5,252,368**	**1.79%**
Client 3	**3,157,965**	**1.08%**
Client 4	**3,096,687**	**1.06%**
Client 5	**2,243,152**	**0.76%**
Client 6	**2,056,751**	**0.70%**
	21,167,990	**7.22%**

During the year, no exposure to related parties was individually impaired (2022 and 2021 - Nil). Details of Related Party transactions are provided in Note 31 of these financial statements.

5 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Refer to the corporate governance report within this report.

Mr. Mushtaq Oosman	Mr. Clement Yue-Chi-Ming	Mrs Yeung Min John Chuan
Chairperson of the Board of Directors	***Managing Director***	***Chairperson of the Audit Committee***

Date: **27 March 2024**

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